

A STUDY IN BUDGETARY CONTROL AT KARNATAKA SOAPS AND DETERGENTS LTD BENGALURU

Ms. Gayathri V,

Prof. Sarah Merlyn,

PG Research Scholar, Department of Management Studies, GlobalAcademyof
Technology, Bengaluru – 560 098

Assistant Professor, Department of Management Studies, GlobalAcademyof
Technology, Bengaluru – 560 098

ABSTRACT

Budgetary control is a fundamental aspect of financial management, enabling organizations to monitor and manage their financial resources effectively. This abstract explores the implementation of budgetary control at KS&DL, an Soap and detergents manufacturing company, and its impact on optimizing financial performance highlighting the importance of budgetary control as a tool for planning, coordination, and control of financial activities. It emphasizes the significance of aligning budgetary control systems with organizational objectives and strategies to achieve sustainable growth and profitability. which involves comparing the estimated budgeted figures with the actual financial performance of KS&DL. It explains the process of budget formulation, including setting financial targets, allocating resources, and establishing key performance indicators. The study then analyzes the variances between the estimated and actual figures to identify areas of concern and potential improvement. the findings of the study. It highlights the variances observed in different budgetary categories, such as production costs, and sales revenue. The abstract explores the reasons behind these variances, considering factors such as production inefficiencies, pricing strategies. The KS&DL is the Government Company Because of that Limited data availability to analysis.

Keywords: Budgetary, Estimated cost, Actual cost, Sales Budget, Production Budget.

INTRODUCTION

Employee welfare refers to the efforts that a firm takes to improve the happiness and well-being of its employees. It embraces a wide range of initiatives, policies, and programmes aimed at improving the quality of life of employees both inside and outside of the office. Employee welfare initiatives might include financial assistance, childcare services, flexible work schedules, health and wellness programmes, and a variety of other advantages that can improve workers' overall well-being. The primary purpose of employee welfare is to create a work environment that fosters employee pleasure, engagement, and loyalty while simultaneously increasing productivity. This can lead to a better workplace culture, lower staff turnover, and increased corporate profitability.

Keeping a healthy and productive workforce in the manufacturing business is highly dependent on employee well-being. Employers have a responsibility to provide a safe and healthy work environment for their employees because manufacturing work usually requires manual labour and exposure to potentially dangerous products.

Employee welfare in the manufacturing industry includes measures such as competitive salaries and benefits, opportunities for skill development and career advancement, promoting work-life balance, and cultivating a positive workplace culture that values open communication and teamwork, in addition to ensuring workplace safety. By putting employee welfare first, manufacturing organizations may raise morale, cut turnover rates, and boost productivity, all of which will eventually contribute to the organization's success. welfare and safety measures are essential aspects of any organization's human resource management policies. These measures refer to the policies, programs, and initiatives implemented by companies to promote the well-being and safety of their employees. Employee welfare measures include providing employees with benefits like health insurance, pension plans, paid leaves, and employee assistance programs. These measures aim to provide employees with a sense of security and stability and help them maintain a healthy work-life balance

1.1 STATEMENT OF THE PROBLEM

The Budgetary Control System At KS&DL Encounters several Difficulties and Flaws That Reduce Its Efficiency in Assisting the Organization's Financial Management and Accomplishing Its Strategic Goals. The Following Issue Statement Identifies the Main Problem Is Financial Forecasts and Budget Assumptions: The Success of Budgetary Control Is Heavily Dependent on the Accuracy of Financial Forecasts and the Reliability of Budget Assumptions. KS&DL May Experience Problems with Forecasting's Precision and Dependability, this might lead to Exaggerated Revenue Estimates or Underestimated Costs. Budgetary Goals May Become Unrealistic or Fail to Consider the Organization's True Financial Needs as a Result.

1.2 OBJECTIVE OF THE STUDY

- To study the budgetary control practices of KS&DL.
- To Compare the budgeted figures with actual figures

I. REVIEW OF LITERATURE

Ahmed Sghayer Ali Shefren (2021) This study's quantitative analysis and survey methodology address top managers and workers at SMEs in Malaysia's Klang Valley. Because the population is so large, random sampling was used for the study. The majority of the research is based on primary data that was gathered from the sample respondents using a specially designed questionnaire. To accomplish the research objectives, a structured questionnaire was created, and 30 respondents participated in a pilot study to pretest the research instrument, validate the questions, and refine the study design before the full-scale research project was conducted. Mr. G. Srinivasan Dr. R. Ganapathi (2021) According to the report, budgets are declarations of expected resources set aside for carrying out planned operations or activities over a predetermined time period. It serves as a blueprint for the results of the organization's operations throughout the course of a fiscal year. Budgetary control, on the other hand, is a process of learning what is being done and entails the act of comparing the actual outcome with the budget to verify accomplishment or correct the differences, according to Terry. It displays the qualitative characteristics of an organization's performance.

Mamorena Lucia Matsoso (2021) In this study, which was carried out in Cape Town, South Africa, the manufacturing sector's SMEs were the main subject. The study is focused on manufacturing SMEs that have been in business for more than a year and have fewer than 200 employees. The sample was found by researchers using data from the Western Cape Province's manufacturing enterprises in the City of Cape Town Municipality's industrial database. project. Raya Mohammed Amur AL Mahroqi (2021) In this study through the definition of budgeting, how it operates, and what it entails, as well as a review of prior studies of budgetary controls and the processes and procedures associated with them, such as planning, monitoring, and controlling, this chapter has reviewed the effect of budgetary controls on the financial performance of organizations. The extent to which the budgetary control methods that were indicated in literature evaluations of earlier research have improved the financial performance of the organization is also covered in this chapter. Lumatete Irine Nanzala, Ondieki Benedict Alala 2021 The effectiveness and efficiency of the organization's spending must be addressed in a study on a competent budgetary control system. The organization's income level determines a healthy budget (Robinson, 2009). Budgets, according to Sawhill and Williamson (2001), can be used as a gauge of how well the current administration is doing. It is a verdict on their suitability to manage the company and the riches of the country. Amala V Venkatasami (2015) The study's goal is to predict future revenue and capital item revenues and payments. The paper is named "A Study on Budgetary Control" with particular reference to Coimbatore District Co-operative Milk Producers Union Limited, Coimbatore. to examine the role that budgetary control plays in the milk union's decision-making process. According to this study, effective budgeting management helps management of marketing, finances, production, and staff. Therefore, adequate budgetary control must be regulated for all organisations. Lambe Isaac, Mary Lawal, Theresa Okoli (2015) The research's findings demonstrate that budgets can be used to achieve and coordinate organisational goals and initiatives when they are used successfully, particularly when done so within the confines of predetermined and efficient control. It is a useful tool for conveying plans to those in charge of carrying them out, inspiring managers and staff at all levels, and providing as a benchmark for evaluating actual performance. Assoc. Prof. Fadzilah Bt Siraj (2015) In this study the Karbala University has to deal with a number of financial or budgetary agreements, and it is working to achieve budgetary independence because the state still has oversight responsibilities for each of its sixteen separate faculties. This demands accountability. The cause of this is that a manual system can no longer manage the function itself due to the growing size and complexity of each institutional budgets. Excel sheets were previously used to maintain the budget, but this method is inefficient and inaccurate. Olaniyan Niyi Oladipo (2015) The study looked at how Nigerian educational institutions' financial performance was affected by their budget and budgetary control mechanism. It specifically looked into the connections between Nigeria's budget participation, monitoring, and control, operating cash flow, current ratio, debt-to-equity ratio, and asset turnover. CHANDRASEKARAN.M REBACCAL.A BHUVANESHWARI.A (2018)

Studying the elements of budgeted cost, actual cost, sales, earnings, etc. would aid the business in developing an effective strategy. This indicates the company's current liquidity and profitability position.

The analysis will serve as the foundation for examining the company's financial performance. By lowering the amount of borrowed money, the business may perform better and pay less in interest.

I. DATA AND METHODOLOGY

3.1 Type of research: Empirical research, it is the research which analysis done through empirical evidence.

3.2 Source of data: Secondary data which is collected through the company financial reports.

3.3 Sample size: 5 years of time period of study.

3.4 Period of the study: April 2018 to March 2023

3.5 Tools and techniques: t-Test analysis

Hypothesis 1

H₀ 1: There is no significant difference between the estimated Sales budget and the actual Sales. Ha1: There is a significant difference between the estimated Sales budget and the actual Sales.

Hypothesis 2

H₀ 2: There is no significant difference between the estimated Production cosmetics budget and the actual Production (cosmetics)

Ha2: There is a significant difference between the estimated Production cosmetics budget and the actual Production (cosmetics).

Hypothesis 3

H₀ 3: There is no significant difference between the estimated Production (Detergents) and the actual Production (Detergents).

Ha3: There is a significant difference between the estimated Production (Detergents) budget and the actual Production (Detergents).

Hypothesis 4

H₀ 4: There is no significant difference between the estimated Production (Soaps) budget and the actual Production (Soaps).

Ho4: There is a significant difference between the estimated Production (Soaps) budget and the actual Production (Soaps)

3.1 Limitations

- The study is confined to single company only
- The study was limited to only five years financial data (2018-2022).
- The study is purely based on secondary data.

II. DATA ANALYSIS AND FINDINGS

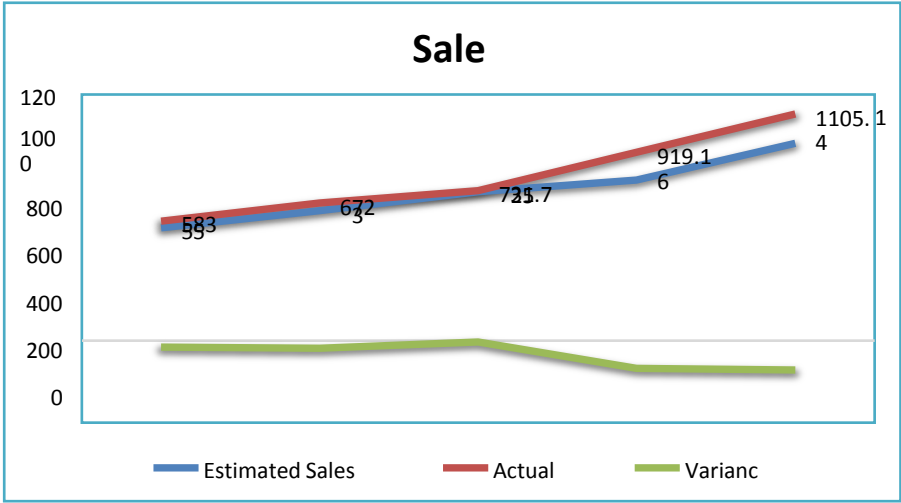
1.1 Calculation of Sales Budget

Variance = Estimated Sales Budget - Actual Sales

Table 5.1.1 Sales Budget

Year s	Estimated Sales Budget	Actual Sales	Variance
2018	550	583	-33
2019	635	672	-37
2020	725	731.76	-6.76
2021	783.58	919.16	-135.58
2022	962.34	1105.41	-143.07

Chart 5.1.1 Sales Budget Graphical Representation of Sales Budget



-33 -37 -6.76
2018 2019 2020 2021- 2022-
135.58 143.07

Interpretation:

1. The Line chart above shows that 2018: The estimated sales budget was 550 units, but the actual sales reached 583 units, resulting in a negative variance of -33 units. This suggests that the actual sales exceeded the estimate.
2. 2019: The estimated sales budget was 635 units, but the actual sales reached 672 units, resulting in a negative variance of -37 units. This indicates that the actual sales exceeded the estimate.
3. 2020: The estimated sales budget was 725 units, but the actual sales reached 731.76 units, resulting in a negative variance of -6.76 units. This suggests that the actual sales slightly exceeded the estimate.
4. 2021: The estimated sales budget was 783.58 units, but the actual sales reached 919.16 units, resulting in a negative variance of -135.58 units. This indicates that the actual sales significantly exceeded the estimate.
5. 2022: The estimated sales budget was 962.34 units, but the actual sales reached 1105.41 units, resulting in a negative variance of -143.07 units. This suggests that the actual sales significantly exceeded the estimate.

Overall, the interpretation of these variances indicates that in the years 2018 and 2019, the actual sales exceeded the estimated sales. In 2020, the actual sales slightly exceeded the estimate, but the variance was minimal. However, in 2021 and 2022, the actual sales significantly exceeded the estimates, indicating strong sales performance.

Table 5.2.1 t-Test: Two-Sample: For Sales Budget

	Estimated Budget	Sales	Actual Budget	Sales
Mean	731.184		802.266	
Variance	24573.92068		43894.59938	
Observations	5		5	
Pooled Variance	34234.26003			
Hypothesized Mean Difference	0			
df	8			
t Stat	-0.607434103			
P(T<=t) one-tail	0.280202516			
t Critical one-tail	1.859548038			
P(T<=t) two-tail	0.560405031			
t Critical two-tail	2.306004135			

Interpretation:

The statistical analysis was conducted to evaluate whether there is sufficient evidence to reject the null hypothesis in favor of the alternative hypothesis. The calculated t-statistic was -0.607434103, which represents the difference between the mean estimated sales budget and the mean actual sales budget, relative to the variability in the data.

The p-value is a measure of the probability of observing a t-statistic as extreme as the one obtained, assuming that the null hypothesis is true. In this case, the p-value for the one-tailed test was calculated as 0.280202516, and for the two-tailed test, it was 0.560405031. there is no statistically significant difference between the estimated sales budget and the actual sales budget, and therefore, there is no evidence to support the alternative hypothesis. Ho is accepting and rejecting H1. Which states that There is no significant difference between the estimated Sales budget and the actual Sales.

Findings

❖ In this case, the p-value for the one-tailed test was calculated as 0.280202516, and for the two-tailed test, it was 0.560405031.

❖ the p-value of 0.300334297 is greater than the significance level (typically 0.05), indicating that there is insufficient evidence to reject the null hypothesis. The calculated t-statistic (0.544914904) falls within the non-rejection region for both one-tailed and two-tailed tests.

❖ The p-value is a measure of the probability of observing a t-statistic as extreme as the one obtained, assuming that the null hypothesis is true. In this case, the p-value for the one-tailed test was calculated as 0.313416159, and for the two-tailed test, it was 0.626832319.

❖ The p-value is a measure of the probability of observing a t-statistic as extreme as the one obtained, assuming that the null hypothesis is true. In this case, the p-value for the one-tailed test was calculated as 0.215537347, and for the two-tailed test, it was 0.431074695.

III. CONCLUSIONS

The budgetary control study aimed to assess the effectiveness of budgetary control measures at KS&DL. Various budgets, such as sales budgets and production budgets, were compared to their respective actual figures. For the estimated sales budget and actual sales budget, there was no statistically significant difference observed between the two. This implies that the estimated sales budget adequately approximated the actual sales budget, and there is no evidence to suggest that the budgetary control measures were ineffective in managing sales. Similarly, for the estimated production budget and actual production, there was no statistically significant difference found between the two. This indicates that the estimated production budget was reasonably accurate in predicting the actual production, and the budgetary control measures were effective in managing production costs.

I. REFERENCES

- Siyanbola, T. T., & Remo, I. (2013). The Impact Of Budgeting And Budgetary Control On The Performance Of Manufacturing Company In Nigeria. *J Bus Manag Soc Sci Res*, 2(12), 8-16.
- Venkatasami, A. V. (2015). A Study On Budgetary Control With Special Reference To Coimbatore District Co-Operative Milk Producer's Union Limited, Coimbatore. *J Bus Fin Aff*, 4(141), 2167-0234.

- Chandrasekaran, M. (2019). A Study On Budgetary Control. Scholar: National School Of Leadership, 8(1.5)
- Ojo, O., & Samson, O. K. Budgetary Control/Tracking And Service Delivery In Surulere Local Government, Iresaadu (Slgi), Oyo State, Nigeria (2011-2013).
- Ehiagwina, A. I. Budgeting And Budgetary Control: A Mechanism For Managerial Effectiveness.
- Mahroqi, R. M. A. A., & Matriano, M. T. (2021). Examining The Effect Of Budgetary Controls On The Financial Performance Of Oman Telecommunication Company. Advances In Social Sciences Research Journal, 8(6), 83-95.
- Nanzala, L. I., & Alala, O. B. (2021). Budget And Budgetary Control Systems As A Tool For Decision Making In An Organization: A Case Study Of Kenya Public Universities. International Journal Of Finance And Accounting, 2(2), 1-8.
- Orebiyi, J. S., & Ugochukwu, A. I. (2005). Budget And Budgetary Control In Nigeria: Procedures, Practices And Policy Issues. Global Journal Of Agricultural Sciences, 4(1), 69-73.
- Ajagbe, S. T., Bamidele, A. G., & Usman, T. B. Effectiveness Of Budgetary Control And Its Implementation Strategies On Kwara State University, Malete, Ilorin.
- Sheba, R., Kamaliah, K., & Agusti, R. The Effect Of Budgetary Goal Characteristics On The Effectiveness Of Budget Control: With Knowledge Of Budgetary Agency-Dprd About Budget As Moderating Variable (Empirical Study At Regency/Municipality Of Riau. Jurnal Ekonomi, 26(1), 76-93.