
COST MANAGEMENT WITH PARETO TOOL FOR ANALYSIS OF BUDGET VARIANCE

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Abstract :

Due to frequent debacle of giant companies that we have to exhume from the grassroot level variance. Variance is the difference between the Budget estimates/standard cost and the Actual estimates. Budget is the grassroot planning and this grassroot variance has to be pedagoguely and adroitly gauged. Rather than working an aggressive attempt of study of other standard cost variance, management variances etc there is a connotations of study of budget variances. Our budget starts with planning the forecast. The budgeted amount is prime tool of benchmarking the performance of the organization. A key use of variance analysis is in performance evaluation. If budget variance is very large enough then it is indicating our weakness in forecasting and planning and lastly dynamically implementing. Management by exception is the practice of concentrating on areas not operating as anticipated. Managers use sizable variances for planning and allocating their effort .The efficiency level in relative to amount of inputs used can be analysed as well the degree of effectiveness in relative to pre-determined target/budget can be measured. This paper is to prove the budget variance with the help of pareto chart which specifically show which factor of cause has to be worked upon. I have chosed pareto chart because the major causes are arranged in descending order and the cumulative frequency is being graphed to highlight the major cause of the organization. I have suggested the managerial budgetary control for cost management for the organization.

Keywords :

Interventions, Budget variance, budgetary control, performance control, efficiency, benchmarking, Favourable variance, Unfavourable variance, Materiality, stimulate, cost

management, Managerial Budgetary control, flexible operating programs, vigiling the variance, competing, contribution marginal cost, one-off cost, recurring cost, quality control management.

Introduction:

The crising scenario have fared a way above controlling the performance through Budgetary Control. These frequent events of plant shut-down, continuous erosion of net worth into company's losses, soaring up of the share prices to cover the gap are some of indicators of financial distress.

Now a days the implication of cost management have become imperative for cultivating and harvesting that potential success from the essence of crisis management. Norman R. Augustine stresses that making a lemonade from the abundance of available lemons is the requisite strategy for overwhelming the crisis and preparing to manage the crisis at the gross root level itself i.e. since from Budget variance analysis. So in recent scenario one has to emphasize on cost management which indirectly leads to attributes of quality management by minimizing variance. This leads to managerial budgeting. Quality management is an explicit virtues of long term investment which can't be borne immediately only after rectifying the

Budget variances but is possible by sowing managerial budgeting in coming years.

Even Genichi taguchi, a Japanese engineer realised the importance of cost associated with poor quality and its direct impact on corporate profitability. His principle also states that for each deviation there is an incremental economic loss of geometric proportion.

These variances act as interventions in any part of functions of organisation which causes havoc in further process and at any time. Let's start with basic concept of variance. Variance is difference between what we quoted and what we really achieved. In other words difference between planned figures and executed actual figures. This commonly used tool of variance analysis provide information about cost and figures involves comparing performance to certain standards. These standards may include:

The organizations performance in the most recent comparable period.

The organisation's budgeted or planned performance for the current year.

External standards such as competitor's performance which is

leading in the same industry, the average performance of a group of peer institutions or the performance of benchmark organization.

Variance accounting is a concept of managerial and cost accounting. Every variance should stimulate questions. This is possible when we seize to know the usefulness of variances to management. As variance analysis to the comparison between actual cost and Budgeted standard costs so at best they embody a rigid goal to be followed to be achieved and also has an uncanny way of sucking the energy and fund out of organisation if it deviates to positive greater extent also. Variances highlight to management everything that has not gone as per plan. We have to do variance analysis in order to learn the reasons for deviations only after critically understanding the variances. Variance analysis can be used as benchmarking the normal operations, time variances for trend analysis, effectiveness of performance evaluation etc. A person well versed in cost accounting can derive upon using the variance and make gains by using variance analysed as variance is used as a benchmark to measure performance and a tool to evaluate the error in operating and forecasting or managing the forecasts.

Review of Literature:

The power of variance analysis by George Spafford in project management. He has focused on three high level views that he tend to focus on are Estimate to planned, Estimate to Actual and time trend analysis of variance. Henry G.Dore, Thane Forthman have utilised variance analysis between planned and actual Costs and charges in Health care organisation. Jack and Suzy Welch have escalating criticized the budget indicating that most budgeting is disconnected from reality and hides growth opportunities. But some argue that budgeting underlying the planning process is performed with improvement in mind. Unbelievable most organization continues to compare their actual results to budgeted figures that are known to be unrealistic and hope to glean useful information from the comparison.

Basically criticizing also we need to understand the behaviours of variance analysis as Tim Berry has expressed in his article – Understanding Variance analysis or as per S.L.Ansari's article on Behavioural factors in variance control. Good management look at what that difference means to the business.

Aranoff have used standard costing, flexible budgeting and variance analysis for non-profits. C.W.Bendel – Graphical reporting of operating variances

and ratio data. H.N.Broom has used modified tabular presentation of gross profit variations. C.J.Coate and K.J.Frey has utilized the integration of AB costing, To costing and variance for financial reporting of cost management. Various articles on variances are for improvising various direct cost, labour cost of efficiency, factory overhead variances, yield variances etc. These are used for redesigning cost system, profit planning process, cost reduction and ultimately cost control which may lead to management accounting. R.W.Kochler have used statistical variance control for on the spot observation sampling and study it through performance reports.

Objectives:

To analyse the financial performance through variances derived between actuals from budget estimates.

To measure the level of causes of main factors contributing with the help of PARETO CHART.

Suggest the Managerial budgetary control for managing the cost.

Data for Research : Data consists of financial statements of Dharwad Milk Union Ltd., which is one of milk Union under apex of Karnataka Milk Federation Ltd., for 10 years from 1999 to 2009 for

calculating the variance between the Budgeted figure and actual figures. These variances has been Pivotaly graphed using pareto chart. Further managerial budgeting chart has been graphed out indicating the structure of planning required in Dharwad Milk Union Ltd.

Dharwad Milk Union Ltd., which is one of milk Union operating under Karnataka Milk Federation Limited, an apex body in Karnataka representing Dairy Farmers Co-operatives. It is the second largest dairy co-operative among the dairy co-operatives operating in the country. Its Brand name “Nandini” is the well known household name for pure and fresh milk and milk products.

This KMF has credit of achieving financing from World Bank to operate as AMUL Pattern of dairy co-operatives systems in 1974. This pattern is a three tier structure with the village Level Dairy Co-operatives forming the base level, the District Level Milk Unions at the middle Level to take care of the procurement, processing and marketing of milk and lastly the Karnataka Milk Federation as the apex body to co-ordinate the growth of the sector at the State Level.

The Growth over the years undertaken by KMF is summarized briefly as under:
Dairy Co-operatives (No.s) from

416 to 12089 – Registered

Membership (No.s)	37000 to	20.50 lakhs
Milk Procurement (Kgs/day)	5000 to	41.83 lakhs
Milk sales (Lts/day)	95050 to	26.10 lakhs
Cattle feed consumed (Kgs/DCs)	220 to	2459
Daily payment fo farmers (Rs. Lakhs)	0.90 to	584
Turnover (Crores)	3802	

The Dharwad Milk Union have further project for installing the larger 30 MT Power Plant, Cattle feed plants, butter making facility, multi packaging Unit and additional Ice Cream Plant at its other subsidiary milk Union Shed. They have

RKVY (Rashtriya Krushi Vikas Yojane) for fodder density, strengthening of training centres at Bangalore, Mysore, Dharwad and Bio-Security measures at Nandini sperm station, Unit of KMF.

Methodology :

Budget variance

Pareto Chart Managerialcontrol.

Table-1 Indicates the factors considered for analysis with their respective budgeted and actual figures for 10 years.

TABLE 1 : COST SHEET OF DHARWAD MILK UNION LTD. WITH BUDGETED AND ACTUAL FIGURES FOR 10 YEARS.

PARTI CULA RS	BUD GET	ACT UALS	%	BUD GET	ACTUA LS	%	BUDGE T	ACTUA LS
	1999- 00	1999- 00	VARI ANCE	2000- 01	2000-01	VARIA NCE	2001-02	2001-02
Sales Realisat ion :	3222.8 7	3233.5 7	100.33	3389.0 1	3092.99	91.27	3227.38	2931.11
Materia l cost :	2089.4 3	2141.9 2	102.51	2198.2 1	2232.28	101.55	2027.14	2012.91
Gross Margin :	1098.0 4	1061.8 5	96.70	1162.1 7	925.81	79.66	1101.04	925.54
Variabl e cost :	629.11	809.24	128.63	768.16	771.64	100.45	695.55	638.39
Contrib ution :	663.08	672.28	101.39	822.18	382.87	46.57	742.35	652.59
Fixed Cost :	708.82	688.96	97.20	772.26	664.74	86.08	784.41	757.76
PBITD :	191.32	181.16	94.69	270.72	-72.38	(26.74)	186.53	108.14
NET PROFI T/LOS S :	4.83	18.15	375.78	94.77	-232.7	(245.54)	19.44	-49.98

Note : % variance = Actuals / Budgeted figure

Table-2 Represents the variance which is derived between budgeted and actual figures and percentage variance is derived variance to budgeted figure.

	VARI ANCE	%	VARI ANCE	%	VARI ANCE	%	VARI ANCE	%	VARI ANCE	%
PARTICU LARS	1999- 00	VARIAN CE	2000- 01	VARIA NCE	2001- 02	VARI ANCE	2002- 03	VARI ANC E	2003- 04	VARIA NCE
Sales Realisation :	10.7	0.33	- 296.02	(8.73)	296.27	9.18	320.93	9.53	-88.34	(2.77)
Material cost :	-52.49	(2.51)	-34.07	(1.55)	14.23	0.70	289.84	13.02	6.94	0.32
Gross Margin :	-36.19	(3.30)	- 236.36	(20.34)	175.5	15.94	- 131.15	(11.80)	26.5	2.67
Variable cost :	-180.13	(28.63)	-3.48	(0.45)	57.16	8.22	- 103.36	(14.39)	-31.54	(4.36)
Contributi on :	9.2	1.39	- 439.31	(53.43)	-89.76	(12.09)	-5.33	(0.83)	-20.19	(3.48)
Fixed Cost :	19.86	2.80	107.52	13.92	26.65	3.40	20.09	2.86	- 171.47	(29.90)
PBITD :	-10.16	(5.31)	- 198.34	(73.26)	-78.39	(42.03)	-14.11	(8.35)	-21.76	(32.85)
NET PROFIT/L OSS :	13.32	275.78	- 137.93	(145.54)	-30.54	(157.1 0)	9.12	223.5 3	-96.72	(4,477.7 8)
FAVOUR ABLE / UNFOVO URABLE VARIANC E :	-225.89		- 1237.9 9		371.12		- 386.03		- 396.58	

.Particulars	VARI ANCE	%	VARI ANCE	%	VARIA NCE	%	VARI ANCE	%	VARIA NCE	%
	1999- 00	VARI ANCE	2000- 01	VARI ANCE	2001-02	VARI ANCE	2002- 03	VARI ANCE	2003-04	VAR IAN CE
Sales Realisation :	- 261.13	(7.01)	368.65	9.32	-721.94	(15.05)	561.14	11.19	-582.27	(10.4 0)
Material cost :	126.26	5.09	-305.81	(12.08)	744.48	22.49	369.4	11.31	406.65	11.04
Gross Margin :	-79.87	(6.60)	-151.16	(11.12)	63.06	4.32	-115.66	(6.66)	-249.45	(12.9 0)
Variable cost :	-19.49	(2.29)	-29.95	(3.12)	196.75	16.96	12.48	1.18	-5.41	0.48)
Contribution :	27.11	4.44	-2.68	(0.43)	40.52	5.91	65.33	7.53	76.23	9.40
Fixed Cost :	31.5	4.67	-71.38	(11.02)	-44.91	(6.25)	24.11	2.86	-76.34	(9.02)
PBITD :	73.9	79.27	-13.87	(19.41)	21.9	36.24	147.99	122.93	92.13	148.5 2
NET PROFIT/LOSS :	74.29	3,809.7 4	-6.18	(84.08)	12.44	469.43	142.93	235.35	85.69	1,104 .25
FAVOURABLE / UNFAVOURABLE VARIANCE :	-27.43		-212.38		312.3		85.44		-252.77	

Contd.

Note : % variance = variance / Budgeted figure

Budget variance is the difference between planned / budgeted and actual amounts. Variances are calculated for both cost and revenues. Variance analysis in managerial accounting is basically associated with the outcome of the planned and actual results and the effects of their differences among the routine performance of a company variance analysis ranges from simple and straight forward to sophisticated and complex calculations. Variances are also used as fundamental tool to identify quantity, cost and time variances.

Variance is divided in two types based on the outcome or nature of the fundamental Amounts:

1)Favourable variance:

When actual revenues ar larger than the budget or actual costs are lower than the budget, the variance is categorized as a

favourable variance.

2)Unfavourable Variance:

Vice Versa of above, when actual revenues are less than budgeted amount or actual cost is greater than budgeted, the variance is categorized as a unfavourable variances.

Materiality:

When calculating variances its materiality has to be considered. If we have variance of 25% that isn't a big deal as it would be covered by mere increase in production. So to avoid a tidal wave of numbers that are inconsequential then one has to focus on the large variances. It is far more important why there is Rs. 10,000 cost variance. If favourable variance is larger positive number then that too should be investigated. By analyzing the numbers, we can determine the corrective

	BUDGET	ACTUALS	BUDGET	ACTUALS	BUDGET	ACTUALS	BUDGET
	1999-00	1999-00	2000-01	2000-01	2001-02	2001-02	2002-03
CONTRIBUTION	663.08	672.28	822.18	382.87	742.35	652.59	640.77
SALES	3222.87	3233.57	3389.01	3,092.99	3227.38	2931.11	3,366.10
FIXED COST	708.82	688.96	722.26	664.74	784.41	757.76	701.65
P/V RATIO	0.2	0.2	0.24	0.12	0.23	0.22	0.19
BP	3544.1	3444.8	3009.4	5,539.50	3410.4	3444.3	3,724.40
VARIANCE	-99.3		2530.1		33.9		

subsequent work – may be need to change vendors, processes, materials, contractual stipulations etc. If we see the negative variance which is maximum number of times in above shown table i.e. overtime then we can see that there apparently is a steady trend of increasing. Costs and if large enough to be material, should be investigated. But Evaluating, these variances takes thought. Positive variance in advertising means that advertising wasn't placed to expected extent and hence loss of customer and further market. For the variance study I have considered the sales, material cost, Gross margin, variable cost, contribution, fixed cost, Profit before Interest tax depreciation and

Net profit figures sequentially like cost sheet for 10 years from 1999 to 2009.

From the above we can observe the maximum negative variance for sales and Net Profit has picked gear only after 2004. From the variance analysis we can view that costs are enhancing and not contributing well versely to earn adequate profit. The expected sales figures are acquired inadequately to compensate the cost. From table also we can access that maximum are negative variance and have not believed the Budgeted goal itself. The flexible budget it we take the current sales figure for budgeted and actual figure then even that shows our bottleneck process.

TABLE 3 : CALCULATION OF P/V RATIO & BREAK EVEN POINT

Table 3 continued.....

	BUDGET	ACTUALS	BUDGET	ACTUALS	BUDGET	ACTUALS	B	A	BUDGET	ACTUALS
	2004-05	2004-05	2005-06	2005-06	2006-07	2006-07	20	20	2008-09	2008-09
CONTRIBUTION	663.08	672.28	611.08	638.19	618.85	616.17	6	7	867.73	933.06
SALES	3222.87	3233.57	3723.66	3,462.53	3,953.9	4,322.57	4	4	5,016.28	4,454.86
FIXED COST	708.82	674.12	642.62	647.54	718.92	763.01	7	8	818.15	845.96
P/V RATIO	0.2	0.16	0.18	0.15	0.14	0.17	0	0	0.2	0.14
BP	3544.1	3444.8	4213.2	3,570.10	4,316.9	5135.1	5	4	4954.4	4090.7
VARIANCE	-99.3		2530.1		-643.1		818.20		-641	

$P/V \text{ (PROFIT TO VOLUME RATIO)} = \text{CONTRIBUTION}/\text{SALES}$. $BP \text{ (BREAK EVEN POINT FOR SALES VALUE)} = \text{FIXED COST}/P/V \text{ RATIO}$.

The Budgeted and Actual figures for Profit / volume ratio (P/V ratio) is not much deferred. P/V ratio is calculated as contribution / sales. Contribution is sales minus variable cost. But none of actual P/v ratio has crossed 25% which is too vulnerable state. The variance of Breakeven point for sales value is also not appreciable as maximum are negative variance in 10 years. Such trend variance analysis helps us to evaluate our status quo of the organization. Breakeven point for sales value is calculated as fixed cost / P/V ratio.

Though variable cost is compensatable through sales to some extent but fixed cost is costly for earning revenues. Among cost, material cost variance has maximum positive favourable variance and sales is maximum negative variance. The Breakeven point variance shows negative consequently for last three years. This graphs the very mendicant status of the organization.

Pareto Analysis:

Pareto analysis is a statistical technique in decision making that is used for selection of a limited number of tasks that produce significant overall effect. Pareto analysis is a creative way of looking at the causes of problems and it helps to stimulate the major cause on which action has to be first initiated. There are few steps while constructing this pareto graph.

Step 1 – Form a table listing the causes and their frequency (Summation of variance)

Step 2 – Allocate in frequency on percentage basis.

Step 3 – Arrange the rows in the descending order of the causes.

Step 4 – Add a cumulative % column to the table.

Step 5 – Plot with causes on X- axis and cumulative % on Y axis .

Step 6 – Join the above points to form a curve.

ABLE 4 : ANALYSIS OF CONSIDERED CAUSES AND RANKING THE CAUSES

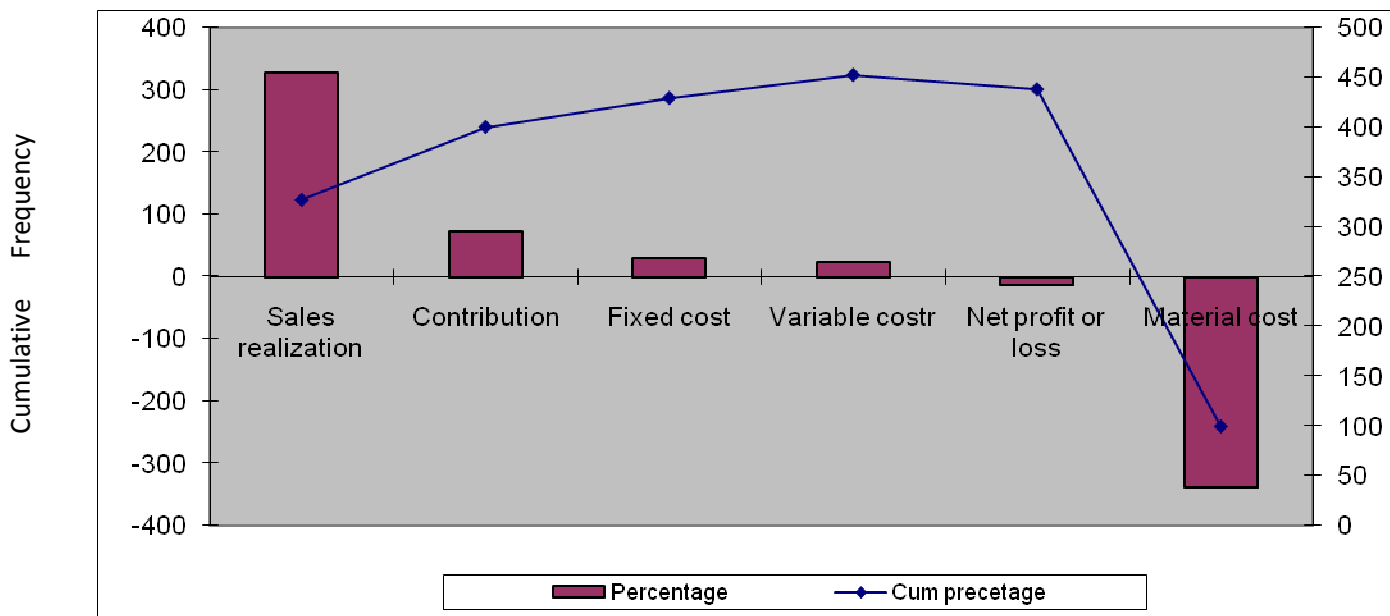
CAUSES :	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	SUM	RANK
Sales Realisation :	10.7	-296.02	296.27	320.93	-88.34	-261.13	368.65	-721.94	-561.14	-582.27	(1	VI
Material cost :	-52.49	-34.07	14.23	289.84	6.94	126.26	-305.81	744.48	369.4	406.65	1,	II
Variable cost :	-180.13	-3.48	57.16	-103.36	-31.54	-19.49	-29.95	196.75	12.48	-5.41	(1	III
Contribution :	9.2	-439.31	-89.76	-5.33	-20.19	27.11	-2.68	40.52	65.33	76.23	(3	V
Fixed Cost :	19.86	107.52	26.65	20.09	-171.47	31.5	-71.38	-44.91	24.11	-76.34	(1	IV
NET PROFIT/LO	13.32	-137.93	-30.54	9.12	-96.72	74.29	-6.18	12.44	142.93	85.69	66	I

TABLE 5 : Ranking for Pareto Analysis

	Percentage	Cum percentage
Sales realization	327.300826	327.3008257
Contribution	73.2460122	400.5468379
Fixed cost	29.0429257	429.5897635
Variable cost	23.1206502	452.7104137
Net profit or loss	-14.3561146	438.3542991
Material cost	-338.354299	100

From the table you can analyse that I have considered few major factor that are contributing towards causes.

GRAPH:



From the above graph we can analyse that material cost and Net Profit are the main Two causes which have to be worked upon.

The major positive (favourable) variance that is material cost has plotted below the X-axis means its not contributing at all. Next

one has to project the sales figures i.e. the adverentbehavior
major cause and effect relationship for its

EMPHASIS OF COST MANAGEMENT AND MANAGERIAL BUDGETORY CONTROL FOR OVERALL IMPROVEMENT IN PERFORMANCE IN DHARWAD MILK UNION LTD:

	Non-Recurring Long Term Sales forecast	Recurring Short Term Sales Forecast	Non-Recurring Long-term Process forecast	Recurring short term process forecast
Budgets & forecasts	<ul style="list-style-type: none"> *Capital expenditure *Revenueexpenditure * Inventory plans * Production Plans * Sales Budget *Value added Budget *Development Programmes * Long Term investment * General & Admn. Expenses budget 	<ul style="list-style-type: none"> * Marketing plans *Material consumption Procurement plans * all Department / functionwise budgets * Distribution plans * Customers segmentation plans 	<ul style="list-style-type: none"> *Major expenses budget *Works overhead budget * Abnormal cost budget 	<ul style="list-style-type: none"> * Sales income budget * Manufacturing cost * Processing cost * Training cost * Handling cost * Normal waste cost. * Minimising cost of abnormal / normal waste.
Accounting Report	<ul style="list-style-type: none"> * Flexible budget expenses * Defferred Revenue 	<ul style="list-style-type: none"> * Processing cost * Transport cost * Departmental operating cost * Distribution cost * Sales revenue * Hire/Lease charges 	<ul style="list-style-type: none"> * Long term debts & reserves * Current Liabilities * Capital stock and retained earnings. * Cash & Securities 	<ul style="list-style-type: none"> * Repairs & maintainance * Insurance / Premium * Administration expenses. * Other revenues * Interest of expenses on long term debt * Income tax * Net Income
Reports on performance & Progress	Long term performance report on variance of	Performance reports on profitability of operations at	Capital Budget variance from planned	Variance from program of operations

	profitability by achieved volume	achieved volume	expenditures, defaulters. A control limit to control abnormal / scrap.	
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An apparent planning is indispensable to the continuing vitality of any enterprise. The manner in which planning and its corollary, control are handled greatly affects the profitability of a company. A good budget is a comprehensive compendium of the operating plans of an enterprise. By comparing planned to actual, we can see how the work changed once in progress. There may be changes brought in by management, customer, vendors or by change in environment etc. The variances need to be analyzed so issues can be identified and mitigation strategies can be developed to protect future work. Administering of operations becomes of equal importance to control the budget variances. The techniques which can be employed to improve the effectiveness of any company’s budget and make it a more important managerial too. The combination of good human relations and their operational strategy and effective financial planning and control can be accomplished only by deliberate design and system. The

managerial budgeting reflects true managerial planning in every area, test of plans and the use of them to measure performance. It exercises the talents, special skills, knowledge of all level of management to strengthen the area of planning and control at all level of management.

It provides pinpointing areas requiring attention and work on with the relative internal economics of the company with help of flexible operating programs and effective and coordinated planning among the departments. There is a strong requisition of efficient communication with effective instant response / feedback internally and externally also i.e. coordination among employees of some level as well all level of management and along with vendors, suppliers, customers etc.

Good planning in depth is not only simple projection of past experience for further annual plans but also includes longer-range programmes which has to be achieved simultaneously while operating the present budget projections.

The main reasons for vigilance the variance performance is to help an organization achieve and maintain profitability. By reducing variance and speeding throughput of products and services, the organization becomes increasingly capable of competing successfully. The urging has repeatedly been to reduce variance so as to content with improvement.

For every organisation cost begins with planning i.e. forecasting the budget. As process move through various operations, costs goes on accumulating and may even lead to nonvalue adding overhead activities. If each department in an organisation conducts mistakes that cost even more money because work is delayed and must be redone. e.g.: Let's take an example of lost luggage at the airport. It represents highly unsatisfactory performance. It also costs money. Variations – time, waste, error – bound in the baggage handling process, misrouting the baggage, reporting the problem, processing the report, searching, retrieving and finally delivering the lost luggage. The contribution marginal cost represent the amount of revenues minus variable cost that contribute to recovering the fixed costs. Once fixed costs are fully

recovered it contributes to operating incomes.

Such error of lost luggage while performing deviates from operating incomes. This further increases the non-value added cost and deviates from budget estimates. These analyses assist the managers in understanding the behaviour of cost, their changing patterns.

According to table 2 the most adverse variance are the material cost and sales variance. Material cost though favourable one is not contributing because there is no sufficient sales to compensate it. Material cost which is product cost should be recovered through sales revenue which is not. The organization has to work on long-term development programmes, investments in quality management of distribution and sales network, checking out embezzle point etc. The non-added value has to be capitalized into profitable activity. The internal marketing plans has to be catalyst as per value added operations of the organisation which should directly increase the market by penetrating into various level of market with effective distribution channels. The marketing strategies with marketing mix has to be chalked out to reach the larger masses.

As per table 3 it indicates inefficiency of its sales which is unable to cover the fixed cost appropriately to earn ample revenues. According to Pareto analysis also Net Profit is not sufficient enough to retain some proportion of its earnings for the future. The interest charges and Tax charges further is decreasing its earning level.

The organisation has to investment where revenue is more at minimal cost and take loans at subsidized rate. It seems it is burdened with loans whose interest is cumulating annually and thereby deducting the revenues.

Conclusion:

Budget estimates aids in critical examination of the pros and cons of cost benefits and cost effectiveness analysis presented in a suggested frame work for decision making Cost effectiveness is the mandate in today's era. Various methodologies can be rethought because of significant cost of programs. A detailed cost analysis in context to Budget estimates helps to determine how efficient the Unit based process methods in terms of cost.

Variances helps us to take into account to know what makes them the cost fluctuate and what level of costs may be anticipated

within a range to reach the jackpot level. The budget variances reflects the true cost-behaviours patterns of the departments and aids in tentative budgets which should be sketched out. The characteristics are indicated by segregation of the fixed and variable portions of the expenses. These costs have to be improvised by factoring the operating cost.

The variance analysis permits the objective evaluation of the performance of every department and also help to analyse which process is contributing its parts to the performance of the company as a whole. It studies the company's microeconomics trenchly.

The new budgets would contain some sizeable increases in promotion costs to increase sales figure or other depreciable figure in variable or fixed expenses to shade up or escalate the breakeven point and consequently the profit figures.

One has to sketch the one-off cost and recurring cost for the organisation and work out the strategies to deal with them independently. There is requisite for creating awareness about its non-chemical mix and axusterity while processing. They have to maintain good rapport within the employees, supervisors, vendors, suppliers and outside in the market, Government,

Customers above all. This one-off cost has to be radiated with relevant investment because these seeds will ripe fruits in future and incubate incentives for posterity. Recurring cost can be strategized by process cost management, control chart management, quality management etc as these directly impacts the profitability level of the organisation.

Thus we can conclude that our objective to control cost is imperial with the aid of Managerial Budgetory control system.

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