



## UNIT 6: BUDGETRY CONTROL

### CHAPTER: BUDGET & BUDGETRY CONTROL

#### WHAT:

- ❖ A budget is an estimation of revenue and expenses over a specified future period of time and is utilized by governments, businesses, and individuals.
- ❖ A budget is basically a financial plan for a defined period, normally a year. It greatly enhances the success of any undertaking. As the saying goes, "if you fail to plan then plan to fail."

#### WHAT DOES BUDGET MEAN?

There are tons of different kinds of budgets from short-term and long-term to department specific. Management can make a budget for anything. The important thing to remember is these budgets are really just the management's future goals and plans for the business written down in financial form.

#### WHAT IS BUDGETING? WHAT IS A BUDGET?

**Budgeting** is the process of creating **a plan to spend your money**. This spending plan is called **a budget**. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.

#### WHAT IS BUDGETARY CONTROL? WHAT ARE THE DIFFERENT BUDGETS PREPARED IN F&B OPERATIONS?

**IMPORTANT**

Throughout the budget period, the use of budgets & budgetary reports for the purpose of coordinating, evaluating & controlling day-to-day operations according to the goals which are specified by the budget is involved by budgetary control. **Under budgetary control, actual results are constantly checked & evaluated & a comparison of the actual result is made with the budgeted goals & wherever indicated, corrective action should be undertaken.**

Different types of budgets prepared in F & B Operations:

- ❖ **SALES BUDGET** – An estimate of future sales, often broken down into both units and currency. It is used to create company sales goals.
- ❖ **PRODUCTION BUDGET** – An estimate of the number of units that must be manufactured to meet the sales goals. The production budget also estimates the various costs involved with manufacturing those units, including labor and material. Created by product-oriented companies.





- ❖ **CAPITAL BUDGET** – Used to determine whether an organization’s long-term investments such as new machinery, replacement machinery, new plants, new products, and research development projects are worth pursuing.
- ❖ **CASH FLOW/CASH BUDGET** – A prediction of future cash receipts and expenditures for a particular time period. It usually covers a period in the short-term future. The cash flow budget helps the business determine when income will be sufficient to cover expenses and when the company will need to seek outside financing.
- ❖ **MARKETING BUDGET** – An estimate of the funds needed for a promotion, advertising, and public relations in order to market the product or service.
- ❖ **PROJECT BUDGET** – A prediction of the costs associated with a particular company project. These costs include labor, materials, and other related expenses. The project budget is often broken down into specific tasks, with task budgets assigned to each. A cost estimate is used to establish a project budget.
- ❖ **REVENUE BUDGET** – Consists of revenue receipts of government and the expenditure met from these revenues. Tax revenues are made up of taxes and other duties that the government levies.
- ❖ **EXPENDITURE BUDGET** – Includes spending data items.

