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**ASSIGNMENT: TYPES OF BUDGET**

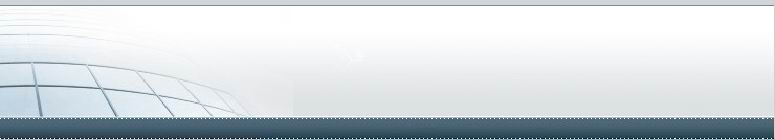
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**Different Types of Budget**

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**When people think of budgeting they frequently think of one expenditure budget for the organization to control its outgoings. There are several types of budget however, of which expenditure budgets is only one type. You can have a budget for any type of activity and this article will give you a quick outline of the main types of budgets.**

**SALES BUDGET**

A SALES BUDGET TELLS YOU HOW MUCH OF YOUR PRODUCT/SERVICE YOU ARE GOING TO SELL OR DELIVER OVER A GIVEN PERIOD OF TIME. THIS TYPE OF BUDGET MAY INCLUDE DETAILS SUCH AS CASH/CREDIT SALES SPLIT; SHOW HOW MUCH OF EACH TYPE OF PRODUCT/SERVICE IS SOLD, ETC. IT MAY ALSO INCLUDE A BREAKDOWN OF THE COSTS DIRECTLY RELATED TO MAKING THOSE SALES, E.G. COST OF PACKAGING OR SALE SALES BUDGET ESTIMATED AMOUNT OF ANTICIPATED SALES ALLOCATED BY PRODUCT TERRITORY OR PERSON PREPARED WEEKLY, MONTHLY AND YEARLY.

[PROJECTION](http://www.businessdictionary.com/definition/projection.html)OF ACHIEVABLE[SALES REVENUE](http://www.businessdictionary.com/definition/sales-revenue.html), BASED ON HISTORICAL SALES DATA,[ANALYSIS](http://www.investorwords.com/208/analysis.html)OF[MARKET](http://www.businessdictionary.com/definition/market.html)[SURVEYS](http://www.businessdictionary.com/definition/survey.html)AND[TRENDS](http://www.businessdictionary.com/definition/trend.html), AND SALES PERSONS'[ESTIMATES](http://www.businessdictionary.com/definition/estimate.html). ALSO CALLED[SALES BUDGET](http://www.businessdictionary.com/definition/sales-budget.html), IT FORMS THE BASIS OF A[BUSINESS PLAN](http://www.businessdictionary.com/definition/business-plan.html)BECAUSE THE LEVEL OF SALES REVENUE AFFECTS PRACTICALLY EVERY ASPECT OF A[BUSINESS](http://www.businessdictionary.com/definition/business.html). SEE ALSO[SALES TARGET](http://www.businessdictionary.com/definition/sales-target.html)

TEAM TRAVEL ALLOWANCE.

SALES/REVENUE BUDGET- IT SHOWS THE AMOUNT OF MONEY THAT FLOWS INTO THE BUSINESS AT ANY POINT IN TIME, THEN NUMBER OF UNITS (PRODUCTS OR SERVICES) THAT WOULD BE SOLD AND AT WHAT PRICE THEY WOULD BE SOLD AT. THIS INFORMATION COULD HELP THE ORGANISATION E.G. IN HIRING MORE STAFF TO HANDLE THE EXPECTED RISE IN SALES.

**PROJECT BUDGET**

THIS TYPE OF BUDGET SETS OUT HOW MUCH MONEY YOU ARE GOING TO SPEND ON THE RESOURCES THAT ARE INVOLVED IN A PARTICULAR PROJECT, I.E. LABOR, MATERIALS, EQUIPMENT.

THIS IS A PLAN OF HOW MUCH PROFIT YOU WILL MAKE GIVEN A CERTAIN LEVEL OF REVENUE AND EXPENDITURE. IF YOU ARE AIMING TO MAKE A PROFIT, YOU WILL NEED TO KNOW THAT YOUR PREDICTED SALES MORE THAN COVER YOUR PREDICTED EXPENDITURE.

**PRODUCTION BUDGET**

THE PRODUCTION BUDGETAFTER IT BUDGETS SALES, A COMPANY EXAMINES HOW MANY UNITS IT HAS ON HAND AND HOW MANY IT WANTS AT YEAR-END. FROM THIS IT CALCULATES THE NUMBER OF UNITS NEEDED TO BE PRODUCED DURING THE UPCOMING PERIOD. THE COMPANY ADJUSTS THE LEVEL OF PRODUCTION TO ACCOUNT FOR THE DIFFERENCE BETWEEN TOTAL PROJECTED SALES AND THE NUMBER OF UNITS CURRENTLY IN INVENTORY (THE BEGINNING INVENTORY), IN THE PROCESS OF BEING FINISHED (WORK IN PROCESS INVENTORY), AND FINISHED GOODS ON HAND (THE ENDING INVENTORY). TO CALCULATE TOTAL PRODUCTION REQUIREMENTS, A COMPANY ADDS PROJECTED SALES TO ENDING INVENTORY AND SUBTRACTS THE BEGINNING INVENTORY FROM THAT SUM.

THE PRODUCTION BUDGET IS A STATEMENT OF THE OUTPUT BY PRODUCT AND IS GENERALLY EXPRESSED IN UNITS. IT SHOULD TAKE INTO ACCOUNT THE[SALES BUDGET](http://accounting-financial-tax.com/category/financial/budgeting-financial/sales-budget-budgeting-financial-financial/), PLANT CAPACITY, WHETHER STOCKS ARE TO BE INCREASED OR DECREASED AND OUTSIDE PURCHASES. THE NUMBER OF UNITS EXPECTED TO BE MANUFACTURED TO MEET BUDGETED SALES AND INVENTORY REQUIREMENTS IS SET FORTH IN THE PRODUCTION BUDGET.

**PROFIT AND LOSS BUDGET**

THIS IS A PLAN OF HOW MUCH PROFIT YOU WILL MAKE GIVEN A CERTAIN LEVEL OF REVENUE AND EXPENDITURE. IF YOU ARE AIMING TO MAKE A PROFIT, YOU WILL NEED TO KNOW THAT YOUR PREDICTED SALES MORE THAN COVER YOUR PREDICTED EXPENDITURE.

***CASH BUDGET***

AN ESTIMATION OF THE CASH INFLOWS AND OUTFLOWS FOR A BUSINESS OR INDIVIDUAL FOR A SPECIFIC PERIOD OF TIME. CASH BUDGETS ARE OFTEN USED TO ASSESS WHETHER THE ENTITY HAS SUFFICIENT CASH TO FULFILL REGULAR OPERATIONS AND/OR WHETHER TOO MUCH CASH IS BEING LEFT IN UNPRODUCTIVE CAPACITIES.

A CASH BUDGET IS EXTREMELY IMPORTANT, ESPECIALLY FOR SMALL BUSINESSES, BECAUSE IT ALLOWS A COMPANY TO DETERMINE HOW MUCH CREDIT IT CAN EXTEND TO CUSTOMERS BEFORE IT BEGINS TO HAVE LIQUIDITY PROBLEMS.   
  
FOR INDIVIDUALS, CREATING A CASH BUDGET IS A GOOD METHOD FOR DETERMINING WHERE THEIR CASH IS REGULARLY BEING SPENT. THIS AWARENESS CAN BE BENEFICIAL BECAUSE KNOWING THE VALUE OF CERTAIN EXPENDITURES CAN YIELD OPPORTUNITIES FOR ADDITIONAL SAVINGS BY CUTTING UNNECESSARY COSTS.  
  
FOR EXAMPLE, WITHOUT SETTING A CASH BUDGET, SPENDING A DOLLAR A DAY ON A CUP OF COFFEE SEEMS FAIRLY UNIMPRESSIVE. HOWEVER, UPON SETTING A CASH BUDGET TO ACCOUNT FOR REGULAR ANNUAL CASH EXPENDITURES, THIS SEEMINGLY SMALL DAILY EXPENDITURE COMES OUT TO AN ANNUAL TOTAL OF $365, WHICH MAY BE BETTER SPENT ON OTHER THINGS. IF YOU FREQUENTLY VISIT SPECIALTY COFFEE SHOPS, YOUR ANNUAL EXPENDITURE WILL BE SUBSTANTIALLY MORE.

**CAPITAL EXPENDITURE BUDGET**

THIS TYPE OF BUDGET GIVES YOU AN IDEA OF HOW MUCH YOU WILL NEED TO SPEND ON CAPITAL ITEMS, SUCH AS EQUIPMENT, FOR YOUR TEAM. AS LARGE ITEMS LIKE THIS ARE LIKELY TO BE RELATIVELY EXPENSIVE, THIS BUDGET ENABLES YOU TO THINK ABOUT WHAT ITEMS MAY NEED TO BE REPLACED AS THEY ARE GETTING OLD OR WHAT DIFFERENT TYPES OF THINGS YOU MAY NEED THIS YEAR THAT YOU HAVEN'T USED IN THE PAST.

INVESTMENTS IN PROPERTY, BUILDINGS AND MAJOR EQUIPMENT ARE CALLED CAPITAL EXPENDITURES. THESE ARE TYPICALLY SUBSTANTIAL EXPENDITURES BOTH IN TERMS OF MAGNITUDE AND DURATION. THE MAGNITUDE AND DURATION OF THESE INVESTMENTS CAN JUSTIFY THE DEVELOPMENT OF SEPARATE BUDGETS FOR THESE EXPENDITURES. SUCH CAPITAL EXPENDITURE BUDGETS ALLOW MANAGEMENT TO FORECAST FUTURE CAPITAL REQUIREMENTS, TO KEEP ON TOP OF IMPORTANT CAPITAL PROJECTS, AND TO ENSURE THAT ADEQUATE CASH IS AVAILABLE TO MEET THESE EXPENDITURES AS THEY BECOME DUE.

A CAPITAL BUDGET WOULD ACCOMMODATE THE EXPENSE IN BUYING A CAPTAL INTENSIVE ASSET, AND EXAMPLE OF AN ITEM THAT BELONGS TO THE CAPITAL BUDGET COULD BE A NEW DELIVERT TRUCK OR AN ADDITIONAL WHAREHOUSE.

**STOCK BUDGET**

STOCK COMPRISES THREE THINGS: RAW MATERIALS, WORK-IN-PROGRESS AND FINISHED GOODS. THESE ARE ALL THINGS THAT WILL EVENTUALLY GO INTO THE PRODUCT THAT WILL BE SOLD TO YOUR CUSTOMERS. A STOCK BUDGET WILL HELP YOU PLAN HOW MUCH STOCK YOU SHOULD HAVE ON THE PREMISES AT ANY ONE TIME ACCORDING TO YOUR PREDICTED CUSTOMER DEMAND AND SPEED OF PRODUCTION.

**DEPARTMENTAL/TEAM BUDGET**

A DEPARTMENTAL/TEAM BUDGET DETAILS HOW MUCH CAN BE SPENT (WITHIN A PARTICULAR PERIOD OF TIME) ON VARIOUS RESOURCES IN ORDER FOR A DEPARTMENT/TEAM TO CARRY OUT ITS DAY-TO-DAY FUNCTIONS AND ACHIEVE ITS OBJECTIVES, E.G. TEAM PAYROLL COSTS, TRAINING AND DEVELOPMENT, MATERIAL AND EQUIPMENT, OVERHEADS, GENERAL RUNNING COSTS, ETC.

**CREDIT CONTROL BUDGET**

IF YOUR ORGANIZATION MAKES CREDIT SALES THEN IT WILL NEED A CREDIT CONTROL BUDGET. THIS ALLOWS THE CASH THAT IS COMING IN FROM CUSTOMERS TO BE TRACKED AGAINST THE CREDIT PERIOD THEY HAVE BEEN GIVEN.

THE BASIC PREMISE OF ALL THESE INDIVIDUAL BUDGETS WILL STAY THE SAME NO MATTER WHERE THEY ARE USED. HOWEVER, DIFFERENT TYPES OF ORGANIZATIONS WILL ADOPT DIFFERENT FORMATS SO THEY WON'T ALWAYS HAVE THE SAME LAYOUT.

**REVENUE BUDGETS**

The revenue budget is a forecast because it is based on projecting future sales. Managers must take into consideration their competitors, advertising budget, sales force effectiveness and other relevant factors, and they must make an estimate of sales volume. Then, based on estimates of demand at various prices, managers must select an appropriate sales price. The result is the revenue budget.

## FINANCIAL BUDGET

The financial budget contains projections for cash and other balance sheet items—assets and liabilities. It also includes the capital expenditure budget. It presents a company's plans for financing its operating and capital investment activities. The capital expenditure budget relates to purchases of plant, property, or equipment with a useful life of more than one year. On the other hand, the cash budget, the budgeted balance sheet, and the budgeted statement of cash flows deal with activities expected to end within the 12-month budget period.

Business finance is that business activity which is concerned with the acquisition and conservation of capital funds in meeting financial needs and overall objectives of business enterprises. In simple words finance department handle the financial affairs of the company.

**MARKETING BUDGET**

Marketing is a channel where we can do advertisement for our product. There are various channels where we can advertisement for our product like television, radio, news paper, hoardings, and one is E-advertisement.

**HUMAN RESOURCE (HR) BUDGET**

HR means employing people, developing their capacity, utilizing, maintaining and compensating their services, job and organizational requirement.

## SUMMARY

Budgeting is the process of planning and controlling the utilization of assets in business activities. It is a formal, comprehensive process which covers every detail of sales, operations, and finance, thereby providing management with performance guidelines. Through budgeting, management determines the most profitable use of limited resources. Used wisely, the budgeting process increases management's ability to more efficiently and effectively deploy resources, and to introduce modifications to the plan in a timely manner.