

# [Budgeting](https://assignbuster.com/budgeting/)

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Budgeting Name: Course: Date: Budgeting Materials supply budget is important in determining the amount of supplies available for consumption of various projects and evaluating the standard of performance. Standard of performance is evaluated by checking the expected level of performance and the actual level of performance attained. The amount of resources that a business holds is a determinant of its performance, but the key determinant is how the business puts the resources it has into use. Budgeting is hence important for any business as it helps in estimating the revenue inflows to the organization and the costs to be incurred. This helps in minimizing costs by outlining how the available resources are to be used to avoid over-expenditure. This translates into high profits since profit is the difference between expenses and incomes.

The lesser the costs incurred the more the profits obtained and therefore budgeting for supplies is extremely crucial in the overall performance of the business. When preparing a budget, there are some fundamental things to consider such as the price of items. Prices are not constant as they keep changing with time due to factors such as inflation, supply of the items, climatic changes, security and political instability among others. It is essential to adjust your budget in consideration to these factors to improve on accuracy of the data given. This minimizes chances of under-budgeting or expenditure beyond the budget (Johnson, 2010). Budget for the Current Year Type of expenditure Expected amount Actual amount Deviation Fats & oils 236.

98 289. 59 22. 61 Raw industrials 269. 91 329. 83 59. 92 Textiles 239.

83 293. 07 53. 24 Diesel fuel 58. 69 71. 72 13. 03 Coarse road salt 52. 91 64. 66 11.

75 Natural gas 5. 96 7. 28 1. 32 Copper ($per ton) 1753. 00 2142. 17 389.

17 Metals subinex 218. 15 266. 58 48. 43 References Johnson, P. Fraser. (2010). Purchasing and Supply Management.

McGraw-Hill/Irwin Series Operations and Decision Sciences)