

Budgeting

Budgeting a Key Component in Management's Short and Long Term Planning

Published by: <https://assignmentessayhelp.com/>

Filename: 1SAMPLE16C190-Budgeting.pdf

For more assistance visit: <https://assignmentessayhelp.com/finance-assignment-help/>

Uploaded: May 26, 2016

Enjoy 😊

Abstract

Planning may be defined as, ‘a process of setting goals, developing strategies, and outlining tasks and schedules to accomplish their goals.’ Planning is an important activity as it gives the organization direction and this will give managers specific targets which they will try to achieve. (What is planning?)

Chartered Institute of Management Accountants (CIMA) has defined budgeting as, “a plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure and the capital to be employed. May be drawn up showing incremental effects on former budgeted or actual figures, or be compiled by zero-based budgeting.” (Chadwick, 1998)

Budgeting is a key component in management short term and long term planning. We would now look at the reasons why a budget is such a key component of planning.

Budgetary planning helps in linking the strategic plans with the operational plans. The strategic plans are long term plans that state where the organization should be going. Operational plans are short term plans that detail the day to day work that needs to be carried out. A budget will be prepared keeping in mind that the strategic objectives of the entire organization are achieved and the operational plans will be formulated keeping the budget in mind. The budget will strive to achieve the strategic plans and the operational plans will strive to achieve the budget for a given period. (Scarlett, 2009)



Student Self-Declaration

THE PROMISE OF AN ETHICAL PERSON

Before the beginning: If requested, your instructor should include an assignment overview. This will become the starting point of your assignment. In addition, your assignment leader should include your last name, first initial, course code, date, and assignment number. The instructor will provide, with the page number right justified. For example:

Last Name/First Initial

On the way of your assignment: You may need to consult an assignment or your instructor's request. This can be done via the accessible location.

Academic Integrity: All work submitted to each course must be your own original work. This includes all assignments, exams, quizzes, and other projects requested by your instructor. Knowledgeably submitting another person's work as your own, without properly citing the source of the work, is considered plagiarism. This will result in an automatic zero grade for the work submitted as for the entire course. It may also result in academic dismissal from the University.

Student

Budgeting is a Key Component in Management Short and Long Term Planning

Commented [A1]: The title is quite descriptive

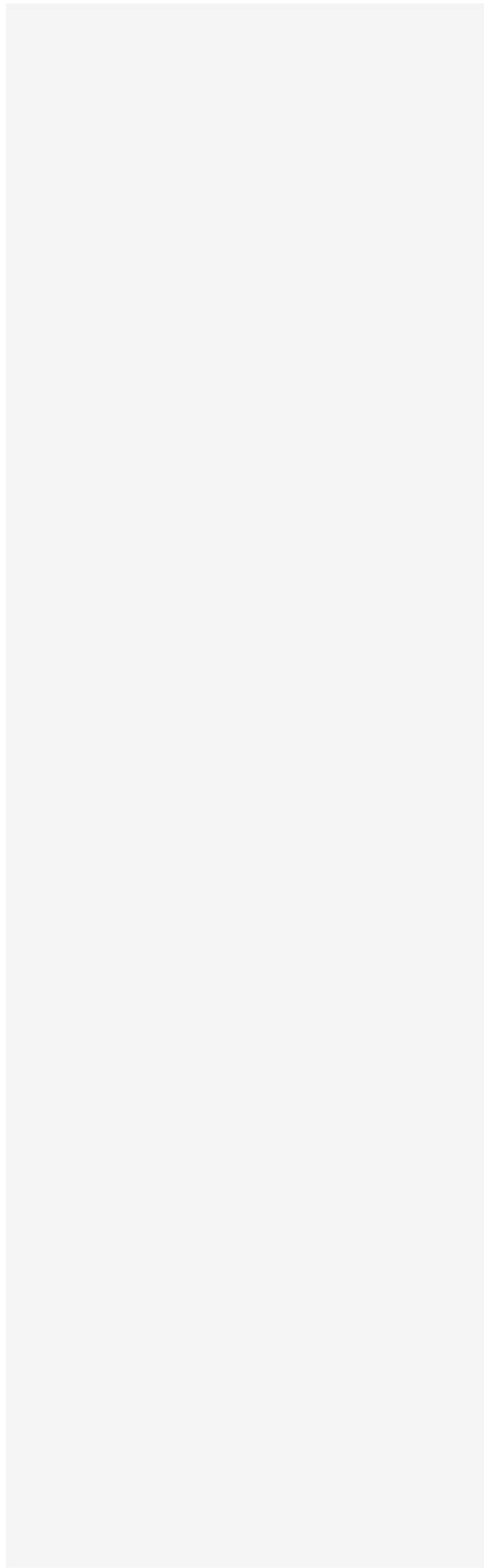
Assignment Essay Help

Contents

Budgeting is a key component in management short and long term planning 4

Works Cited 7

Assignment Essay Help



Budgeting is a key component in management short and long term planning

Planning may be defined as, 'a process of setting goals, developing strategies, and outlining tasks and schedules to accomplish their goals.' Planning is an important activity as it gives the organization direction and this will give managers specific targets which they will try to achieve. (What is planning?)

Commented [A2]: Starting with a definition is impactful

Chartered Institute of Management Accountants (CIMA) has defined budgeting as, "a plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure and the capital to be employed. May be drawn up showing incremental effects on former budgeted or actual figures, or be compiled by zero-based budgeting." (Chadwick, 1998)

Budgeting is a key component in management short term and long term planning. We would now look at the reasons why a budget is such a key component of planning.

Commented [A3]: All keywords have been considered and introduced in the initial section.

Budgetary planning helps in linking the strategic plans with the operational plans. The strategic plans are long term plans that state where the organization should be going. Operational plans are short term plans that detail the day to day work that needs to be carried out. A budget will be prepared keeping in mind that the strategic objectives of the entire organization are achieved and the operational plans will be formulated keeping the budget in mind. The budget will strive to achieve the strategic plans and the operational plans will strive to achieve the budget for a given period. (Scarlett, 2009)

A plan may be to cut costs by as much as possible, or to grow by a certain percentage every year. These plans become more clear and understandable with the help of a budget which would quantify the plans. Without quantification the plans would just be a vague indicator of the direction in which the organization wants to move. (Alvis, 2009)

Commented [A4]: Reasons attached to points have been mentioned.

A budget can be considered as a plan in monetary terms. As it is clear from the definition above the main steps in planning are setting goals and setting objectives to achieve these goals. A budget will help the management to define its goals and objectives in monetary terms. Each department in the organization comes up with their own budget which is a monetary representation of their goals and objectives. In this way the plans of various departments will be converted into a common denomination. The budgets of each department such as the sales budget of the marketing department, the purchase budget of the production department and so on will be combined to form the master budget. This would make the plan easily understandable by everyone in the organization and will be a formal way of making the stakeholders aware of the organizations plans. (The Role of Budgeting in Management Planning and Control)

Commented [A5]: Analytical tone used.

Budgeting plays an important role in integrating the whole organization and that is one of the main reasons why budgeting is so important. Various departments will come up with various budgets. Each department head will keep his interests above the interests of the organization as a whole. It integrates the plans of various departments and ensures that all the departments work together for the growth of the organization. The planned revenue, expenditure and capital requirements are integrated.

A budget acts as a standard against which actual performance can be measured. The variance can be used for implementing feedback control. This analysis will provide the managers

with valuable information which will ensure that the future plans are more effective, realistic and successful. Budgets also act as a control technique. This is also necessary to ensure that goals and objectives are achieved as without implementing control the plans would be futile.

(Budgeting and cash flow)

The master budget and other budgets have a fixed format which is used every year. This helps the management in the planning process by creating separate budgets for various scenarios by altering the figures by a given percentage. This will help the management in preparing for the worst case scenario. They can also identify key success factors and focus their energies on these critical success factors.

There are some industries where long term planning doesn't make sense due to the volatility in the business environment. In such a case, rolling budgets are very helpful. These budgets are constantly updated according to the changing environment and short term plans this is a technique that can be used to implement and assist short term planning.

A budget helps in short term planning by identifying the timing of various inflows and outflows. Based on the budget the manager would have an idea about when new assets need to be purchased and when new funds are required to be raised.

There may be many disadvantages of budgets, but these disadvantages are not enough to stop using budgets and move to some other planning technique. There are ways to overcome the limitations and the advantages outweigh the disadvantages. This is the reason why budgeting will always be a key component of planning.

Commented [A6]: A linkage and relatedness in tone has been developed when transiting from one paragraph to another

Works Cited

Alvis, J. (2009). Performance Management. Elsevier.

Budgeting and cash flow. (n.d.). Retrieved from <http://businesscasestudies.co.uk>:

<http://businesscasestudies.co.uk/business-theory/finance/budgeting-and-cash-flow.html#axzz2Hgb26wLp>

Chadwick, L. (1998). Management Accounting. London: Thomson.

Scarlett, B. (2009). Performance Operations. Oxford: Elsevier.

The Role of Budgeting in Management Planning and Control. (n.d.). Retrieved from

www.flexstudy.com: <http://www.flexstudy.com/catalog/schpdf.cfm?coursenum=95075>

What is planning? (n.d.). Retrieved from www.investorwords.com:

<http://www.investorwords.com/3710/planning.html>

Criterion	Levels of achievement		
	Exemplary	Good	Poor
Writing style and presentation are clear			
• Title	Title is concise and informative so readers can anticipate the contents of the contribution and interested people look forward to reading it.	The title gives a general indication of the material covered in the contribution, but have to read the document to fully appreciate what is covered. Some potential readers may be lost because they can't clearly anticipate the material covered by reading the title.	The linkage between the title and the text is not clear. Reader may skip the contribution because they don't appreciate its relevance.
• Main Body	Main body of contribution makes connected points that clearly build the argument so the text flows from introduction to conclusion in a logical manner, thereby helping the reader to follow the thinking behind the text.	The main body presents a number of points that allow the reader to understand the argument, but lapses in the writing may force the reader to make some connections between the parts.	The text is not well structured so the reader must stop reading at times to try to makes sense of the text.
• Written expression	Sentences and paragraphs are well structured and clear so the reader can focus on what is written. Each paragraph has a topic sentence that indicates the subject matter.	Minor lapses in sentence structure, such as run-on sentences and unnecessarily complex sentence structures, force the reader to pause and reflect on the meaning of the text. Paragraphs present a complete argument, but may not flow so well.	Many sentences are poorly structured so the reader must stop often to reflect on the meaning of the text. Many paragraphs lack topic sentences or have poor flow so the main points and linkages among explanatory text are not clear.
• Grammar, punctuation and spelling	Grammar, spelling and punctuation are flawless, which allows the reader to focus on the message.	Some minor errors in grammar, spelling and/or punctuation detract from the quality of the text, but do not impair the communication.	Many errors in grammar, spelling and/or punctuation make reading the text difficult and communication is impaired.
Concepts and arguments are well developed			
• Accuracy	All information is accurately reported using appropriate terminology so the information is reliable.	The information is largely accurate but imprecise language could lead a reader to misinterpret aspects of the text.	Although the gist of the information is correct, there are problems with the interpretation of it. A reader can be misled by the text.
• Relevance	Connections between the	Connections between the contribution and	Although the text is

	contribution and the main topic of the discussion are clearly indicated.	the main topic of the discussion are indicated or implied, but the reader needs to pause to clarify those connections.	relevant, this is not clearly indicated, so the reader must guess how the text relates to the main topic.
• Significance	The reason why the contribution is important to the overall discussion is clearly described and discussed so the reader takes the contribution seriously.	The reason why the contribution is important is touched on but not elucidated, so the reader must make some interpretations about the author's view of the contribution's significance.	The contribution may include significant material but this is not indicated, so the reader must guess it.
• Clarity	The main points and new technical terms are clearly described and/or explained so the reader is left with no ambiguity about what was written.	Although the text is clear to informed audiences, unexplained points may leave room for alternative interpretations of the text.	Key points and new technical terms are not explained so the reader is confused.
• Independence	The contribution is completely self-contained so the reader does not have to read other contributions or published materials to understand what was written about.	The text is sufficiently clear that the reader can understand the main point without further reading, but some parts of the text are not clear without consulting earlier contributions or other sources of information.	The text is written in a manner that presumes considerable prior knowledge, so the reader must have a thorough knowledge of what has been written about the subject in order to understand the main point of the contribution.
Contribution is responsive to another contribution	The writer links ideas submitted by others to their own contribution in a manner that substantially strengthens the group's efforts to resolve the main problem. This linkage can include elaboration of what was previously written, a critique or questioning of it, demonstration of linkages among two or more earlier contributions, and/or utilization of an earlier contribution as a foundation to build your own.	The writer makes references to earlier works that are a starting point for new ideas but, apart from the reference to the earlier work, not much information is incorporated	The text mentions other contributions but neither explains the reference nor substantially adds to it, so there is no clear benefit to the resolution of the main problem from citing the earlier contribution.
Text is supported by references			
• Sources indicated	All information and ideas that are not commonly known are supported with references to sources, so the reader has confidence that the information is not based on hearsay or the writer's opinion or assumptions	Most sources are indicated, but in only a few cases the sources are not given or are ambiguous, so the reader has to check some of the sources.	Sources are cited for some specific parts of the contribution, but no references are supplied for information and ideas that are clearly not the author's, so the reader has

	alone.		no idea of the validity and authority of the information.
<ul style="list-style-type: none"> Relevant references 	Information, concepts and opinions are supported with references to published literature, especially primary (original) sources of information, rather than review articles or textbooks. This allows the reader to independently review the cited sources. More than one reference is cited to support key points, which adds strength and authority to the argument.	One or a few references are used to support the text. Thus the contribution is supported but this may be an idiosyncratic source. Some general references to textbooks are made that could have been replaced by primary references which are more thorough and authoritative.	Information comes from Web sites or other sources that have no recognized authority, so the validity or strength of the source is unknown.
<ul style="list-style-type: none"> Citation style 	References cited appropriately in the text, and the correct format is used in the text when citing information, so the reader clearly knows which information is attributable to which source.	Minor lapses in citation format do not prevent the reader from finding the sources in the reference list at the end of the contribution.	Citation format incorrect or poorly placed in the text, so citations distract from reading.
<ul style="list-style-type: none"> Bibliographic information 	The reference list contains complete bibliographic information (author's name(s), publication date, title, source, date web page accessed), so a reader can easily find the references for their own research. The authority of sources can be evaluated by checking them.	Bibliographic information largely complete, but some information missing so the reader may have difficulty finding some references. Most sources can still be easily checked.	Not all references are listed, information in the reference list is incorrect, or important information is missing from the reference list, so the reader is unable to find the same sources of information and the authority of sources is almost entirely unknown.

Faculty Comments:

The work has been carried out in full accordance to the guidelines and has also attained a level of merit. A few points still remain unexplained for which a reader as to refer to other works. Such elucidations if added would enhance quality of work.