



## A STUDY ON BUDGETARY CONTROL - HERO MOTO CORP LIMITED

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### ABSTRACT

*Budgetary control entails the establishment of goals by the management of an organization and designing a process which serves as a framework within which an organization effectively articulates overall planned activities. The quantification of these planned activities in financial terms is known as budgeting, while the establishment of an effective mechanism to guarantee desired result is known as budgetary control. This study therefore seeks to undertake a systematic review of budgeting and budgetary control in Government owned organizations and given the importance of the foregoing, attention was focused on the Nigerian National petroleum Cooperation (NNPC). To achieve the objective of the study, primary data were obtained through the use of a well structured questionnaire administered to the respondents, while the secondary data were obtained from the annual financial statements, files, memos, tax laws and gazette of the NNPC. The findings revealed that a necessary and sufficient condition for achieving effective budgeting and budgetary control is the involvement of all relevant stakeholders in the preparation of the budget, given the established processes in government circles, while emphasizing a deliberate and faithful implementation, by all responsible officers. This rests on the existence of a mental picture of the present state of affairs, vis-à-vis the future expected state of affairs, within the organization. It therefore recommended that since budgeting and budgetary control contributes to management efficiency and high productivity of an organization, all relevant stakeholders must be involved in the budget process, from preparation to implementation, in order to guarantee overall goal attainment.*

### INTRODUCTION

Financial plans are broadly perceived as quite possibly the main administration devices in any association. Not at all like other administration helps, financial plans are essentially utilized by all functionaries in the association. Spending plans not just mirror the game plan for different degrees of the board, yet they are additionally useful in observing different exercises and starting mid-course remedial activities. Spending plans don't decrease the administrative capacity to a recipe, but instead fill in as an administration instrument.

Planning is along these lines a strategy for accomplishing the most useful and beneficial utilization of an organization's assets through arranging and control. Spending plans help in the coordination of the association's different exercises (like creation, deals, and buys), bringing about the exercises going before as per the target.

Spending plans fill in as a type of correspondence. The spending offers shape to top administration's thoughts, which are then given to subordinates who set up them as a regular occurrence. As the exercises of different office heads are composed during spending readiness, it helps in the advancement of cooperation, which is basic to an association's prosperity.

Consequently, a spending plan is needed to anticipate the future, propel the related staff, and organize the exercises of different levels. A financial plan is the general outline of a thorough strategy communicated in both physical and money related terms; It incorporates an

arrangement for every one of the business' movement obligation focuses and fills in as a connection between the physical and monetary plans of different divisions.

It is likewise an archive that will be utilized as a control for checking and inspecting. The spending framework ought to be planned so that it powers the executives to build up objectives and destinations, characterize approaches, foster long haul and transient software engineers, measure execution against targets, and update the board's job.

A budgetary control framework has expanded an undertaking's benefits, and an objective accomplishing machine for working with authoritative coordination and arranging while at the same time meeting planned targets.

### **NEED OF THE STUDY**

- Budgetary control is an amazing business apparatus for expanding benefits.
- To boost benefits, the executives should consistently take a stab at legitimate arranging, powerful coordination, and control.
- The financial plan is utilized to approve the uses and exercises that are remembered for it.
- The spending plan's arranged exercises and consumption fill in as a standard against which the association's real exhibition can be estimated and assessed.
- The piecemeal financial plans of the association's subunits are organized so that each sun-unit adds to the accomplishment of the general financial plan.
- The foundation of authoritative apparatus to coordinate endeavours toward the arranged objectives. The spending plan determines the arranged action; ensuing deviations from the arrangement show the requirement for examination and restorative activity.
- The spending plan is intended to move representatives starting with one objective then onto the next; truth be told, it is entwined with the award discipline kind of authoritative climate and regulatory choice cycles, in which workers are offered motivators to run after the accomplishment of the company's objectives.

### **OBJECTIVES OF THE STUDY**

- To give a hypothetical system of spending plan, and budgetary control.
- To comprehend the financial plan and budgetary control.
- To study varieties of parts of income financial plan and segments of operational use financial plan.
- To break down and analyze the variety of income financial plan and operational spending plan.
- To propose the powerful budgetary system.
- The study focuses on assessment and adjustment to the budgetary framework concerning the different kinds of financial plans. The degree in the definition of execution financial plan is likewise examined

### **STATEMENT OF THE STUDY**

The extent of study restricted to gathering the information distributed in the reports of the organization and assessments of the representatives of the association concerning the target expressed and hypothetical structure of the information. So as to recommend answers for different issues identified with financial plan and budgetary control.

**DATA COLLECTION**

The proposed study is conveyed with the assistance of both essential and auxiliary wellsprings of information.

Essential DATA:

The essential information is gathered by collaborating with the account supervisor and other concerned leaders at the managerial office of the organization.

Auxiliary DATA:

All the optional information utilized for the examination has been extricated from the yearly reports, manuals and other distributed material of the organization.

**LIMITATIONS**

1. The examination is simply founded on the data given by the organization and the information is gathered from the reports, yearly reports and magazines of the organization.
2. The evaluations are utilized as reason for the spending plan and gauges depend generally on accessible realities and best administrative judgment.
3. Budgetary control can't decrease the administrative capacity to an equation. It is just an administrative.
4. Tool which increment adequacy of administrative capacity.
5. The utilization of spending plan might be opposed utilization of assets. Financial plans are frequently taken as cut-off points.
6. Frequent changes might be called for in financial plans because of first changing mechanical environment.
7. The examination is confined to restricted period.

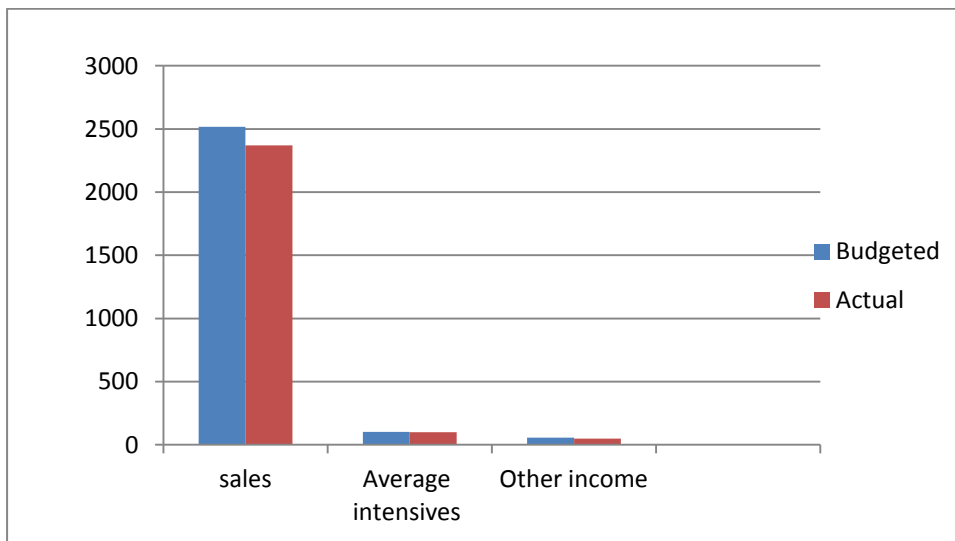
**CHAPTER-IV DATA ANALYSIS AND INTERPRETATION**

**REVENUE BUDGET FOR 2016-17**

TABLE-I (Rs in corers)

Sl.no	Particular	Budgeted estimated for the 2016-17(1)		Actual for the year2016-17(2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	sales						
	Fixed cost recovery	724	72.4	618	61.8	10.6	14.6
	Variable cost recovery	840	84.0	740	74.0	10	11.9
	Fuel price adjustment recovery	820	82.0	863	86.3	-4.3	-5.2

	Own consumption	132	13.2	148	14.8	-1.2	-12.1
	Total of 1	2516	251.6	2369	236.9	14.7	5.84
2	Average intensives	102	10.2	98	9.8	0.4	3.92
	Other income	56	5.6	49	4.9	0.7	12
3	GRAND (1+2+3)TOTAL	2674	267.4	2516	251.6	15.8	5.90



**INTERPRETATION**

The data pertaining to the generation and consumption have been obtained from the year 2014-15 and represented in table -1. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively.

During the year 2016-17 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated budget so sales consumption is 267% respectively.

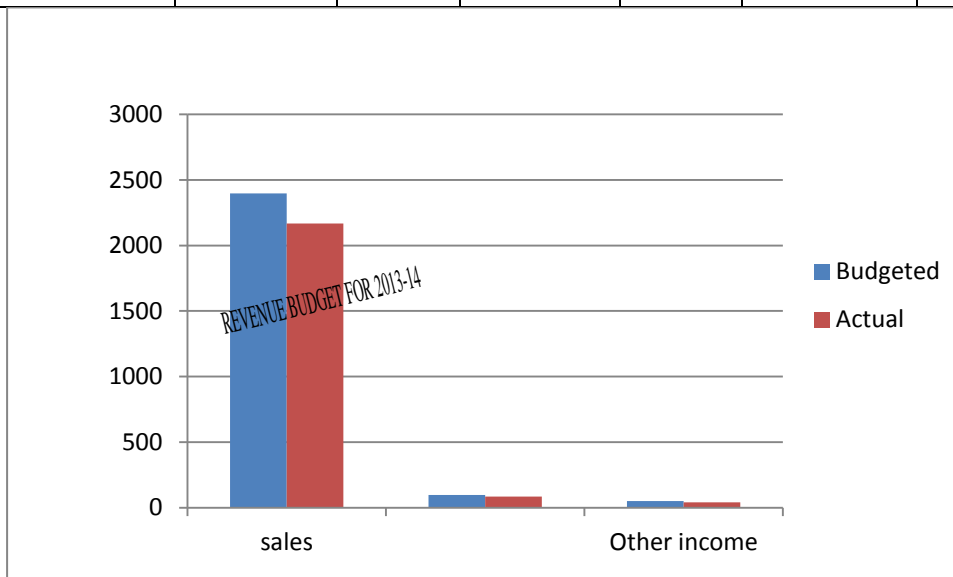
During the year 2016-17 the average intensive are decreased 9.8%. The other income also decreased 7% respectively.

Finally with regard to the result in revenue budget of the company totally decreased 251.6% in the year 2015-16 respectively.

**REVENUE BUDGET FOR 2015-16**

TABLE II  
(Rs in corers)

Sl.no	Particular	Budgeted estimated for the 2015-16 (1)		Actual for the year 2015-16 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
1	sales	Amount	%	Amount	%		
	Fixed cost recovery	702	70.2	598	59.8	10.4	14.81
	Variable cost recovery	802	80.2	680	68.0	12.2	15.21
	Fuel price adjustment recovery	790	79.0	852	85.2	-6.2	-7.8
	Own consumption	121	12.1	122	12.2	-1	-0.82
	Total of 1	2398	239.8	2168	216.8	23	9.5
2	Average intensives	96	9.6	84	8.4	1.2	12.5
	Other income	51	5.1	40	4.0	1.1	21.5
3	GRAND (1+2+3)TOTAL	2545	254.5	2292	229.2	25.3	9.94



### INTERPRETATION

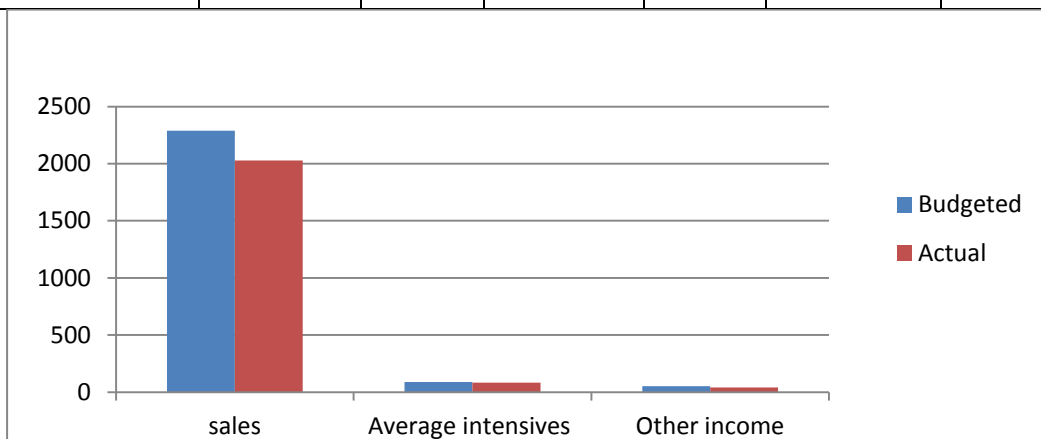
The data pertaining to the generation and consumption have been obtained from the year 2013-14 and represented in table -2. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively. During the year 2015-16 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated budgeted of sales consumption is 254.5% respectively. During the year 2015-16 the average intensive are decreased by 13%.The other income also decreased by 11% respectively. Finally with regard

to the result in revenue budget of the company totally decreased 229.2% in the year 2015-16 respectively.

### REVENUE BUDGET FOR 2014-15

TABLE-III

Sl. no	Particular	Budgeted estimated for the 2014-15 (1)		Actual for the year 2014-15 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	sales						
	Fixed cost recovery	657	65.7	565	56.5	9.2	14.0
	Variable cost recovery	762	76.2	563	56.3	19.9	26.11
	Fuel price adjustment recovery	750	75.0	798	79.8	-4.8	-6.4
	Own consumption	121	12.1	102	10.2	1.9	15.70
	Total of 1	2290	229.0	2028	202.8	26.2	11.44
2	Average intensives	89	8.9	84	8.4	.5	5.6
	Other income	51	5.1	40	4.0	1.1	21.56
3	GRAND (1+2+3)TOTAL	2430	243.0	2152	215.2	27.8	11.44



**INTERPRETATION**

The data pertaining to the generation and consumption have been obtained from the year 2012-13 and represented in table -3. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively.

During the year 2014-15 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated budgeted for sales consumption is 243.0% respectively.

During the year 2014-15 the average intensive are decreased 5%. The other income also decreased 11% respectively.

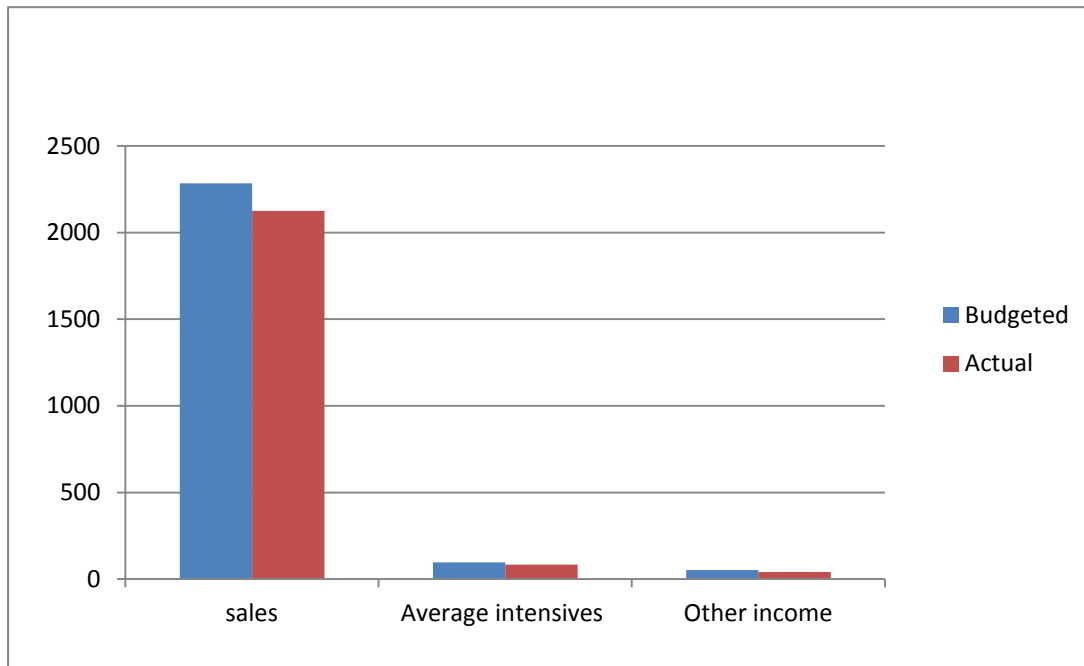
Finally with regard to the result in revenue budget of the company totally decreased 215.2% in the year 2014-15 respectively

**REVENUE BUDGET FOR 2013-14**

TABLE-IV

Sl.no	Particular	Budgeted estimated for the 2013-14 (1)		Actual for the year 2013-14 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	sales						
	Fixed cost recovery	680	68.0	569	56.9	11.1	16.32
	Variable cost recovery	789	78.9	623	62.3	16.6	21.03
	Fuel price adjustment recovery	695	69.5	812	81.2	-11.7	-16.83
	Own consumption	121	12.1	122	12.2	-.1	-0.82
	Total of 1	2285	228.5	2126	212.6	15.9	6.9
2	Average intensives	96	9.6	84	8.4	1.2	12.5
	Other income	51	5.1	40	4.0	1.1	2156

3	GRAND (1+2+3)TOTAL	2432	243.2	2250	225.0	18.2	7.4
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**INTERPRETATION**

The data pertaining to the generation and consumption have been obtained from the year 2013-14 and represented in table -4. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively. During the year 2013-14 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated budgeted for sales consumption is 243.2% respectively. During the year 2013-14 the average intensive are decreased 13% the other Income also decreased by 11% respectively. Finally with regard to the result in revenue budget of the company totally decreased 225.0% in the year 2013-14 respectively.

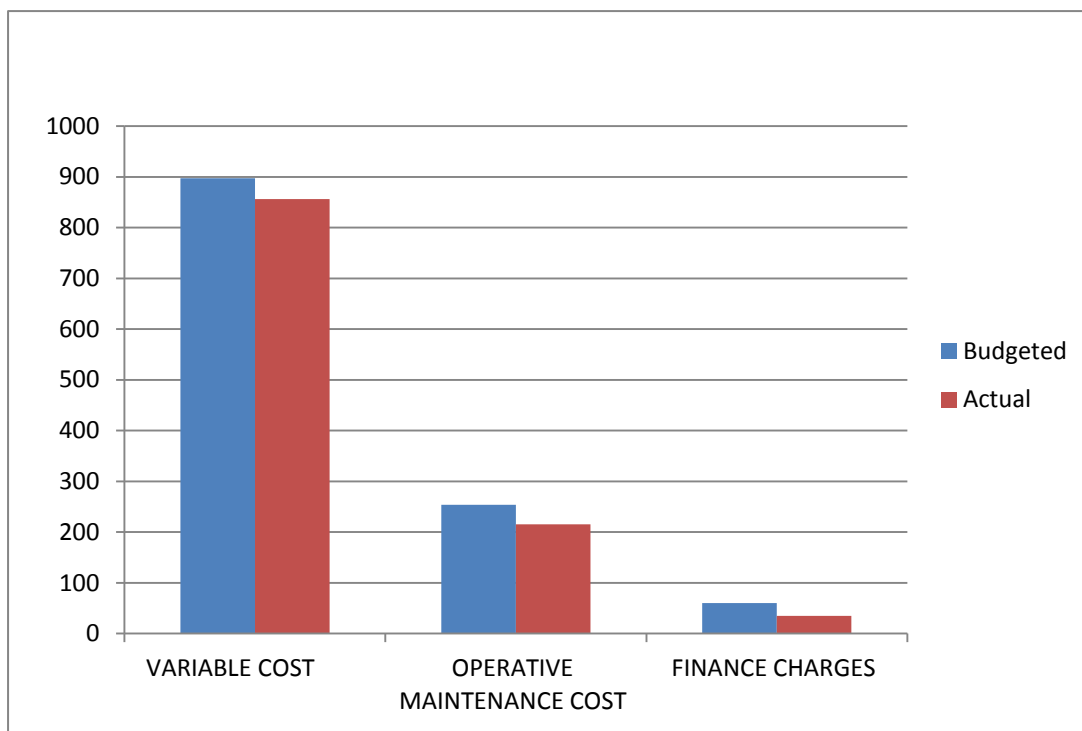
**OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2016-17**

TABLE – I

Sl.no	Particular	Budgeted estimated for the 2016-17(1)		Actual for the year 2016-17 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	VARIABLE COST	897	89.7	856	85.6	4.1	4.5
2	OPERATIVE MAINTENAN	254	25.4	215	21.5	3.9	15.3



	CE COST						
3	FINANCE CHARGES						
	Deprecation	42	4.2	15	1.5	2.7	64.2
	Interest on fixed capital	18	1.8	20	2.0	-.2	-11.11
2	Total of – 3	60	6.0	35	3.5	2.5	41.66
3	GRAND TOTAL (1+2+3)	1211	121.1	1106	110.6	10.5	8.6



### INTERPRETATION

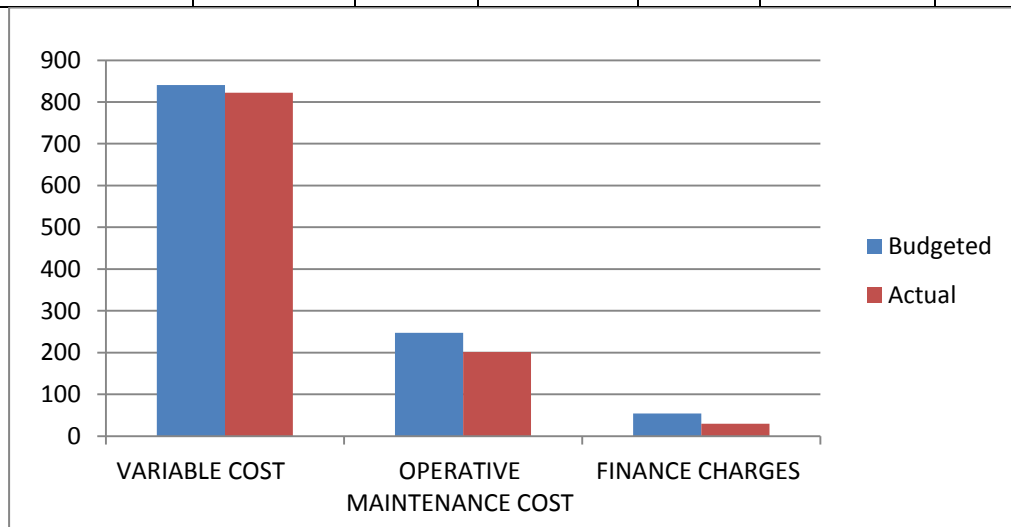
Observed from the above table is the operational expenditure budget of the company for the year 2016-17. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2016-17. However the total operating maintenance costs are 25.4% decreasing respectively. In finance charges depreciation and interest on fixed capital, has been included the total finance charges

recording decreasing of 9.5% in the year 2016-17 respectively. The overall budgets results of the company are earning more profits.

### OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2015-16

TABLE – II

Sl.no	Particular	Budgeted estimated for the 2015-16 (1)		Actual for the year 2015-16 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	VARIABLE COST	841	84.1	822	82.2	1.9	2.2
2	OPERATIVE MAINTENANCE COST	247	24.7	201	20.1	4.6	18.6
3	FINANCE CHARGES						
	Deprecation	39	3.9	12	1.2	2.7	69.2
	Interest on fixed capital	15	1.5	18	1.8	-.3	-.2
2	Total of – 3	54	5.4	30	3.0	2.4	44.4
3	GRAND TOTAL (1+2+3)	1142	114.2	1053	105.3	8.9	7.7



**INTERPRETATION**

Observed from the above table that the operational expenditure budget of the company for the year 2015-16.

Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2015-16. However the total operating maintenance costs are 24.7% decreasing respectively.

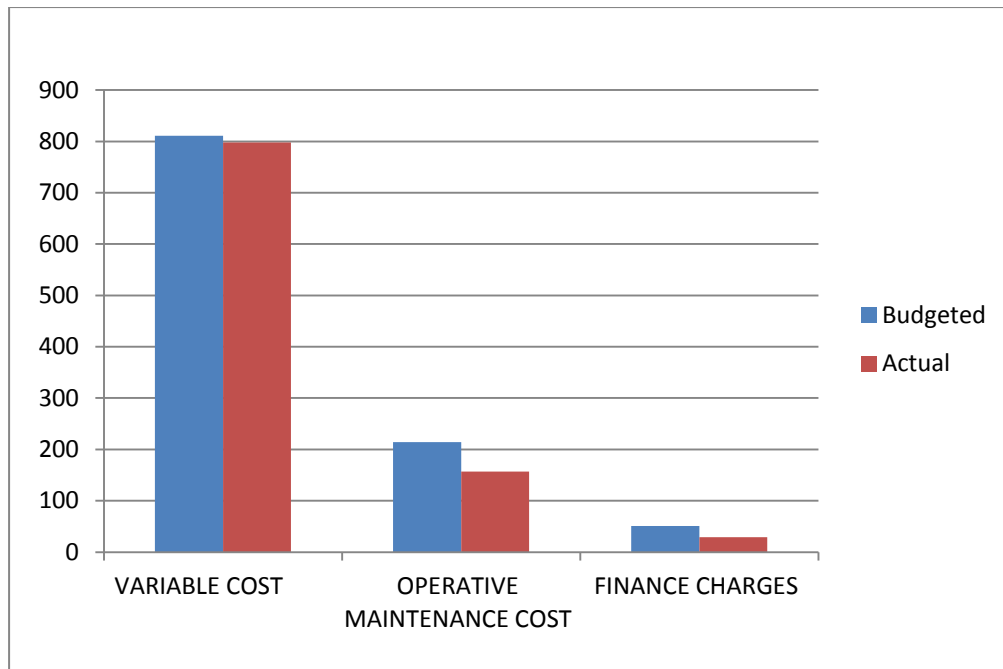
In finance charges depreciation and interest on fixed capital, has been included. The total finance charges recording decreasing of 2.4% in the year 2015-16 respectively.

The overall budgets results of the company are earning more profits.

**OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2014-15**

TABLE – III

Sl.no	Particular	Budgeted estimated for the 2014-15 (1)		Actual for the year 2014-15 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	VARIABLE COST	811	81.1	798	79.8	1.3	1.6
2	OPERATIVE MAINTENANCE COST	214	21.4	157	15.7	5.7	26.6
3	FINANCE CHARGES						
	Deprecation	36	3.6	11	1.1	2.5	69.4
	Interest on fixed capital	15	1.5	18	1.8	-.3	-.2
2	Total of – 3	51	5.1	29	2.9	2.2	43.13
3	GRAND TOTAL (1+2+3)	1076	107.6	984	98.4	9.2	8.5



### INTERPRETATION

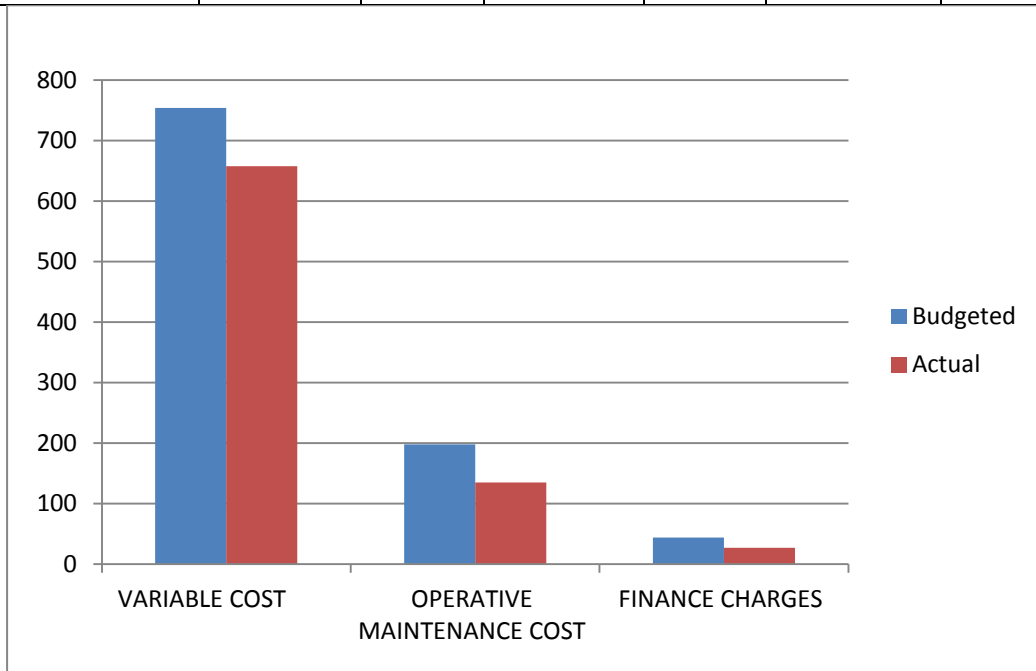
Observed from the above table that the operational expenditure budget of the company of the year 2014-15 Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2008-09. However the total operating maintenance costs are 21.4% decreasing respectively. In finance charges depreciation and interest on fixed capital, has been included the total finance charges recording decreasing of 2.2% in the year 2014-15 respectively. The overall budgets results of the company are earning more profits.

### OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2013-14

TABLE – IV

Sl.no	Particular	Budgeted estimated for the 2013-14 (1)		Actual for the year 2013-14 (2)		Variance (1)-(2)=(3)	Percentage (3)/(1)
		Amount	%	Amount	%		
1	VARIABLE COST	754	75.4	658	65.8	9.6	12.7
2	OPERATIVE MAINTENANCE COST	198	19.8	135	13.5	6.3	31.8
3	FINANCE CHARGES						

	Deprecation	29	2.9	9	.9	2	68.9
	Interest on fixed capital	15	1.5	18	1.8	-.3	-.2
2	Total of – 3	44	4.4	27	2.7	1.7	38.6
3	GRAND TOTAL (1+2+3)	996	99.6	820	82.0	17.6	17.67



### INTERPRETATION

Observed from the above table that the operational expenditure budget of the company for the year 2013-14. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2013-14. However the total operating maintenance costs are 19.8% decreasing respectively. In finance charges depreciation and interest on fixed capital, has been included. The total finance charges recording decreasing of 5.3% in the year 2007-08 respectively. The overall budgets results of the company is earning more profit

## CHAPTER-V FINDINGS, SUGGESTIONS AND CONCLUSIONS

### FINDINGS:

- The variance calculated in revenue budget during the year 2014-15 has decreased by 5.90% when the actual budget is compared with the estimated budget.

- The variance calculated in revenue budget during the year 2013-14 has decreased by 9.94% when the actual budget is compared with the estimated budget.
- The variance calculated in revenue budget during the year 2012-13 has decreased by 11.44% when the actual budget is compared with the estimated budget.
- The variance calculated in revenue budget during the year 2011-12 has decreased by 7.48% when the actual budget is compared with the estimated budget
- The variance calculated in operational expenditure budget during the year 2014-15 has earned profit by 8.6% when actual expenditure budget is compared with estimated expenditure budget.
- The variance calculated in operational expenditure budget during the year 2013-14 has earned profit by 7.7% when actual expenditure budget is compared with estimated expenditure budget.
- The variance calculated in operational expenditure budget during the year 2012-13 has earned profit by 8.5% when actual expenditure budget is compared with estimated expenditure budget
- The variance calculated in operational expenditure budget during the year 2011-12 has earned profit by 17.76% when actual expenditure budget is compared with estimated expenditure budget.

### **SUGGESTIONS:**

Planning has become the primary function of management most of the planning relates to individual and individual proposals. Budgets are nothing but the expressions, largely in financial terms. Budgetary control has, therefore become an essential tool of management for controlling and maximizing profits.

- The company's objectives and how it can be achieved through budgetary control process.
- Time tables for all stages of budgeting should be followed regularly by all the departments.
- Reports, statements, forms and other records should be maintained if any information is needed.

### **CONCLUSION**

Every organization has pre-determined set of objectives and goals, but reaching those objectives and goals only by proper planning and executing of the plans economically. The company is objectives of planning promoting and organizing an integrated development of Cement Company. The organization needs the capable personalities as management to lead the organization successfully, the management makes the plans and implement of these plans are expressed in terms of budget and budgetary control. The company have budget process in

two stages. One is the capital expenditure budget and another is operating maintenance budget, the capital expenditure budget shows the list of capital projects selected for investment along with their estimated cost, operating & maintenance budget refers to the repairs & maintenance budgets, the special budgets are rarely used in the organization like long-term budgets, research & development budget and budget for consultancy.

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