

# [Introduction they implement proper budget (libby.t, 2010). it](https://assignbuster.com/introduction-they-implement-proper-budget-libbyt-2010-it/)

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INTRODUCTIONBudgets are like financial plans of an organization whether it is a private or Government organisation.

Financial plans are comprehensive evaluation by an organisation, so that it can achieve its own short term and long term target as well with the efficiently mutual understanding of their employees. Today, in this highly competitive corporate world, a financial plan has become an indispensablepart of an organisation. Without a financial plan, a company cannot even think to strive into the corporate competition owing to the same reasons such as brand value, more satisfied customers, low cost product with better quality, and payment to creditors and fund collection from debtors and so on. This assignment will give definition and a brief background about budgets.

Afterwards, literature review will be reflecting in this context. Arguments about budget will be there followed by the pros and cons of the budget. Ultimately, beforethe CONCLUSION, methods and approaches of budgets will be discussed. HISTORYJust like many other English words, “ Budget” word has also incepted from the Gaulish language which means a little wallet. (How did we get the word “ budget”?, 2012). It took many decades to bring budgets onto such a prime position that in these modern times all have to prepare budgets to keep themselves on right financial track with respect to incomes and expenditures whether they area lay man or SMEs or MNCs as well.

ugfIn 1733, budget did establish a link with finance but it gained popularity in 1880s when layman did initiate the budget into their lives to keep track on their funds.(Budget, 1998)DEFINITIONForecasting is the essence of management and it includes both assessment of the future and making predictions on it t (Simionescu et al, 2006, 120) (Zamfir. M, 2015). A budget is valuing a work program resulting from an action plan adopted by the company. Through it, there are structured missions to be accomplished in order to improve the performance of companies, intervening to regulate any malfunction. The budget shows how profit will be obtained. It allows the identification of its generating factors so that responsible can act on controllable elements that influence the achievement of this priority objective (Tituts.

A, 2015).      LITERATURE REVIEWAfter considering all the prospects, most organisations decided to proceed with the budgeting in order to manage the financial control. The reason behind this is that costs will under weigh if they implement proper budget (Libby. T, 2010). It has been suggested by(Hope, 2011), that repeating of budget plans with multiple timescan be a proper approach for the organisation. Another striking feature is this that decentralised system can be transformed from concentrated system. Productivity and motivation can be escalated when decisions making process and authorization will be switched down to the lower level of an organisation. A budget has two forecasting instruments which are prediction and horizontal timing tool.

The former one assists to execute active instrument strategy which is how strategic project got reduce on yearly basis. On the other hand, the latter one is related to the different services and it reconciles the needs and restraints of both (Zamfir, 2015). As it has been said by (Albu & Albu 2003, 2015) that for the organisation assurance, budget is a proven instrument. Proper Organization control can be achieved with the help of budget if proper implementation and analysis can be done on the following functions such as company’s social structure should be optimised , financial system should be effective and efficient as well, proper planning, controlling and analyzing should be followed-up by the accountable employees and organisation’s operating productivity can be enhanced by motivating the employees (Tatiana Rogulenkoa, 2016). The major tool for management is budget, which support organisation in managing tasks and directing big organisations, they are heading for targeting big objectives. When it comes to coping up with the growing global competition at every pace, an organisation should be aware how to use scarce human made and natural resources as well and employee should be expertise in using the scarce resources efficiently so that they can stand out their position in global competitive market (Huang. C, 2009)        CRITICISMAccording to (Argyris, 2015), mostly every employee does suffer from behavioural kind of issues from the budget such as managers’ tension, cooperation with other employees , orientation of short duration, etcetera. (Jensen, 2015) Remarks that budget is a trick to put some spare time from accountable managers in order to fulfil long duration meetings and engross them in negotiations of worse situation.

However, negative outlook of budget can be avoided by giving proper knowledge of objectives and responsibilities to their employees, given road map of budget should be understood among them and backing of top level employee to the junior employees (Zamfir, 2015). Financial plans have deficiency of strategic direction and economic value formation; rather focus has been on merely cost reduction of products. This trend sometimes hinders the employees that can effect badly on the organisation’s inherent aptitude in order to achieve the objective. Employees are unable to give good response because follow-up on yearly-based budget is occasional and hence top-level employees demotivate the junior employees for not getting the job done on proper time. Only upper level of employees have authorisation of budget, which build up upward responsibility arrangement for the junior employees and hence deficiency of adaptability can be felt within an organisation.

Sometimes employees feel under pressure to meet objectives, which can create non-adaptive behavioural environment among employees (al., 2011).(Fisher, 2004) States that budget is totally wastage of time and efforts on getting feedbacks from different departments with regarding to their performance. Actual results should be matched with the pre-planned results which is mentioned in the budget of that department, thought it happens rarely. Moreover, rectification of budgets has always been a time consuming process and organisations do not perform this task immediately. With constant use of tight standards, there is high probability that manager’s motivational level can be deferred for some time because he is only person who is accountable for the situation if continued variances occur between actual results and the standard results of a budget at  a given period of time. Hence, he can lose interest in his job due to some ungoverned events (Theresa. Libby, 2003).

However, this problem can be resolved by adjusting the actual results of budget with the help of following ways such as personal evaluation should be given to their subordinates, actual results of budget should be adjusted with the proposed budget that is prepared on the start of the year and they should separate the unrestrained events from the controlled ones (Theresa. Libby, 2003). Budget’s success counts on its own cogency.

There are two types of assumption: “ same situation in future as today” Or “ future is holding different situation”. Under the former situation, presumption can be taken if accountable person has an apt knowledge and experience in preparation of budget, so that they can take budget as granted and budget will work efficiently in future. They just have to increase the sales volume and try to be more proactive. On the other hand, if accountable persons are able to figure out that the different event is coming. Then, in this case, budget will come out in a very extremely useful way, if their calculations’ regarding future of budget is turned out to be correct.

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