



Unit 19 — Budgets

Reading: Budgets

Nobody likes the word 'budget', but the truth is that without accurate budgeting and planning business could not exist. This is even more true in financial departments, such as accounting.

Budgets can represent one of the most important tools that a financial department has at their disposal, providing they are prepared in a realistic manner covering all areas of the business without errors of omission. One of the main benefits of a business budget is the ability to restrict and limit how much money is spent on a given operation. Budgets normally count expense accounts to make sure that capital is not being wasted on unneeded goods or that the company is not overpaying for materials used in the business. Limiting capital spent by the business may mean that owners and managers are forced to find new suppliers to acquire business inputs, thus saving money and meeting their budget.

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Discussion Questions

Do you agree that budgets are 'one of the most valuable tools for accountants'? Why? not?

Can you give any examples of how budgets are used to control costs?

Why do you think accountants are increasingly involved in budgeting?