

Budgets



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Compare and contrast a performance budget and a line item budget. Line item budget is a form of budgeting that links the inputs of a system to the system itself (Rubin, 179). Therefore, line item budgeting approach has minimal information, since there are no major explanations required, since any revenue is matched with the expenditure it contributes to. As opposed to the overall control of the lump sum amount of the budget, the line item budgeting ensures that the control is effected for each item of the budget, by controlling the spending over each item. The budget gives an outline of the items on which the revenues will be spent, and links each revenue source to a particular expenditure item (Rubin, 182).

Performance budget on the other hand classifies the expenditure on the basis of the administration units and by the functions of the units, and the items under such administrative unit functions (Rubin, 185). This makes the performance budget so detailed, since it entails a hierarchy of components, starting with the administrative unit, down to the functions under each administrative unit, and then to the items falling under each function of the administration unit. Performance budgeting entails the formulation of and programs to be implemented, their funding from the available revenue sources, and their execution (Rubin, 180). Therefore, activities are given preference over specific items under each activity, and the management of the performance budget is centralized.

There are various reasons why the Congress might choose to use the line-item approach. First, it is a simple form of budgeting, since it requires just tracing the expenditure items and linking them to the revenue sources, eliminating unnecessary budgeting details and complexity (Rubin, 187). Secondly, this type of budgeting provides a greater relationship between

sources of revenue and expenditure items, through linking them.

Works Cited

Rubin, Irene. " Budget Theory and Budget Practice: How Good the Fit?" *Public Administration Review*, 1990. 179-189. Print.