

Budget processes essays examples

[Business](#), [Management](#)



Comparing and Contrasting Between Budget and Forecast Processes

They are both planning tools that are useful in the managerial process of an organization. These tools are distinct, and each of them provides different kind of information to the managers that can be used in the decision-making process. Budgeting involves breaking down the organization's plans into monetary terms. It gives a detailed breakdown of the expected outcome of the organizational plans based mainly on revenues and costs. It indicates the kind of direction that the organization intends to go. On the other hand, forecasting indicates the actual direction of the business (Wild & Shaw, 2012). The forecasting process typically looks into the future to anticipate any changes that might occur in the business environment and come up with action plans that are required to achieve the planned goals, all these are based on the current organization's performance.

Importance of Budgets and Forecasts

Budgets and forecast are essential in the planning process mainly because they can be used to indicate whether the organization is on the right track and whether there are significant changes that are occurring in the market or environment of operation. To do this monthly statements can be compared to both the forecast and the budget, a significant variation will indicate changes in the market conditions and, therefore, the appropriate actions can be taken. Estimates are important because they help an organization met delivery dates and objectives as well as instill trust among the employees and managers (Wild & Shaw, 2012).

A balanced scorecard is a strategic tool that can be used by the managers to

align the business activities to mission and vision. It can, therefore, be used to measure success by monitoring the organizational performance.

Shortcomings of the Budgeting Process

Time constraints- creating a budget may prove to be a lengthy and tedious process, especially where there are numerous iterations. The process may also become long in the case where participative budgeting is mandatory.

Outcome scope- the budget mainly focuses on the allocation of financial resources to various departmental activities and the desired outcome of those actions it does put into account subjective issues such as the quality of products or services offered.

Reference

Wild, J., & Shaw, K. (2012). *Fundamental Accounting Principles*. New York: McGraw-Hill.