

# [Budget making](https://assignbuster.com/budget-making/)

[Economics](https://assignbuster.com/essay-subjects/economics/), [Budget](https://assignbuster.com/essay-subjects/economics/budget/)

Budget making becomes complex when budget information from all departments and field offices of a company is accumulated into a single budget for the whole company. If this sounds like a nightmare, it usually is one. However, nightmare or not, it is essential that a business plan its activities and measure its performance against such a budget. Even more important, the managers who prepare the budgets must be willing to honor them as the year unfolds.

The discipline of cost budget preparation is much more evident on a year-to-year basis in large companies than in small businesses. Small businesses tend to prepare such budgets to support obtaining funds for start-up or expansion. A Budgetary control system includes also a cash budget analysis. The cash budget is a tool to recognize the cash position of a company on a month to month basis. Finally the cost budget feeds a variance analysis area that lets you compare actual costs to budgeted costs on a monthly and year-to-date basis.

Not all spreadsheet applications are as successful as the one described. In fact, there are a growing number of reports of how erroneous spreadsheet data have led to unfortunate decisions. Budgets have been approved, schedules finalized, and alternative projects chosen, all using bad data. But spreadsheets can be deceptively simple to build and use. And those who are unfamiliar with their mechanics can easily get into trouble. Perhaps the user is unfamiliar with the assumptions made when the template was built.

Or, unknown to the user, formulas, hidden from direct view, could have been entered incorrectly. Sometimes the user enters data incorrectly. And users may access centrally stored data that are inappropriate for use in a particular template. Certainly spreadsheet output - such as table graph - looks very professional. But a responsible user must go beyond the aesthetics and carefully check the assumptions of the spreadsheet template, the data, and the procedures which were used to obtain calculated entries.