

Budget problem public bank

[Finance](#), [Banks](#)



Hence, the familiarity with the operations allows the financial department to greatly reduce the budgetary slacks opportunities that might have been otherwise present. “ It is assumed that top management is not in a good position to determine and control the amount of slack due to the different technologies and peculiarities of each division and the submission of divisional budgets in total aggregates. ” (Onsi, 1973) This further substantiates the management’s need to familiarize themselves with the whole process. The information asymmetry faced by them needs to be mitigated.

This is because usually the employees at different levels would have the best understanding of their own working condition and expected performance. They do not usually possess much understanding of the other employees at other levels. Hence, top management may experience difficulties in differentiating slacks which are intentionally created from those which are produced due to unintentional forecast error. This difficulty is also due to the subjective estimations used in budgeting in addition to the different expectations of the future economic conditions. Managers need to know the circumstances under which budgets may be biased, and the potential effects of these biases, in order for budgetary information to be utilized in an effective manner. ” (Walker, 1999) 3. 2Negotiation Budgeting System in Solving Budget Difficulties Under the negotiated budgets, the top management sets the broad goals and the constraints, and the lower- and middle- level managers actively participate in the negotiation and reach consensus. Rachlin, 1998)