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SIGNIFICANCE OF BUDGETING AND BUDGETARY CONTROL WITH REFERENCE TO PICASTRA LOGISTICS PRIVATE LIMITED

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ABSTRACT:

The key function of the financial management is the selection of the most profitable assortment of asset investment and it is the most important area of decision making of the financial manager because any action taken by the manager in this area affects the working and the profitability of the firm for many years to come. The objective of the research is to study on budgetary control through which to stress the importance of asset budgeting in an organization and to analyze the asset budgeting process to be adopted by the company in order to take better investment decisions for various business projects. Further, it caters information about cash inflows and outflows of various years. Thus, the comparison provides clear idea about investments and return on the same which can be helpful for the years to come.

KEYWORDS:

Budgetary Control, Variance analysis, Revenue budgeting, Budgetary discipline, Operational expenditure budget

INTRODUCTION:

Budget is an instrument used by an organization in the achievement of its purpose of matching plans with resources available. The primary function of budget is to provide management with a projection of the activities necessary to reach the established goals. Budget also serves as a control device. A budget is a detailed plan for acquiring and using financial and other resources over a specified period. It represents a plan expressed in formal quantitative terms. The act of preparing a budget is called budgeting. The use of budgeting to control a firm's activities is called budgetary control. Budget requires coordination



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throughout the organization. Each department or unit within the organization is responsible to prepare its part of the budget, which is then coordinated with the overall company budget. Budget assigns responsibility to the management in each unit. Budgeting is an integral part of planning process. Successful companies plan for their futures through the discipline of preparing an annual business plan, stipulating their financial and quantitative goals and strategies.

OBJECTIVES OF STUDY:

PRIMARY OBJECTIVES:

1. To evaluate the asset budgeting techniques and budgetary control towards the Picastra Logistics Private Limited.

SECONDARY OBJECTIVES:

1. To understand the budget and budgetary control system of Picastra Logistics Private Limited.
2. To study variations of components of revenue budget and components of operational expenditure budget.
3. To analyze and compare the variation of revenue budget and operational budget.
4. To suggest the effective budgetary mechanism for Picastra

REVIEW OF LITERATURE

1. Davina F. Jacobs (2019) is a senior economist in the Fiscal Affairs Department has done a research on asset budgeting practices. His study argues that the key challenge in government budgeting is to define an appropriate balance between current and asset expenditures. Budgeting for government asset investment also remains not well integrated into the formal budget preparation process in many countries. Hence, the research has been prepared with an aim to provide an overview of past and current budgeting practices for public investment. The study will also provide a comparison between the budget practices between low-income countries and developed countries and make a series of recommendations for how to ensure efficient integration of asset planning and budget management in low-income countries.



2. Susan F. Haka, Michigan State University, USA (2018) has studied “Asset budgeting and investment appraisal” and historical appraisal of the development of current asset budgeting practices and reviews asset budgeting academic research. He has explained modern asset budgeting and its processes. In the late eighteenth and early nineteenth centuries, the industrial revolution was instrumental in creating demand for asset budgeting processes and techniques. Academic research, beginning in the late 1940s and early 1950s, is categorized by its focus on appraisal techniques, individual decision-maker effects, organizational issues, and environmental factors. Experimental, analytical, agency-based, survey-based, and case-based research is reviewed. His study concluded with a compilation of issues identified by academic research and a set of questions that have not yet been addressed.

3. Niels Hermes, Peter Smid and Lu Yao (2011) Faculty of Management and Organization, University of Groningen and Faculty of Economics, University of Groningen, The Netherlands, have made a study on “Asset budgeting practices: A comparative study of the Netherlands and China”. The paper compares the use of asset budgeting techniques of Dutch and Chinese firms, using data obtained from a survey among 250 Dutch and 300 Chinese companies. It aims to analyze the use of asset budgeting techniques by companies in both countries from a comparative perspective to see whether economic development matters.

4. Journal of Business Management & Social Sciences Research (JBM&SSR) ISSN No: 2319-5614 Volume 2, No.12, December 2019
The Impact of Budgeting And Budgetary Control On The Performance Of Manufacturing Company In Nigeria

This study, the impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria, was conducted using Cadbury Nigeria Plc, as case study. Since wants are plenty while resources are limited, every organisation tends to find means by which it can get what it wants with the limited resources at its disposal. Therefore, firms seek to adopt the concept of budgeting and budgetary control to satisfy their needs at the least possible cost and at the same time fulfill their stewardship obligations to the numerous stakeholders. We adopted a descriptive research design with data gathered through questionnaire administered to respondents. Non-parametric tool of chi square was employed



to analyze the data. Hypotheses were tested and analyzed on a 5% level of significance and it was revealed that budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are actualized. Considering the changing environment in which firms now operate, it can be concluded that budget, which is a continuous management activity, should adapt to changes in the dynamic business environment.

5. Journal of Finance and Accounting

Volume 3, Issue 5, September 2021, Pages: 159-163

Budgets and Budgetary Control as a Management Tool for Ghana Metropolitan Assemblies

The study examined the budgeting and budgetary control as a management tool in Ghanaian Metropolitan Assemblies with the view to find out the importance attached by metropolitan, municipal and district assemblies in Ghana to how budgets are prepared and implemented, benefits and problems associated with budgeting and the extent at which budget variance reports are used as a performance measure. The survey instrument was questionnaire. Statistical Package for Social Sciences (SPSS 16) software was used to analyse the data. The findings of the study revealed that, metropolitan assemblies prepare budgets and plans to guide their activities and operations and that there is generally a high level of budget participation. The major conclusion was that metropolitan assemblies use a rigorous budgetary control practices in its operations and attaches much importance to budgets and budgetary control as vital tool to aid them in effective and efficient management of their operations. It is recommended, among other things, that appropriate measures should be put in place to enable all the assemblies in Ghana prepare plans and budgets since the practices lead to effective utilization of state resources.

RESEARCH DESIGN:

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. The research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

SOURCES OF DATA:



• Primary Data – Primary data are those which are collected afresh and for the first time and thus happen to be original in character.

• Secondary Data – the data that are already available, it refers to the data which have already been collected and analyzed by someone else. The secondary data are collected from company profile and website. Mostly the data used for the project are secondary data.

TOOLS FOR ANALYSIS:

1. Revenue Budget
2. Operational Expenditure Budget
3. Variance Analysis

Data Analysis and Interpretation

REVENUE BUDGET FOR 2021-22

TABLE- 4.1

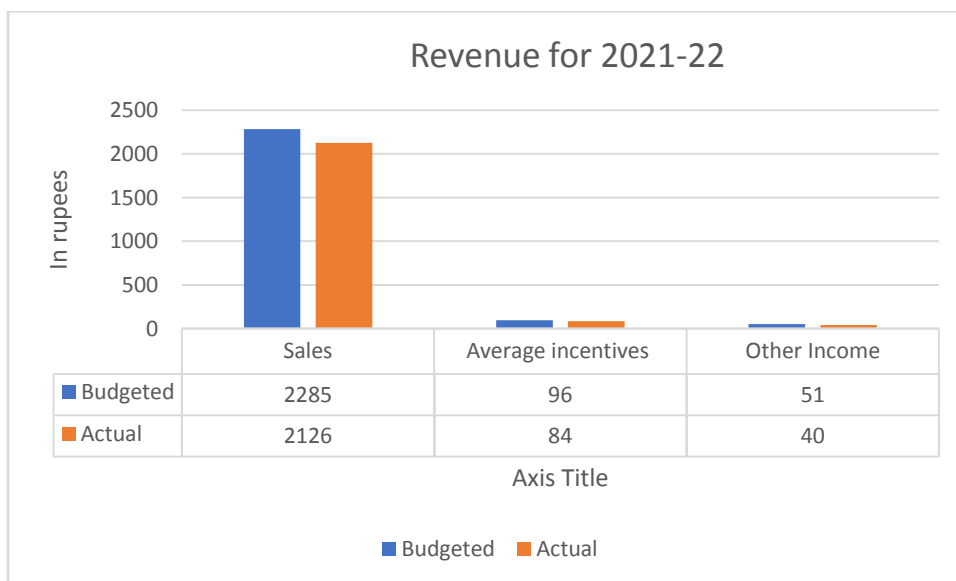
(Rs in crores)

Sl.no	Particular	Budgeted estimated for the 2021-22 (1)		Actual for the year 2021-22(2)		Variance (1)-(2) = (3)	Percentage (3)/ (1)
		Amount	%	Amount	%		
1	Sales						
	Fixed recovery cost	724	72.4	618	61.8	10.6	14.6
	Variable recovery cost	840	84.0	740	74.0	10	11.9
	Fuel adjustment price recovery	820	82.0	863	86.3	-4.3	-5.2



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	Own consumption	132	13.2	148	14.8	-1.6	-12.1
	Total of 1	2516	251.6	2369	236.9	14.7	5.84
2	Average intensives	102	10.2	98	9.8	0.4	3.92
3	Other income	56	5.6	49	4.9	0.7	12
	GRAND TOTAL (1+2+3)	2674	267.4	2516	251.6	15.8	5.90



INTERPRETATION

The data pertaining to the generation and consumption have been obtained from the year 2021- 22 and represented in table -1. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively.



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During the year 2021-22 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated budget so sales consumption is 267% respectively.

During the year 2021-22 the average intensive is decreased 9.8%. The other income also decreased 7% respectively.

Finally, about the result in revenue budget of PICASTRA LOGISTICS PVT LTD totally decreased 251.6% in the year 2021-22 respectively.

PICASTRA LOGISTICS PVT LTD

Operational Expenditure Budget for the Year 2021-22

TABLE- 4.5

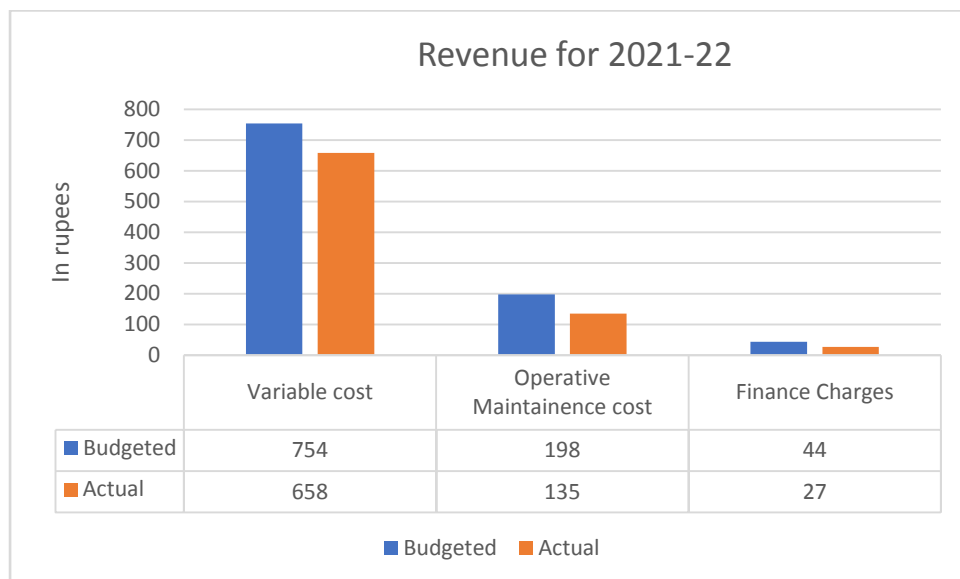
(Rs in crores)

Sl.no	Particular	Budgeted estimated for the 2021-22 (1)		Actual for the year 2021-22 (2)		Variance (1)-(2) = (3)	Percentage (3)/ (1)
		Amount	%	Amount	%		
1	VARIABLE COST	897	89.7	856	85.6	4.1	4.5
2	OPERATIVE MAINTENANCE COST	254	25.4	215	21.5	3.9	15.3
3	FINANCE CHARGES						



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	Deprecation	42	4.2	15	1.5	2.7	64.2
	Interest on fixed capital	18	1.8	20	2.0	-2	-11.11
	Total of – 3	60	6.0	35	3.5	2.5	41.66
	GRAND TOTAL (1+2+3)	1211	121.1	1106	110.6	10.5	806



INTERPRETATION

Observed from the above table is the operational expenditure budget of PICASTRA LOGISTICS PVT LTD for the year 2021-22.

Maintenance, employee cost, stationary & general expenses, rebate and share of other



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expenses is all are fluctuating with the expenses of the year 2021-22. However, the total operating maintenance costs are 25.4% decreasing respectively.

In finance charges depreciation and interest on fixed capital, has been included the total finance charges recording decreasing of 9.5% in the year 2021-22 respectively.

The overall budgets results PICASTRA LOGISTICS PVT LTD is earning more profits.

SUGGESTIONS AND CONCLUSION

1. The variance calculated in revenue budget during the year 2021-22 has decreased by 5.90% when the actual budget is compared with the estimated budget.
2. The variance calculated in revenue budget during the year 2020-21 has decreased by 9.94% when the actual budget is compared with the estimated budget.
3. The variance calculated in operational expenditure budget during the year 2021-22 has earned profit by 8.6% when actual expenditure budget is compared with estimated expenditure budget.
4. The variance calculated in operational expenditure budget during the year 2020-21 has earned profit by 7.7% when actual expenditure budget is compared with estimated expenditure budget.

LIMITATIONS OF STUDY

1. The company's certain information is kept secret
2. The period of study restricted only to five years.
3. The study is based on the past records of the company.
4. The study concentrates only on asset budgeting of the company

CONCLUSION:

Every organization has pre-determined set of objectives and goals, but reaching those objectives and goals only by proper planning and executing of the plans economically. The Picastra Logistics Pvt. Ltd is objectives of planning promoting and organizing an integrated development of Cement Company. The organization needs the capable personalities as management to lead the organization successfully, the management makes the plans and



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implement of these plans are expressed in terms of budget and budgetary control.

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