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“ The establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action, the objectives of that policy or to provide a firm basis for its revision.” — Institute of Cost & Works Accountant, England “ Budgetary control is a system which uses budgets as a means of planning and controlling all aspects of producing and / or selling commodities or services.” — J. Batty “ Budgetary control is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability.” — Brown and Howard Objectives of Budgetary Control: Budgetary control has the following main objectives: 1.

To coordinate all the activities of various departments of a business firm in such a manner that the maximum profit will be achieved for the minimum use of resources. 2. To provide an organised procedure for planning.

It provides a detailed plan of action of a business over a definite period of time. 3. To provide a means of determining the responsibility for all deviations from the plan (budget), and to supply information on the basis of which necessary corrective action may be taken. Thus, budgetary control has the objective of controlling costs.

Characteristics/Features of Budgetary Control: An effective budgeting system is vital to the success of a business firm. Without a fully coordinated budgeting system, management cannot know the direction business is taking. Budgets are prepared with the following objectives and perform following functions: (a) Planning (b) Communicating (c) Coordination (d) Control and performance evaluation.

(a) Planning:

All business activities are preceded by planning. Planning at the first instance involves in deciding company's broad aims and objectives. A budget is nothing but deciding the financial objectives of the firm. A budget incorporates expected performance and present managerial targets.

These targets guide the business operations and help in overcoming problems and analyzing the future. Budgeting influences the formulation of all business strategies and subsequently assists business managers in executing such strategies.

(b) Communication:

It is necessary in an efficient organisation that all people be informed about the objectives, policies, programmes and performances.

They should have a clear understanding of the aims and objectives and the part they have to play in goal attainment. This is made possible through their participation in the budgeting process. Budgets inform each manager of what others have agreed to do. They also inform managers of the resources available to achieve objectives and targets.

(c) Coordination:

Under coordination, all factors of production and all departmental activities are balanced and integrated to achieve the objectives of the organisation.

The individual managers, work for their individual interest as well as for the benefit of the organisation as a whole. According to Horngreen, budgets help management to coordinate in the following ways: (i) Budgets help to search out weaknesses in the organisation structure. The formulation and administration of budgets isolate problems of communication, of fixing responsibility and of working relationship. (ii) Budgets help to restrain to empire building efforts of executives. Budgets broaden individual thinking by helping to remove unconscious biases on the part of engineers, sales and production officers.

(iii) The existence of the well laid plans is the major step towards achieving coordination. Executives are forced to think of relationships among individual operations and the company as a whole. Budgeting ensures coordination in the absence of which different departments in an organisation may act in a manner which is beneficial only to their individual departments but not to the firm objectives as a whole.

(d) Control and Performance Evaluation:

Budgets are the basis of performance evaluation as they reflect realistic estimates of acceptable and expected performance. Most managers are interested to know what is expected of them so that they may monitor their own performance. It is more accurate, reliable and reasonable to measure current performance against a budget rather than against a vague expectation or against results of previous year when conditions might have changed.