

Administration of the budgetary process



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Administration of the Budgetary Process The budgetary process has to be administered effectively in terms of initial planning, final approval and subsequent monitoring of implementation. A budget committee is usually formed to manage each stage of the budgetary process. The accounting staff will have a close involvement. The budget preparation procedures will need to be set out in a manual which is available to all participants.

A continuing cycle evolves in which initial budgets are prepared, negotiations take place with line managers, the initial budgets are revised, the final budget is accepted and, later on, there is a review of actual and budgeted performance. The cycle then starts over again. To implement the strategy decisions, a budget committee will be formed, comprising the senior managers who are responsible for designing the strategy. The budget committee receives the initial budgets from each functional manager.

If the initial budget is based on unrealistic targets, then the functional manager will be asked to edify the budget within the organization's overall targets. There is a motivational aspect of budget preparation, so it is important that the functional manager understands the need for revising the budget within the organization's strategy. Budget negotiation can be quite a delicate process. The accounting department The staff of the accounting department will work with operations managers to initiate the preparation of budgets and will advise and assist in the practical aspects of budget preparation.

They should have the knowledge and experience to provide device to line managers on the preparation of budgets. The accounting department will have the computer facilities to prepare and co-ordinate the budget preparation process. The accounting staff must involve themselves with the operations team in the budget exercise and must understand the commercial issues. They may have to offer challenges to the operations managers, but such challenges will be aimed at ensuring improved budgets for the benefit of the whole organization as well as for the operational unit.

Sequence of the budgetary process

The principal stages of this sequence are: Communicate the details of objectives and strategy to those responsible for preparation of budgets and co-ordinate the overall linkage of objectives and strategy; Communicate the details of budget preparation procedures to those responsible for preparation of budgets and respond to concerns or questions; Determine the limiting factor which restricts overall budget flexibility and forms the focus of the budget cascade and evaluate the impact of the limiting factor; Prepare an initial set of budgets; Negotiate budgets with line managers; Accept budgets in final form; Carry out ongoing review of budgets as they are implemented.

For communication of budget preparation procedures within the organization there must be a budget manual. This will set out the timetable for budget preparation, formats to be used, circulation lists for drafts and arbitration procedures where conflicts begin to show themselves. Reference:

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