

Budgeting Job Interview Questions And Answers



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Budgeting Interview Questions And Answers Guide.

Question - 1:

What is Budget?

Ans:

A budget is a financial document or an action plan which is prepared and used to project future income and expenses. It outlines an organisation's financial and operational goals. It can also include non-monetary information with the monetary information. They need to be made and approved in advance of the year in which they are to be used or implemented.

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Question - 2:

Describe Budgeting?

Ans:

Budgeting is a methodical control technique whereby budgets are prepared relating the responsibilities of budget holders. It is a continuous comparison of actual results with budgeted results, to ensure that the objectives of the company's policy are achieved; or to provide a basis for the change of those objectives. In simple terms, it is the analysis of the plans which the organisation has made; what was the result when those plans were implemented practically. After practical implementation of the budget if any variation is seen in the actual result to the budget result then the reasons for the variations are found out and corrective actions are taken to correct variations.

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Question - 3:

What are the advantages of Budgetary Control?

Ans:

Advantages of Budgetary Control:

- * It is a powerful tool for the purpose of cost control and profit maximization.
- * It enables the management to maximize the use of available resources in a most profitable manner.
- * As a budgetary control is based on a budget which sets the plan of action in respect of various functional areas of operations. Thus, it acts as a means of declaration of the policies of the management.
- * It acts as means of communication.
- * It acts as a means of improving co-ordination by developing team spirit in the organisation.
- * It enables the management to take proper actions in regard to the adverse variations in the actual and budgeted results.
- * It enables the delegation of authority.
- * It is a powerful tool with the management for performance appraisal.
- * It also provides a basis for the establishment of the incentive systems

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Question - 4:

What are the Budgetary Control characteristics?

Ans:

Following are the characteristics of Budgetary control:

- * It deals with the establishment of the budgets.
- * A control technique where actual results are extracted from the organisation's operations and compared with the budget prepared.
- * Any differences or variations are computed and made the responsibility of key individual who can either take actions for maintain the favourable variations or revise the budgets.

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Question - 5:

Define Finance Cash budget?

Ans:

Finance Cash budget is the budget which is prepared under this functional area. It is an estimation of the expected cash receipts and cash payments during the budget period.



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Question - 6:

What are the major categories under which budgets are divided?

Ans:

There are major four categories under which budgets are divided:

- * Sales/Marketing Budget:
- * Sales Budget
- * Selling and Distribution Cost Budget
- * Advertising Cost Budget

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Question - 7:

Define Personnel budget?

Ans:

The budget which is prepared under this area takes the form of a personnel budget, which indicates the requirement of personnel or labour force to conform to the production budget.

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Question - 8:

Describe Finance Cash budget?

Ans:

Finance Cash budget is the budget which is prepared under this functional area. It is an estimation of the expected cash receipts and cash payments during the budget period.

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Question - 9:

List the kinds of Budget?

Ans:

- * Production Budget
- * Purchases Budget

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Question - 10:

Define Sales/Marketing Budget?

Ans:

- * Sales Budget
- * Selling and Distribution Cost Budget
- * Advertising Cost Budget

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Question - 11:

What are the pre-requisites to implement Budgetary Control?

Ans:

Following are the pre-requisites to implement Budgetary Control:

- * First a Budget Centre which is that section of the organisation for which the budget will be prepared should be clearly defined.
- * Budget Period or the time period for which the budget will be prepared and operated should be decided carefully. It should neither be too long nor too short.
- * An efficient and proper system of accounting should be established so that the information required for the proper implementation of the budgetary control can be available on time.
- * A proper organisational chart should be prepared properly, clearly depicting the responsibilities and duties of each level of executive.
- * A budget manual, an important document in relation to the budgetary control. It should be well written, indexed and divided into sections. It should include principles and objectives of budgetary control, duties and responsibilities of each executive in the organisation, accounts codes, budget diagrams, etc.
- * A budget key factor should be assessed before preparing other functional budgets to ensure that other functional budgets are capable of fulfilment.

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Question - 12:

Which factors are taken into consideration while preparing it?

Ans:

Following factors are taken into consideration while forecasting for sales quantity:

- * Analysis of Past Trend
- * Reports by Salesmen
- * Market Research and Market Survey
- * General Economic Conditions

Following factors are taken into account while forecasting for selling price:

- * Cost price of the product
- * Expected amount of profits



- * Selling price charged by the competitors
- * Advertisement and sales promotion techniques used by the company.

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Question - 13:

Define sales budget?

Ans:

Sales budget is the budget of total sales expressed in terms of quantity or money. It is the between two factors i.e. sales quantity and selling price.

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Question - 14:

What are the characteristics of a good budget?

Ans:

Following are the characteristics of a good budget:

- * It is expressed in quantitative or monetary terms.
- * It is prepared for a fixed period of time It is prepared before the period in which it commences.
- * Practical to implement.
- * It spells out the objects and the policies to be pursued in order to achieve the objective of the organisation.
- * Many people are involved in drawing up a budget.
- * Flexible enough to allow changes in the changing environment.
- * Prepared on the basis of established standards of performance.
- * Analysis of cost and revenues.
- * On the basis of budget report performance of the organisation is constantly monitored.

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Question - 15:

Which things are considered before preparing a purchase budget?

Ans:

Following points are required to be considered before preparing the purchase budget:

- * Opening and Closing balances of stocks
- * Materials purchased and reserved for specific purpose
- * Orders already placed
- * Quantity required by the
- * Prices of materials.
- * Storing facilities and Economic order quantity.
- * Availability of funds

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Question - 16:

Describe purchase budget?

Ans:

Purchase budget is a forecast of quantity and value of materials required to purchase during the budget period. This budget is closely connected to the production budget.

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Question - 17:

Describe the principles and objectives of the budgetary control?

Ans:

- * Duties and responsibilities of the various executives
- * Organisation chart
- * Duties of budget office and budget committee
- * Accounts codes and budget centre codes
- * Budget diagrams

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Question - 18:

Describe Budget Manual?

Ans:

Budget Manual is a document which standardized methods and procedures required in relation to budgetary control. It also sets out the responsibility of persons engaged in the process.

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Question - 19:

Define production budget?

Ans:

Production budget is a forecast of production for the budget period. It is prepared from two angles: In terms of quantity and in terms of money.



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Question - 20:

Which budgets are prepared under the production budget?

Ans:

Material Budget to estimate the material cost

* Direct Labour Cost Budget to estimate the labour cost which are required to product the quantity as specified in the production budget.

Overhead Budget to estimate production overheads.

* Production budget is prepared after taking various budgets into consideration. For a proper estimation of various costs associated with the production process makes it important to prepare production budget for the period in which production will take place.

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Question - 21:

Explain the difference between fixed and flexible budgets?

Ans:

1. A fixed budget is established for a specific level of activity whereas flexible budget is prepared for various levels of activity.
2. Fixed budget cannot be changed after the period commences, whereas a flexible budget can be changed after the period commence.
3. Fixed budget is more suitable for fixed expenses whereas flexible budget takes both fixed as well as variable expenses in account.
4. Fixed budget includes only fixed costs, whereas a flexible budget includes fixed costs, variable costs and semi variable costs.
5. Fixed budget is mainly used in planning stage whereas flexible budget is used in controlling stage.

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Question - 22:

Which methods are used to prepare cash budget?

Ans:

Following methods are used to prepare cash budget:

* Receipts and payments method: This method is useful for short term estimations. Under this method items should be categorized in two ways- Operating Cash Flows and Non Operating Cash Flows.

* Balance Sheet method: This method is useful for long term estimations.

* Adjusted Profits/Losses Method: This method is useful for long term estimations.

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Question - 23:

What is cash budget?

Ans:

Cash budget is the budget which is prepared under the finance budget. It is an estimation of the expected cash receipts and cash payments during the budget period. By preparing cash budget it becomes possible for the organisation to predict whether at any point of time there will be excess or shortage of cash. Two main points should be remembered before preparing cash budget: Time period of the cash budget and the items to be included in the cash budget.

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Question - 24:

List the requirements for the successful implementation of Budgetary Control?

Ans:

* First a Budget Centre which is that section of the organisation for which the budget will be prepared should be clearly defined.

* Budget Period or the time period for which the budget will be prepared and operated should be decided carefully. It should neither be too long nor too short.

* An efficient and proper system of accounting should be established so that the information required for the proper implementation for the budgetary control can be available on time.

* A proper organisational chart should be prepared properly, clearly depicting the responsibilities and duties of each level of executive.

* A budget manual, an important document in relation to the budgetary control. It should be well written, indexed and divided into sections. It should include principles and objectives of budgetary control, duties and responsibilities of each executive in the organisation, accounts codes, budget diagrams, etc.

* A budget key factor should be assessed before preparing other functional budgets to ensure that other functional budgets are capable of fulfilment.

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Question - 25:

Define Budgetary Control?

Ans:

Budgetary Control is establishment of budgets and the continuous comparison of actual results with the planned results. It computes the variances and after that management takes necessary actions to maintain favorable variations, through revision of the budgets.

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