

A composite image featuring a calculator on the left, a line graph with fluctuating data points in the center, and a stack of coins on the right. The entire image is framed by a white border with a dark brown ribbon-like element on the left and right sides.

# FINANCIAL MANAGEMENT

Lecture No. 15

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



# FACUALTY PROFILE



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(Lecturer Commerce)

**Several Times Topper in  
PPSC & FPSC in this field  
& 6 times Appointed  
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# Budget

The financial plan of  
expenses and revenues



## Budgeting

Preparation of 'Financial  
Plans (Budget).



## Budgeting Control

Control of Financial Plans





## PERFORMANCE-BASED BUDGETING

کارکردگی کی بنیاد پر بجٹ سازی

# What is a Performance Budget?

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- A performance budget is based on results and outcomes
- It is a budget that provides the objective and purpose for raising funds and proposed activities and programs to be accomplished.



# The Process of Performance Based Budgeting

# Performance Budget Process

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**01**

**Formulation  
of Objectives**



# Step 1 – Formulation of Objectives

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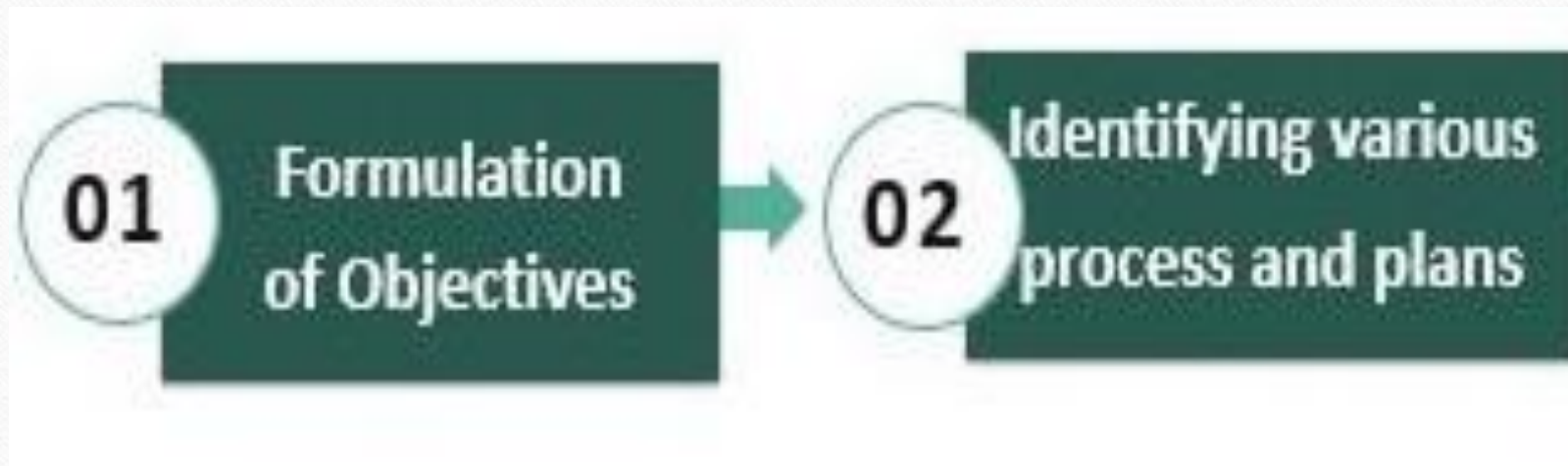
It is the initial step to formulate the objective as to what to achieve. It is essential to set the objectives that what u want to success????

- Survival??
- Long Run Profit??
- Shor run Success??



# Performance Budget Process

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## Step 2 – Identifying various process and plans

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The second stage is **to identify the process and plan, which will help achieve the objectives**—various processes and strategies that can be introduced to the program to achieve the objective.

- Strategy is **an action that managers take to attain organization's goals**
- **Who should be leader and who will be follower**

# Performance Budget Process

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## Step 3 – Evaluation & Selection of the processes and plans

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After identifying various processes and plans, the most profitable and easy to communicate and implement plans and processes should be evaluated and selected to achieve the objectives.

# Performance Budget Process

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## Step #4 – Development of Performance Criteria

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- It is another step to developing the criteria on which **the processes and plans will be rolled out**. It is also essential to develop a basis to measure the performances of the persons involved in the processes.



# Performance Budget Process

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## Step 5 – Financial Planning

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After developing the processes and identifying the steps involved, it is required to **plan for the financial requirement and prepare a financial budget** for the processes planned.

- How much Money?
- When we need it??

# Performance Budget Process

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# Step 6 – Correcting Deviations

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It is the final step that corrects the deviations in the process and performance. Also, to make the required changes in both the process and performance to remove all those deviations.



# Performance Budget Process





# Performance Budget Process



# Step 7 – Assessing Performance

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- After rolling out the processes, it is vital to measure the performance given by the persons involved in the process.
- In addition, it is crucial to see whose performance was up to the mark and what changes are required to be made.



# Traditional Budgeting

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Traditional budgeting is **the process of projecting your business's revenue and expenses for the upcoming year based on your previous budget.**





**Programed budgeting**

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**Traditional budgeting**



## PERFORMANCE BUDGETING and TRADITIONAL BUDGETING

**The traditional approach to budgeting focuses on incremental changes in detailed categories of expenditures.**

**But**

**Performance based budgeting (PBB) focusing on results rather than money spent.**

The amount of money to be spent for a particular purpose for example on staff salary, office supplies, equipment, etc. is included in the traditional budget. However, what is to be accomplished by each dollar spent is indicated by the performance budget.



# Performance Budgeting V/S Traditional Budgeting

## 1. Development Basis

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### Traditional Budget

- Based largely upon previous budget period allocations and expenditures.

### Performance Budget

- Based upon results and combined with specific goals to be achieved.

# Performance Budgeting V/S Traditional Budgeting

## 2. Performance Criteria

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### Traditional Budget

- Criteria for measuring outcomes are based primarily on spending.

### Performance Budget

- Criteria are focused on specific objectives to be achieved and impacts intended.



# Performance Budgeting V/S Traditional Budgeting

## 3. Budget Content

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### Traditional Budget

- Line items like salaries are objects of expenditure and general categories rather than programs.

### Performance Budget

- Budget is divided into major objectives and outcomes to be achieved.

# Performance Budgeting V/S Traditional Budgeting

## 4. Time Focus

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### **Traditional Budget**

- Focus is historical and on the current needs.

### **Performance Budget**

- Focus also identifies the impact of activities on future priorities.



# Performance Budgeting V/S Traditional Budgeting

## 5. Priority of Outcomes

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### Traditional Budget

- Outcomes are generic (common) and tend to be based upon activities and tasks to be accomplished.

### Performance Budget

- Outcomes are viewed in terms of specific accomplishments to be achieved.

# Performance Budgeting V/S Traditional Budgeting

## 6. Transparency

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### Traditional Budget

- Poor transparency is existed.

### Performance Budget

- Transparency about how and why expenditures are assigned exists.



# Performance Budgeting V/S Traditional Budgeting

## 7. Nature of Communication

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### Traditional Budget

- Communication based on past data and no evaluation is existed.

### Performance Budget

- Communication is focused on results and priorities and is more detailed.

# Performance Budgeting V/S Traditional Budgeting

## 8. Goal Emphasis

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### Traditional Budget

- Goals are based upon the question “How do we best continue the status quo?” how long this present situation.
- It looks on effectiveness

### Performance Budget

- Goals are based upon the question, “How can we improve what we are doing?”
- Its more based on efficiency.



# Performance Budgeting V/S Traditional Budgeting

## 9. Results Accountability

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### Traditional Budget

- Because goal setting about outcomes tends to be limited, accountability is also.

### Performance Budget

- Accountability emphasizes achievement of specific results and outcomes.

<b>Budget Factors</b>	<b>Traditional Budgeting</b>	<b>Performance Budgeting</b>	<b>Comment</b>
Development Basis	Based largely upon previous budget period allocations and expenditures.	Based upon historical factors combined with specific goals to be achieved.	Focus on goals, results, and outcomes enables performance budgeting to focus managers.
Performance Criteria	Criteria for measuring outcomes are based primarily on programs and activities.	Criteria are focused on specific objectives to be achieved and impacts intended.	Metrics for measuring performance determine the standards for evaluation of departments.
Budget Content	Line items are objects of expenditure and general categories rather than programs.	Budget is divided into major objectives and outcomes to be achieved.	Budget information tends to be limited in explaining what is to be accomplished by programs and departments.
Time Focus	Focus is historical and on the current needs.	Focus also identifies the impact of activities on future priorities.	The context of the organization and the impact of change can be important.
Priority of Outcomes	Outcomes are generic and tend	Outcomes are viewed in terms of	Focus on outcomes and results reflect the



	to be based upon activities and tasks to be accomplished.	specific accomplishments to be achieved.	degree of autonomy and independence of individual managers.
Transparency	Transparency related to specific line items is clearly articulated.	Transparency about how and why expenditures are assigned exists.	Transparency about results is increased with performance budgeting.
Nature of Communication	Communication about what is to be accomplished in response to specific needs may be limited.	Communication is focused on results and priorities and is more detailed.	Degree of communication about outcomes greatly impacts the strategic capacity of the organization.
Goal Emphasis	Goals are based upon the question "How do we best continue the status quo?"	Goals are based upon the question, "How can we improve what we are doing?"	Assumptions about goals to be achieved and their relationship to customers drive priorities.
Primary Value	Cost containment and efficiency year over year is the priority.	Identifying how the mission of units can best be achieved is the priority.	Efficiency and effectiveness are always goals to be balanced.
Results Accountability	Because goal setting about outcomes tends to be limited, accountability is also.	Accountability emphasizes achievement of specific results and outcomes.	Accountability and responsibility for outcomes and results equate with independence and autonomy.



Thank  
You



**Q & A**

You have

**Questions**

We have

**Answers**