

## A STUDY ON ANALYSIS OF EFFECT OF BUDGETARY CONTROL

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### ABSTRACT

The budgeting process and budgetary control are one of the most important activities that have great importance in the techniques used for planning and monitoring activities and all the administrative and financial functions of the organization. This study aims to assess the effect of budgetary control on the financial performance of the Tata motor Company and verify the effectiveness of budgetary control techniques in the company, in light of the support and role of top management for budgetary control techniques in the company. This study will allow financial managers in various companies to understand the nature of the work of budgetary control techniques, their importance, and the extent of the impact of each technique, and thus managers will be able to determine the best-used and appropriate techniques that will lead to raising efficiency in financial and organizational performance. As for the research methodology used in the study, the survey method based on questionnaires and interviews was used. Data were analyzed using frequency distribution, correlations, and regression analysis.

**Keywords:** budgeting process, techniques, organizational performance.

### 1. INTRODUCTION

**Budgetary Control**, or investment appraisal, is the planning process used to determine whether an organization's long term investments such as new machinery, replacement machinery, new plants, new products, and research development projects are worth the funding of cash through the firm's capitalization structure (debt, equity or retained earnings). It is the process of allocating resources for major capital, or investment, expenditures.[1] One of the primary goals of Budgetary Control investments is to increase the value of the firm to the shareholders.

Many formal methods are used in Budgetary Control, including the techniques such as

- Accounting rate of return
- Payback period
- Net present value
- Profitability index
- Internal rate of return
- Modified internal rate of return
- Equivalent annuity
- Real options valuation

These methods use the incremental cash flows from each potential investment, or project. Techniques based on accounting earnings and accounting rules are sometimes used - though economists consider this to be improper - such as the accounting rate of return, and "return on investment." Simplified and hybrid methods are used as well, such as payback period and discounted payback period

### BUDGETARY CONTROL DEFINITION

Budgetary Control is the planning of long-term corporate financial projects relating to investments funded through and affecting the firm's capital structure. Management must allocate the firm's limited resources between competing opportunities (projects), which is one of the main focuses of Budgetary Control. Budgetary Control is also concerned with the setting of criteria about which projects should receive investment funding to increase the value of the firm, and whether to finance that investment with equity or debt capital. Investments should be made on the basis of value-added to the future of the corporation. Budgetary Control projects may include a wide variety of different types of investments, including but not limited to, expansion policies, or mergers and acquisitions. When no such value can be added through the Budgetary Control process and excess cash surplus exists and is not needed, then management is expected to pay out some or all of those surplus earnings in the form of cash dividends or to repurchase the company's stock through a share buyback program.

Choosing between Budgetary Control projects may be based upon several inter-related criteria.

1. Corporate management seeks to maximize the value of the firm by investing in projects which yield a positive net present value when valued using an appropriate discount rate in consideration of risk.
2. These projects must also be financed appropriately.
3. If no positive NPV projects exist and excess cash surplus is not needed to the firm, then financial theory suggests that management should return some or all of the excess cash to shareholders (i.e., distribution via dividends).

## 2. REVIEW OF LITERATURE

Feedback focuses on the extent to which employees have achieved expected levels of work during a specified time period. Hopwood (1972) states that budgets could be used as a control mechanism to regulate the behavior of employees by specifying the means to produce a unit of output. His study contains ample evidences proving the association of extrinsic rewards with budgetary achievement as a powerful means in motivating the managers, Bruns and Water House, (1975), concluded that when production process was relatively routine and repetitive, budgets were used effectively to achieve organizational coordination. Amey (1979) revealed that budgets served for dual purposes of planning and control.

**Ramsey and Ramsey (1985)** in their work reported that, since the budgeting process provides for coordinated planning among different functional areas, budgets were used to communicate the top management's expectations to managers and employers. Cheung (1986) based on his study, revealed that operating budgets were widely used for planning and controlling the performance. Srinivasan (1987) reported that budgets were used for different purposes such as a tool for cost reduction, a factor motivating the employees to achieve the organizational goals; and an effective communication tool for the managers to carryout their work effectively. Bremser (1988) reported that budgets were used to communicate the management's expectations to the managers and employees.

The budgetary process provides for coordinated planning among different functional areas. Lyne (1988) reported that the budget information are used for decision making, budget used as a motivational tool encourages the managers to participate in the setting their budget targets and in meeting the budget targets. Stewart (1990) opined that budgets were used in organizations for diverse purposes and they include performance measurement and evaluation, staff motivation, pricing decisions, cost control and concluded that budgeting had been considered as an integral element of the management control system.

### RESEARCH GAP:

This study focuses on the directed is watched by that organizations proceed to bungle and come up short since they have imperfect budgetary arranging and control frameworks, which they obviously neglect to perceive..

### OBJECTIVES:

- To provide the material frame work of budget and Budgetary Control
- To describe the profit of the organization as a backdrop for undertaking a study of Budgetary Control system.
- To analyze the budgetary system in practice in Tata Motors Limited with particular reference to their objectives and phases of organizational and re-appropriation.
- In addition to the analysis of the conventional budgetary system in practice in Tata Motors Limited. The study aims at evaluation and modification to the current budgetary system with reference to the various types of budgets. The scope in the formulation of performance budget is also studied.

## 3. RESEARCH METHODOLOGY

### Need For The Study

- To know about the budget and Budgetary Control of Tata Motors Limited.
- To know about the status of a company by different financial Budgetary policies.
- To know about the present scenario of Banking companies Investment estimation that are existed in the market.
- To know about the present impact of Budgetary Control on the Financial position of the company.
- To know about the fast performance to based on future Estimation of the Budgetary Control of the techniques.

### Scope Of The Study:

The scope of the study limited to collecting the data published in the reports of the company and opinions of the employees of the organization with reference to the objective stated above and theoretical framework of the data. With a view to suggest solutions to various problems relating to budget and budgetary control.

## Methodology

### SOURCES OF DATA:

The project report is based on the source of data that is collected. The collection of data is an important step to be followed. The process of data collection follows in two ways. They are

#### PRIMARY DATA

Primary data is the data that is collected for the first time. The data consists of original information collected for the specific purpose. The popular ways to collect primary data consist of surveys, interviews and focus groups, which shows that direct relationship between potential customers and the companies

- The primary data was collected through the questionnaire from selected sample respondents.

#### SECONDARY DATA

Secondary data is basically primary data collected by someone else. Researches re-use and repurpose information as secondary data because it is easier and less expensive to collect. It can be collected directly either from published or unpublished sources.

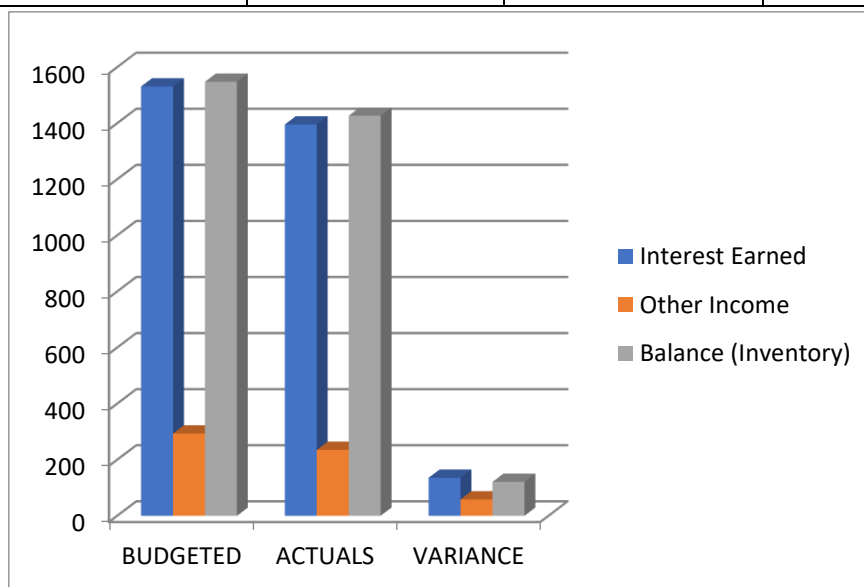
- Secondary data were collected from the brochures and annual records provided by the bank
- Various books relating to retail banking and other related topics.
- Internet and official websites of the company.

## 4. DATA ANALYSIS & INTERPRETATION

### CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2022-2023

(Cr.....)

S.No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interest Earned	1531.11	1395.52	135.59
2	Other Income	293.54	234.94	58.6
3	Balance (Inventory)	1547.68	1,426.64	121.04
	<b>Total</b>	<b>3372.33</b>	<b>3057.1</b>	<b>315.23</b>



There are two formulas to calculate variance:

Variance % = Actual / Forecast – 1 (Or) Variance \$ = Actual – Forecast.

### INTERPRETATION:

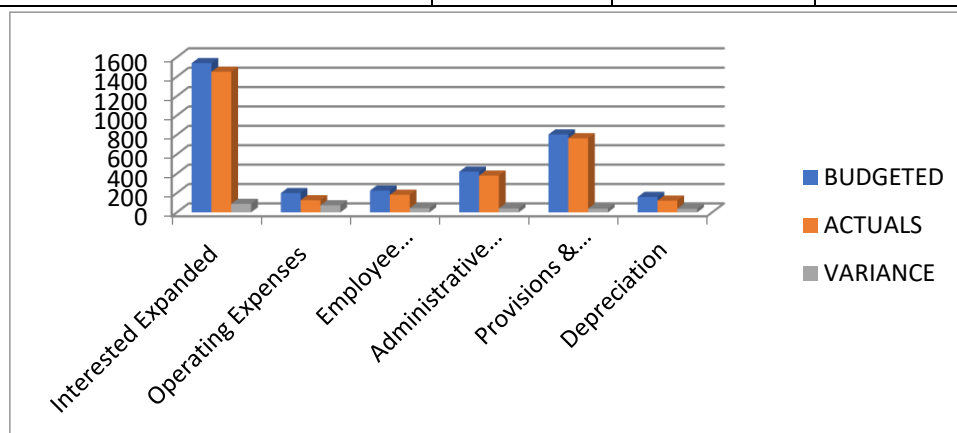
In this year it can be seen that every item actuals are bellow the budget estimate which reprehensions a positives indications of savings, the actuals are beyond budget estimates due to revision in pay scales. Which can be ignored, because in total budget estimates are more than the actual.

In revenue receipts, the actuals are below the budgeted. Except in increase in inventory value is negative. The budget estimates with a good variation percentage.

### CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THE YEAR 2022-2023

(Cr.....)

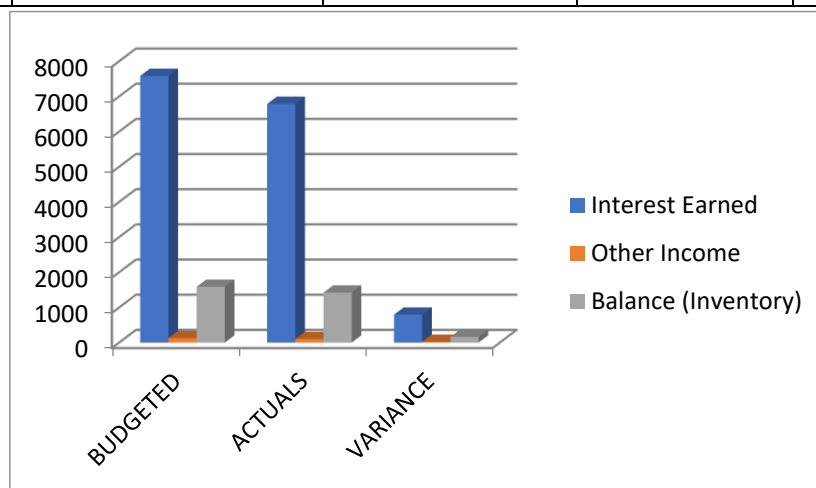
S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interested Expanded	1539.47	1450.85	88.62
2	Operating Expenses	199.22	125.62	73.6
3	Employee Remuneration & Benefits	225.3	181.51	43.79
4	Administrative & Operation Expenses	420.33	379.05	41.28
5	Provisions & Contingencies	803.76	764.67	39.09
6	Depreciation	159.29	121.28	38.01
	Total	3347.37	3022.98	324.39



### CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2021-2022

(Cr.....)

S. No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interest Earned	7584.54	6788.26	796.28
2	Other Income	125.89	102.07	23.82
3	Balance (Inventory)	1587.96	1422.44	165.52
	Total	9298.39	8312.77	985.62



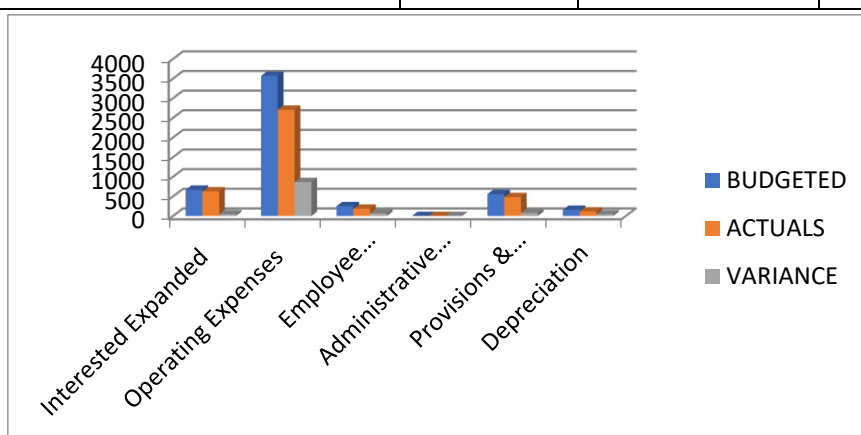
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### CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THE YEAR 2021-2022

(Cr.....)

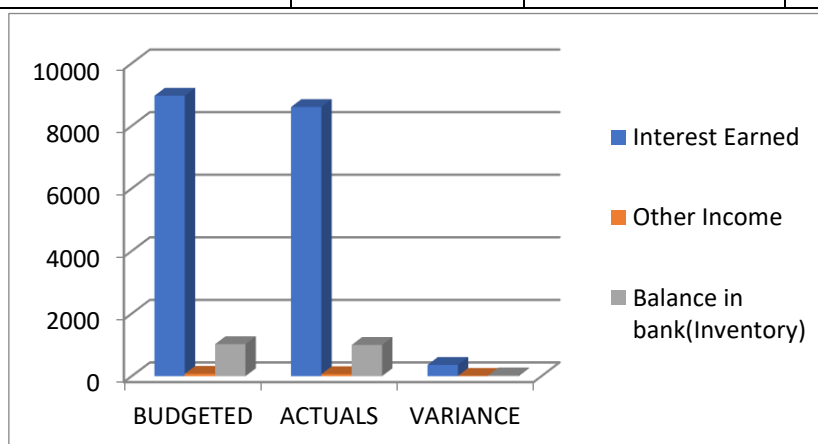
S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interested Expanded	669.67	627.73	41.94
2	Operating Expenses	3569.63	2704.96	864.67
3	Employee Remuneration & Benefits	250.57	185.6	64.97
4	Administrative & Operation Expenses	-----	----	-----
5	Provisions & Contingencies	558.94	481.09	77.85
6	Depreciation	159.68	117.24	42.44
	Total	5208.49	4116.62	1091.87



### CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2020-2021

(Cr.....)

S.No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interest Earned	8965.24	8604.99	360.25
2	Other Income	75.35	64.26	11.09
3	Balance in bank(Inventory)	1025.36	999.02	26.34
	Total	10065.95	9668.27	397.68



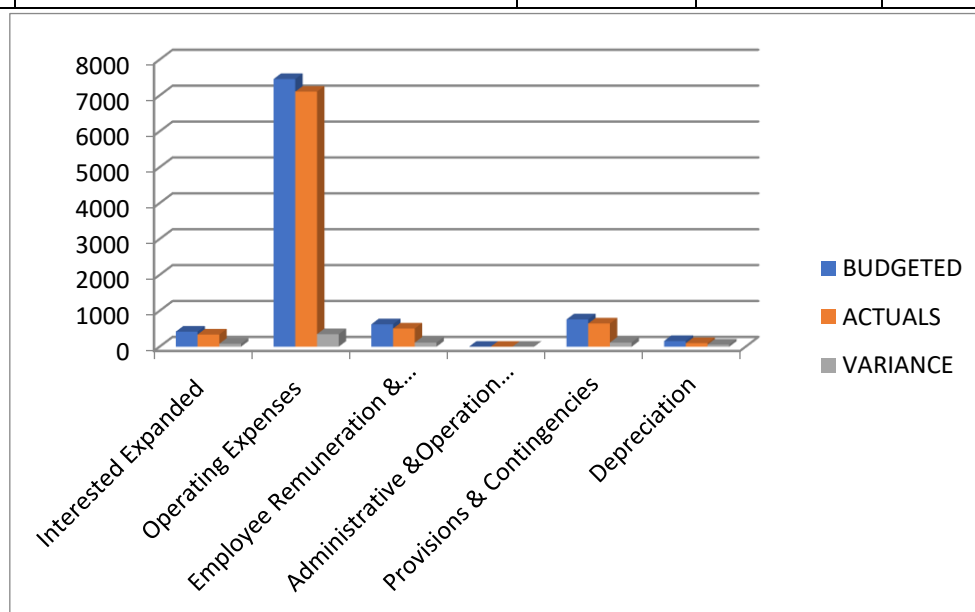
### INTERPRETATION:

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#### CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THE YEAR 2020-2021

S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interested Expanded	421.25	340.26	80.99
2	Operating Expenses	7458.69	7108.25	350.44
3	Employee Remuneration & Benefits	624.37	507.91	116.46
4	Administrative & Operation Expenses	-----	----	-----
5	Provisions & Contingencies	763.91	648.57	115.34
6	Depreciation	159.68	101.44	58.24
	Total	9427.9	8706.43	721.47



## 5. CONCLUSION

Since, all the production units in Tata Motors limited Will run perpetually throughout the year, there will be minimum variations in the revenue expenditure budget estimates and actual. As the expenditure will be incurred more or less to the estimations made by the organization. In concern with overhead expenses, it will also be with minimum variations between budget estimates and actual. Since the production process will be consistent. Any change in the items of expenditure, will lead to the review in the budget estimates by the accounts and finance department. It is also suggested to the company that budget techniques will be very useful to control and manage cost effectively.

## 6. REFERENCES

- [1] <http://www.tatamotors.com>
- [2] <http://www.yahoofinance.com>
- [3] <http://www.google.com>