

Budgeting monitoring

Business



Budget Monitoring Every financial plan requires a budget (Maddox, 1999). In Reference to Rhodes , a budget is a summary of intended expenditures along with measures on how to meet the expenditures. A project budget indicates how the project expenditures will be funded. It is imperative to monitor budgets for they can result to overspending or under spending. In this case, Shultz and Open Society Institute (2005) note that overspending may be caused by misallocation of funds. Funds may have been overlooked by failing to budget for savings or reserves, failing to establish the project goals before the budget is prepared or preparing a budget solely based on a previous year digit.

Goals and objective are imperative aspects in budget planning (Wildavsky, 1986). These assists the planners to know how much will be spend in completing the project and how much will be needed to meet these expenditures (Rhodes, 2010). Failure to identify the objectives can result to misallocation of funds. On the other hand, when a budget is set up founded on a preceding year's numeral, it will result to misallocation of the funds (Shultz & Open Society Institute, 2005). Using a previous year's figure will lead to allocation of an inappropriate figure that may result to over allocation or under allocation (Maddox, 1999). While budgeting for a project or program, it is essential to budget for savings too. Some funds need to be set aside to meet unanticipated expenditures.

Since the Make a Way Foundation project costs more than what was budgeted, a rationing policy would have to be adopted to ensure that all expenditures fall into the available funds (Shultz & Open Society Institute, 2005). All the miscellaneous activities would be rationed to increase the available funds to fund to project. Secondly, the budget planners will need to <https://assignbuster.com/budgeting-monitoring/>

prioritize the requests and activities of the project (Wildavsky, 1986). The less significant activities of the project can be eliminated thus reducing the project expenditure. Finally, since the planners had not considered the savings, they will have to seek for an external source of funds to finance the project till its completion (Rhodes, 2010).

References

Maddox, D. C. (1999). *Budgeting for not-for-profit organizations*. New York: Wiley.

Rhodes, J. (2010). *Setting budgets and managing cashflows*. Brighton: Emerald.

Shultz, J., & Open Society Institute. (2005). *Follow the money: A guide to monitoring budgets and oil and gas revenues*. New York: Open Society Institute.

Wildavsky, A. B. (1986). *Budgeting: A comparative theory of budgetary processes*. New Brunswick (U. S. A.): Transaction Books.