

A Study on the Variance Between Budgeted and Actual Financial Figures in APSPDCL

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ABSTRACT

This project presents a comprehensive study on the comparative analysis of budgeted and actual financial figures in the Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL). The core objective is to evaluate the effectiveness of the organization's budgetary control system and to identify significant variances between projected and actual revenues and expenditures over a five-year period (2019–2024). Through a detailed examination of revenue and expenditure budgets—including categories such as material consumption, employee remuneration, administrative expenses, manufacturing costs, and depreciation—the study reveals recurring positive variances, indicating consistent underutilization of budgeted funds. This suggests either conservative forecasting or effective cost control measures.

The analysis also highlights that while budgeting acts as a crucial tool for planning and decision-making, several factors such as inaccurate forecasting, policy changes, and operational inefficiencies can affect budget accuracy. The findings emphasize the need for dynamic budgeting techniques, regular variance analysis, and enhanced managerial coordination to ensure alignment with organizational goals. Ultimately, the study offers strategic insights and recommendations to strengthen APSPDCL's financial management practices through improved budget formulation and control mechanisms.

A budget is a quantitative expression of a plan of action relating to the forthcoming budget period. It represents a written operational plan of management for the budget period." A plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure, and the capital to be employed, may be drawn up showing incremental effects on former budgeted or actual figures, or be compiled by zero based budgeting". Budget and Budgetary control. The terms budget and budgetary control are often used interchange able to refer to a system of managerial control. Budgetary control implies the use of a comprehensive system of budgeting to aid management in carrying out its functions like planning, co-ordination and control.

INTRODUCTION

Definitions of Budgetary Control:

According to the Brown and Howard "Budgetary control is the system of controlling costs which includes the preparation of Budgets, co-coordinating the department and establishing the responsibilities, comparing the actual performance with the budgeted and acting upon the results to achieve the maximum profitability"

According to the J.Betty: "A system which uses budgets as a means of planning and controlling all aspects of producing and / or selling commodities and services"

.According to the CIMA, London, “Budgetary control is the establishment of budgets relating to responsibilities of executives to the requirement of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis for revision.

Indian Power Sector (Generation & Supply)- Powering the growth of the Indian Economy

The Indian Power Industry is one of the largest and most important industries in India as it fulfills the energy requirements of various other industries. It is one of the most critical components of infrastructure that affects economic growth and the well-being of our nation.

India has the world’s 5th largest electricity generation capacity and it is the 6th largest energy consumer accounting for 3.4% of global energy consumption. Due to the fast-paced growth of the Indian economy, the country’s energy demand has grown at an average of 3.6% p.a. over the past 30 years. In India, power is generated by State utilities, Central utilities and Private players.

Electricity is a basic part of nature and it is one of our most widely used forms of energy. In the mid 1800’s everyone’s life changed with the invention of the electric light bulb. The light bulb’s invention used electricity to bring indoor lighting to our homes.

The Andhra Pradesh State Electricity Board is a public utility undertaking, keeping in view the essential nature of Electricity Generation and Distribution and Electricity Board was constituted by the State Government of Andhra Pradesh on 1st April, 1959 under section 5 of the Electricity (supply) Act, 1959.

REVIEW OF LITERATURE

BADU and DANIEL(2015) study was a budget may be a practical statement ready before a present amount of your time of the policy to be pursued throughout that amount for the aim of getting given objectives . Budgeting associated degree monetary fund management systems play a number one role in each company or establishment by serving to in establishing competitive advantage.

LUCEY(2008) defined budgetary control as the process of comparing the actual results with planned results and reporting on the variations called variance . This according to him set control framework which helps expenditure to be kept within an agreement limits ,deviations are noted all along for corrective action

According to Lambe (2014) are the timeframe within which the contents and frameworks of budgetary provisions are brought into realities, considering that a budget itself is an action plan, structure into quantitative terms for efficient and effective implementation and to support long term strategic decision making. Budgetary periods can span over wide ranging periods of time, ranging from few hours to several years, depending on the nature of the budget.

STATEMENT OF THE PROBLEM

In large public sector enterprises like APSPDCL, effective budgeting and budgetary control are critical for financial discipline, resource allocation, and operational efficiency. However, frequent variances between budgeted estimates and actual performance raise concerns about the effectiveness of existing budgeting techniques and their implementation. The problem lies in determining whether budgetary control mechanisms are accurately forecasting revenues and expenditures, and whether they support the company's financial goals. Persistent mismatches may indicate inefficiencies, poor forecasting, or gaps in communication across departments.

OBJECTIVE OF THE STUDY

To study the budgeted estimates and accruals of the revenue expenditure and revenue.

To compare the budgeted figures with actual figures and comparison of financial statements for a different financial years.

To estimate long term investment proposal for the wealth of maximization of the company

Ascertaining the role of budgets and budgetary process at the company , Identifying the stages in the budgeting process .

LIMITATIONS OF THE STUDY

- The study is purely based on the information provided by the company and the data is collected from the reports, annual reports of the company.
- Study is restricted to Southern Power Distribution Company of A.P Limited. Co.
- Budget is only a management tool.
- It is not a substitute for management.
- It cannot replace management in decision making.
- The success of budgetary control depends upon wiling co-operation and team work Budgeting involves a heavy expenditure which small concerns cannot afford.

**CALCULATION OF REVENUE EXPENDITURE BUDGET FOR
THE YEAR 2019-2020****(Rs.....)**

S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1.		41,06,22,773	37,32,93,430	3,73,29,343
2.	Materials	3,72,07,068	3,38,24,607	33,82,461
3.	Consumed Consumable stores	10,22,353	9,29,412	92,941
4.	Employee Remuneration & Benefits Administrative & Operation Expenses	10,01,60,814	9,10,55,285	91,05,529
5.	Manufacturing Expenses Depreciation	2,95,12,360	2,68,29,419	26,82,941
		1,47,38,772	1,33,98,884	13,39,888
	Total	59,32,64,140	53,93,31,037	5,39,33,103

Interpretation:

By observing the above table the materiel consumption is fluctuating from 2019-2020. So the company need effective budget technique to get targeted actual. the total budgeted 59,32,64,140 and actual total is 53,93,31,037.the total variance is 5,39,33,103.

CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2019-2020

(Rs.....)

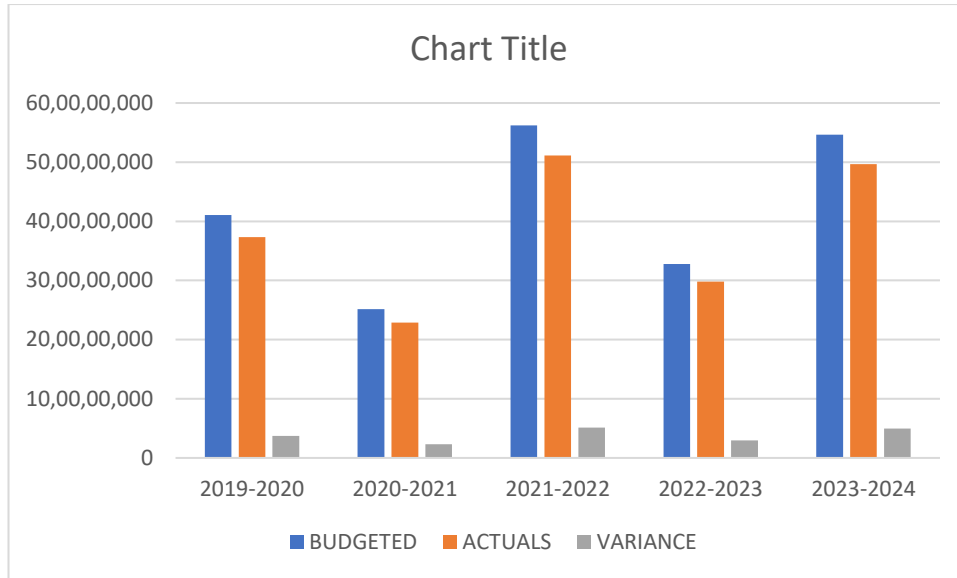
S.No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1.	Sales and other receipts	60,66,25,179	55,14,77,436	5,51,47,743
2.	Other Income	35,96,102	32,69,184	3,26,918
3.	Increase in Inventory	(-) 1,59,33,057	(-) 1,44,84,597	(-) 14,48,460
	Total	59,42,88,224	54,02,62,023	5,40,26,201

Interpretation:

In this year it can be seen that every item actual are bellow the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. Which can be ignored, because in total budget estimates are more then the actual In revenue receipts, the actual are below the budgeted. Except in increase in inventory value is negative. The budget estimates with a good variation percentage.

MATERIAL CONSUMED

YEAR	BUDGETED	ACTUALS	VARIANCE
2019-2020	41,06,22,773	37,32,93,430	37,329,343
2020-2021	25,16,39,707	22,87,63,370	22,876,337
2021-2022	56,21,68,072	51,10,61,883	51,106,189
2022-2023	32,76,69,430	29,78,81,300	29,788,130
2023-2024	54,62,62,961	49,66,02,692	49,660,269

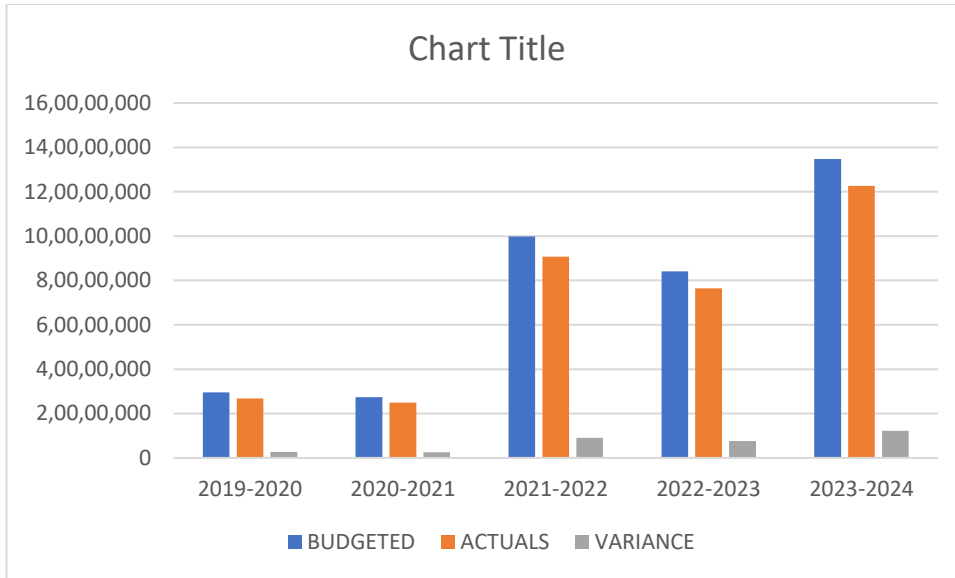


Interpretation

The table and chart show material consumption trends from 2019–2020 to 2023–2024, comparing budgeted amounts with actual usage. In each year, actual consumption was lower than the budgeted figures, leading to positive variances. The largest gap occurred in 2021–2022, indicating overestimation in planning. Conversely, the smallest difference was seen in 2019–2020, showing more accurate forecasting. Despite a slight improvement in later years, the data highlights consistent under-utilization of planned resources. The chart clearly visualizes this pattern, with budgeted bars exceeding actual values throughout.

MANUFATURING EXPENSES

YEAR	BUDGETED	ACTUALS	VARIANCE
2019-2020	2,95,12,360	2,68,29,419	2,682941
2020-2021	2,74,36,923	2,49,42,658	2,494,265
2021-2022	9,98,08,181	9,07,34,710	9,073,471
2022-2023	8,40,70,526	7,64,27,751	7,642,775
2023-2024	13,48,25,637	12,25,68,761	12,256,876



Interpretation :

The data for manufacturing expenses indicates that actual spending was consistently lower than budgeted amounts over five years. The variance values show substantial cost savings each year, with the highest in 2023–2024. A significant gap is evident particularly in 2021–2022, suggesting improved cost control or efficiency measures. The bar chart supports this trend visually, showing a clear difference between budgeted and actual costs. Over time, both budgeted and actual figures increased, indicating growth in manufacturing scale. Overall, the company managed to stay under budget while scaling operations

FINDINGS

- The employee remunerations benefits are very high. That is the financial year 2013 to 2017.
- The the material consumed table shows that the amount of budget is high when comparing to actual amounts.
- Manufacturing expenses inferred from the table to estimate the budget amount are fluctuating year by year.
- Adiministranition operating expenditure in the financial year 2013 to 2017 step by step increase.

SUGGESSTIONS

- The budget estimation should be made that they will reach with the actual forever year less variation.
- The revenue expenditure will be spent based on the production target irrespective of the revenue receipts.
- The company is not using any budget techniques we can suggested, the company to follow budget technique better and effective budget and budgetary control.

CONCLUSION

Since, all the production units in Southern Power Distribution Company of A.P Limited. Will run perpetually throughout the year, there will be minimum variations in the revenue expenditure budget estimates and actual. As the expenditure will be incurred more or less to the estimations made by the organization.

In concern with overhead expenses, it will also be with minimum variations between budget estimates and actual. Since the production process will be consistent.