

Classification of BudgetI According to Time① Time
ST Budget

Cash budget

Material budget

one year

top level mgt. R&D, Lt. Finance

Capital exp budget

② LP Budget

Research and Devt budget

5 to 10 yrs.

③ Current Budget

- very short period
months
3 monthsII Classification According to Function

1) Sales Budget

⇒ It is estimate expected sales during the budget period.

⇒ past sales figures

Competition

Availability of RM

✓

✓ Finance

orders on hand

seasonal fluctuations.

②

Production budget

It is an estimate of quantity of goods that must be produced during the budget period.

production may be calculated,

units to produced = Budgeted sales + Desired closing stock - opening stock.

3) Material budget - It deals with only direct material

Material Requirement budget

Material Purchase budget

It is an estimate of total quantities of material required for production during the budget period.

It is estimate of quantities of raw materials to be purchased for production during the budget period.

4) Direct Labour Budget - It indicates detailed requirements of direct labour and its cost to achieve the production

labour requirement budget

labour recruitment budget

labour required \Rightarrow Dept hours pay.

additional direct workers to be recruited.

5) Factory Overhead Budget

Indirect material + Indirect labour + Indirect exp.

It indicates the factory OH to be incurred in the budget period.

6) Administrative Expenses Budget

admin exp incurred in budget period

salaries, rent, Insurance etc.

7) Selling and distribution \odot budget

It is an estimate selling + distribution cost incurred in budget period

ex - Commission, Salesmen's salary advertisement, transportation cost etc.

8) Capital expenditure budget

It shows the estimate expenditure on fixed assets during the budget period.

ex - building budget

Plant & Machinery budget

9) Cash budget

It is an estimate of receipts and payments of cash during the budget period.

\Rightarrow Sufficient cash

\Rightarrow Additional finance

\Rightarrow Surplus funds.

methods.

① Receipts and payments

② The Adjusted P/L A/c

③ The balance sheet method of various functional budgets.

⑩ Master budget: It is prepared incorporating all functional budgets

\Downarrow
approved, adopted and employed

It contains

① production cost

② Cash position

③ Debtors

④ Fixed Assets

⑤ bills payable

⑥ Sales

III Classification According to Flexibility

① fixed Budget.

actual fixed
or
constant

↳ static Budget.

↳ a budget designed to remain unchanged irrespective of the level of activity actually attained.

② flexible Budget.

↳ variable budget.

↳ A budget designed to change in accordance with the level of activity actually attained.

↳ cost should be classified

fixed, variable and semi-variable.

Zero Base Budgeting

- without considering ^{any} previous year data.
- first time go to prepare ^{the} new company.
- Everything is new. ⇒ scratch (zero base)
- Each and every Rupees ⇒ justification.
- ^{All activities} Based on priority ⇒ cost based analysis.
- ↳ allocate the fund.
- Resource allocation ⇒ based on ranking.
- ^{it helps to} identify ⇒ inefficiency of operation
wastage of the activity
obsolescence " "

Limitation - ^{more} time consumption

2) skilled worker only do that

3) Attitude of implementation ⇒ face the operation problem.

Traditional Budget

- ① Less time consuming
- ② There is no much support - it need top management
- ③ NO operational problem
- ④ once in a year \Rightarrow prepared
- ⑤ Last year is startup point.
- ⑥ Alteration is not considered

Zero base Budget

- More time consuming
- it need top management support
- operational problem will be there
- 3 to 5 yr
- From scratch (Zero base)
- Alteration is considered as cost base analysis

Budget \Rightarrow It is an estimate of plans and Policies for a future period.

Budgeting = process of preparing the budget by undergoing a detailed study on business environment.

Control : Company actual and standard plan \pm measure \Rightarrow errors deviation.

Budgetary Control.

It is the process of preparing budget for various activities and comparing the budgeted figures to spot out any deviation if any.

$$\begin{array}{r} 15000 \\ 6000 \\ \hline 9000 \times 3 \end{array}$$