

A composite image featuring a calculator on the left, a line graph with numerical values (6,000, 6,250, 6,500, 6,750) in the center, and a stack of coins on the right. The entire scene is set against a light blue background with a white border.

FINANCIAL MANAGEMENT

Lecture No. 14

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

FACUALTY PROFILE



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Budget

خرچ و آمدنی کا تخمینہ

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Every business faces day to day operations of income and expenses



How to Manage earning and Expense ???



The Best Way is

Budget

A budget is an estimation of revenue and expenses over a specified future period of time

Budget

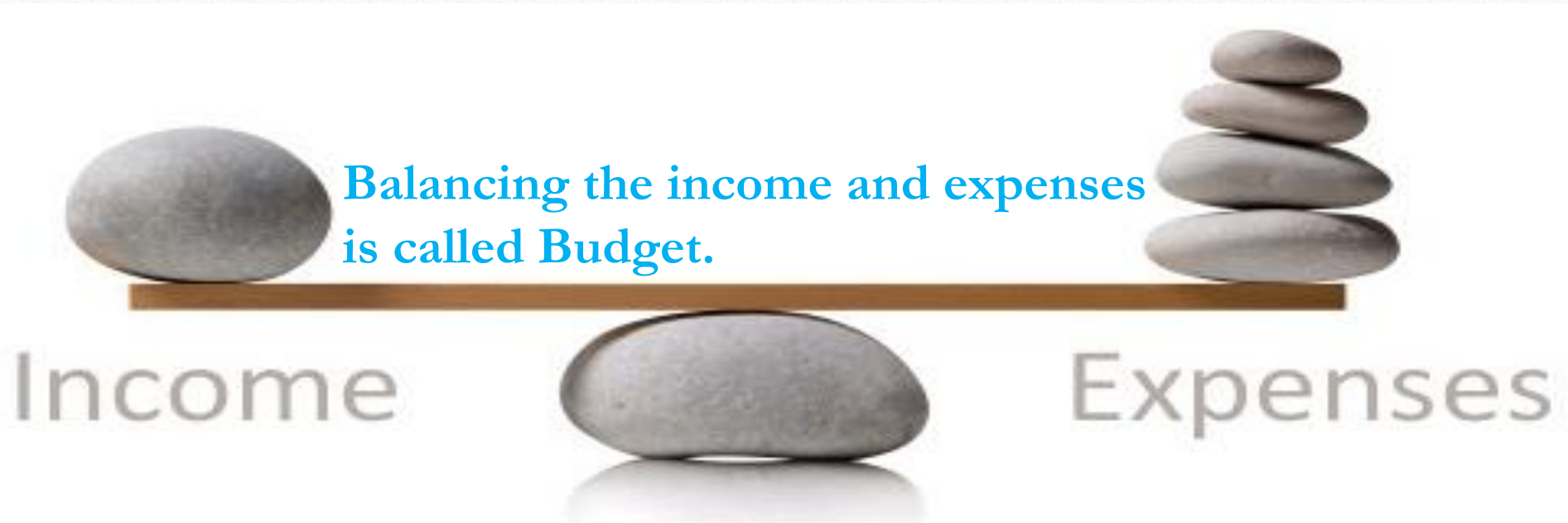
in other words

A budget is a spending plan based on **income** and **expenses**.

A budget is a **written plan** that outlines **how you'll spend your money** each month/years.

Budget

in other words



Budget

خرچ و آمدنی کا تخمینہ



Budgeting

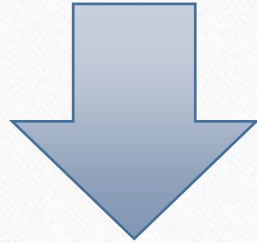
خرچ و آمدنی کا تخمینہ
تیار کرنا



Budgeting Control

بجٹ سے متعلق کنٹرول . اختیار . کنٹرول بذریعہ بجٹ

Budget A written estimation of the financial performance of a particular department, a specific project, a business unit or an organization.



Budgeting

Budgeting Primarily, the activity of preparing the budgets is called budgeting.

Budgeting is the process of preparing and overseeing a financial document that estimates income and expenses for a period.

Budget A written estimation of the financial performance of a particular department, a specific project, a business unit or an organization.



Budgeting Primarily, the activity of preparing the budgets is called budgeting.



Budgeting Control

Budgeting control *refers to the process a company uses to track actual spending against planned budgets.*

Difference in Budget, Budgeting, & Budgetary Control. □ **Budgets** are business estimates for future period, **budgeting** is the process of preparing these estimates while **budgetary control** is a system of achieving performance on the basis of **budgets**.

Types of Budgeting

Zero Based Budgeting

In ZBB, current year's budget is prepared from the scratch, without considering the budget of the previous year.

Traditional Budgeting

It considers last year's budget as the base. The changes are done based on the inflation rate, consumer demand, market situation etc.

Types of Budgeting Methods

Incremental Budgeting

In this, current year's budget is prepared by making changes in the past year's budget considering the inflation factor. It's a quick and easy method of preparing budgets.

Activity Based Budgeting

Activity based budgeting is a budgeting method where budget is prepared after considering the cost drivers. It does an in-depth analysis of activities incurring cost.

Activity-based budgeting is a method where the output or the budget targets or activity is decided first.

Types of Budgeting

5. **Static Budget.**

A static budget forecasts revenue and expenses over a specific period but remains unchanged even with changes in business activity.

6. **Flexible Budget.**

A flexible budget is a budget that adjusts or flexes with changes in volume or activity.

7. **Rolling Budget.**

A rolling budget is a continuous budget that is updated regularly when the earlier budget expires, or we can say it is an extension of the current budget

8. **Performance Based Budget.**

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Performance Budget

Performance-based budgeting, also referred to as outcome budgeting, is the practice of developing budgets based on the relationship between funding and expected results.

The **Budget based on Results**

Performance Budget

A performance budget is a **budget that refers to programs, functions, and performance that reflects the estimated expenses and revenues of the companies**

Performance Budget

Performance budgeting enabled organizations **to more clearly understand the cost effectiveness of programs and resources** associated with **achieving desired results.**



WHAT ARE THE MAIN BENEFITS/OBJECTIVES/IMPORTANCE OF PBB?

1. Accountability

In the public sector organization and not-for-profit organization, a performance budget helps to increase accountability. The employees have to quantify a particular goal based on the priority and the taxpayer's money.

2. Transparency

Performance-based budgeting helps in bringing transparency in budget preparation. It also helps in making better financial decisions for the allocation of resources.

WHAT ARE THE MAIN BENEFITS/OBJECTIVES/IMPORTANCE OF PBB?

3. Efficiency savings.

it save the additional fund to invest in inefficient project. If management displeased with outcomes then they withdraw fund investment plan.

4. Improve Performance.

The performance budget improves the performance of the programs on a continuous basis. In addition, it leads to the overall operational efficiency of the organization. Also, it overcomes the limitations of traditional budgeting.

WHAT ARE THE MAIN BENEFITS/OBJECTIVES/IMPORTANCE OF PBB?

5. Compliance.

Performance based budgeting comply the management to prepare budget if the results will be fruitful.

6. Clear Purpose

Performance budgeting clearly indicates the objective on which the money will be spent.

WHAT ARE THE MAIN DISADVANTAGES/HINDRANCES OF PBB?

- 1. Strong System of Evaluation**
- 2. Manipulation of Data**
- 3. Difficult for Long-term**
- 4. Strict and rigid system of budget**
- 5. More complex**



Thank
You

Q & A

You have

Questions

We have

Answers