

# [Budgetexpenditure analysis](https://assignbuster.com/budgetexpenditure-analysis/)

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Expenditure analysis Expenditure analysis is one of the most controversial matters in the management of many firms and organizations in the modern world. The controversy of the matter is mainly because expenditure analysis involves examining of cash and budget matters which in many cases are conducted in a haphazard manner. Moreover, expenditure analysis is usually aimed at uncovering loopholes in the expenditure cycles of the business. By taking the example of Monroe county Red Cross this paper looks into the controversy surrounding the issue of expenditure analysis.
Basically, the process of expenditure analysis is supposed to begin during the process of budgeting. While this may be possible in many organizations, in Monroe county Red Cross, it might not be fully possible especially because of the nature of management of the organization. To start with, most of its incomes are from donations and other incomes of the same nature. It may be difficult to establish exactly what amount is spent in preparation activities. Moreover, the organization is more of a charitable organization concerned with offering services and not profit maximization. All in all, expenditure analysis must be carried out more so to convince well wishers and donors that their funds are being spent in a good manner.
In Monroe county Red Cross, the process often takes four main stages which are dependent on one another. For a comprehensive summary of expenditure analysis, it ought to start at the budget preparation stage. Here all the relevant factors are taken into consideration. It is in the process of budgeting that speculations of spending are made. Despite the fact that in many instances these speculations are not accurate, they give the management a rough idea of the likely range of expenditures. Though it is often overlooked by many institutions including the Monroe county Red Cross, expenditure analysis ought to start at this point. The items in the budget ought to be reviewed and confirmations made on whether or not they are likely to cost as much as stipulated in the budget.
After the process of budget preparation, approval needs to be done. In many instances and many organizations, this step is the where the budget expenditures are analysed. The purpose of this step is to eradicate alien expenditures that may be fixed to acquire money in unscrupulous ways. Depending on the views of the management and the urgency of the expenditures, they may be approved or rejected in the budget. This is still some form of expenditure analysis. After the approval stage follows the execution stage. Here, not much of analysis is carried out.
Finally, the last step involves the real deal of analysing expenditures. The expenditures are examined alongside the actual expenditures. Basically, the reports should correspond and if otherwise, there should only be a small margin in the difference. In the event that there is significant margin, the specific expenditure may be reviewed to establish the causes of the differences. The analysis may be done internally at first and later on an external team may be called upon to look into the matter. All these records are then compared and conclusions drawn. Luckily enough, there has never been a significantly large difference in the expenditures of Monroe county Red Cross. This has been ensured by the team of highly trained and expert book keepers. Moreover, there is a very good channel of communication that allows free flow of information between the levels of management.
As portrayed in the data and statics of Monroe county Red Cross the largest proportion of the revenue for the firm goes to fundraising. For an organization of its nature, this is reasonable since it is more of a charity organization. This may also explain the large differences in the total incomes of the organization. The financial year 2001-2002 is often referred to as the exceptional year more so due to the exceptionally high revenue received during the year. Moreover, unlike other years, the organization was operating on the positive side of the graph an indication that it might have been self sufficient at the time. It is in the same year that the company had the greatest expenditures.
Reference
Monroe county Red Cross 2006 Monroe county Red Cross chapter – fiscal review and assessment report