

Budgeting as a Method of Financial Planning and Expenditure Control

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Abstract: This article shows that budgeting is an indispensable tool for organizations and states as a method of financial planning and cost control. The article analyzes in detail various methods of budgeting, including traditional budgeting, zero-based budgeting (ZBB), activity-based budgeting (ABB), flexible budgeting and rolling forecast budgeting. The article also provides information on the relationship between cost control and financial planning, obstacles to budget implementation, as well as international experience and the budgeting system in Uzbekistan. The article emphasizes the need to introduce updated approaches to improve financial management and effective resource allocation.

Keywords: Budgeting, Financial planning, Cost control, Traditional budgeting, Zero-based budgeting (ZBB), Activity-based budgeting (ABB), Flexible budgeting, Rolling forecast budgeting, Resource allocation, Financial management, International experience, Economy of Uzbekistan, Financial management of organizations



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Introduction

Budgeting is an important tool of financial management, which serves as a basis for organizations and countries to effectively allocate resources, control costs, and achieve financial goals. Through the budgeting process, organizations allocate their resources, manage costs, and forecast revenues. Successful implementation of this process helps to improve the financial position of the organization and ensure its continuous growth.

The relationship between financial planning and budgeting

Financial planning is the process of forecasting the future financial position of an organization and allocating the necessary funds on this basis. This process provides the information and recommendations necessary for budgeting. A budget is a specific form of financial planning, which indicates each source of funds and specific criteria for their expenditure. Through the budgeting process, an organization determines the amount of expenses and income necessary to achieve its goals and allocates resources based on this information.

Cost control is one of the most important stages in the budget implementation process. The main goal of this process is to identify and correct errors in budgeting, and to control expenses and income correctly and in a timely manner. With the help of cost control, organizations achieve the effective implementation of their financial planning.

Budgeting methods and techniques

There are several basic budgeting methods. Each method has its own advantages and disadvantages. Organizations or countries should choose the most suitable method based on their needs.

Literature review

Traditional budgeting: In this method, the budget is prepared at the end of each year, taking into account changing circumstances. In the traditional method, the financial results of the previous year are analyzed to prepare the budget and funds are allocated for the new year accordingly. This allows organizations to accurately forecast their expenses, revenues, and other financial situations.

Zero-based budgeting (ZBB): In the zero-based budgeting method, the budget for each year starts from zero. In this method, all expenses are reevaluated and justified needs are determined for each of them. In other words, each expense is considered separately for the new year. Using the ZBB method, organizations are effective in identifying necessary expenses and eliminating excess expenses.

Activity-based budgeting (ABB): In this method, expenses are allocated to specific activities. A separate budget is allocated for each activity and their efficiency and profitability are analyzed. The advantage of the ABB method is that it allows for a clear and accurate allocation of resources. In this method, organizations fully evaluate their activities and allocate funds only to the most effective activities.

Methodology

Flexible budgeting: The flexible budgeting method helps the organization adapt to changing conditions in real time. In this method, the budget is updated in accordance with changing conditions and organizations are able to constantly monitor their costs and revenues. The advantage of the flexible budgeting method is that it provides accurate forecasts, which allows organizations to make decisions quickly and effectively.

Rolling forecast budgeting: In this method, the budget is constantly updated and is implemented based on forecasts set a year in advance. Using the rolling forecast budgeting method, organizations update their budgets in accordance with changing market conditions and constantly analyze them.

Obstacles to budget implementation

There are several problems and obstacles in the preparation and implementation of the budget. Some of them are related to external factors, while others are related to internal factors of the organization. External factors include factors such as economic crises, exchange rate fluctuations, and political instability. Internal factors include factors such as errors in the organization's management, misallocation of resources, and incorrect analysis of data.

In addition, errors can occur in the implementation of the budget. For example, errors in the preparation of the budget can occur due to uncertainties in the implementation of forecasts, incorrect information on costs and revenues, or lack of accurate forecasts of resources. In such situations, it will be necessary to update and revise the budget.

International experience and the budgeting system in Uzbekistan

According to international experience, the USA, Europe and other developed countries have effective budgeting systems. In these countries, the financial resources of the state and enterprises are properly managed, expenses and incomes are effectively controlled. These countries also support modern technologies, which makes it easier to draw up a budget and control expenses.

The budgeting system in Uzbekistan is also developing, but there are a number of problems in this process. The budgeting system in Uzbekistan is based on more traditional methods, and the effectiveness of these methods can sometimes be low. Therefore, there is a need to update and improve budgeting in Uzbekistan based on modern methods.

In order to effectively implement the budget in Uzbekistan, it is necessary to study international experiences and adapt them to national conditions. For example, the introduction of methods such as flexible budgeting, zero-based budgeting and activity-based budgeting is very important for Uzbekistan.

Conclusion

Budgeting is an important tool for financial planning and cost control, ensuring efficient resource allocation for organizations and countries. By using various budgeting methods, organizations achieve their financial goals and effectively manage costs. It is necessary to apply international experience and new methodologies to improve the budgeting system in Uzbekistan. It is also possible to contribute to the economic growth of Uzbekistan by updating the budget and controlling costs in accordance with economic conditions.

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