UNIT II
BUDGETARY CONTROL

1. What is Budget?

Ans. A budget is simply a forecast of future events expressed in quantitative terms. It indicates the amount and the exact timing of the firm's needs for future financing. It provides a basis for performance evaluation.

2. What is Budgeting?

Ans. Budgeting is a technique for formulating budgets. It indicates a right path for managing the business. It helps management to anticipate the various problems of the business and to put corrective measures to overcome the problems.

3. What is Budgetary Control?

Ans. Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded.

The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end-result.

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

4. Compare budget, budgeting and budgetary control.

Ans. A budget is a blue print of a plan expressed in quantitative terms. Budgeting is technique for formulating budgets. Budgetary control, on the other hand, refers to the principles, procedures and practices of achieving given objectives through budgets.

Budgets are the individual objectives of a department, etc., whereas Budgeting may be said to be the act of building budgets. Budgetary control embraces all and in addition includes the science of planning the budgets to effect an overall management tool for the business planning and control.

5. Explain the objectives of budgetary control.

Ans. Objectives of Budgetary Control:
Budgetary control is essential for policy planning and control. It also acts an instrument of co-ordination. The main objectives of budgetary control are the follows:

(i)To ensure planning for future by setting up various budgets, the requirements and expected performance of the enterprise are anticipated.

(ii) To define the responsibilities of each supervisor, manager and other personnel, so that every member of the organization knows about his job, rights and duties.

(iii) To provide a benchmark for making a comparison between standard targets and the actual results, and identify the reasons for so, in order to take necessary actions to correct the divergence.

(iv) To make optimum utilization of the organization's resources in order to increase productivity and profitability.

(v) To monitor that the firm is not deviated from the path of its long term objectives, without being affected by contingencies.

(vi) To identify where efforts are required to cope with the situation.

(vii) To align the activities of the business, centralizing the control, while decentralising the authority and responsibility to executives, in the business interest.

(viii) To assist in waste elimination, losses during the production and removal of excess costs.

(ix) To provide a logical basis for the revision of present and future policies.

(x) To formulate plans for long term with maximum accuracy.

In a nutshell, budgetary control analyses how efficiently managers utilize budgets to manage cost and operations in a particular period. It helps the company's management in delegating the responsibility to the executives and provides a basis for forecasting, so as to measure the variances between actual and estimated results.

6. Explain the merits and limitations of budgetary control system.

Ans. Advantages of Budgetary Control:
The budgetary control system help in fixing the goals for the organization as whole and concerted efforts are made for its achievements. It enables 'economies in the enterprise. Some of the advantages of budgetary control are:

(i)Maximization of Profits: The budgetary control aims at the maximization of profits of the enterprise. To achieve this aim, a proper planning and co ordination of different functions is undertaken. There is a proper control over various capital and revenue expenditures. The resources are put to the best possible use.

(ii)Co-ordination: The working of different departments and sectors is properly coordinated. The budgets of different departments have a bearing on one another. The co-ordination of various executives and subordinates is necessary for achieving budgeted targets.

(iii)Specific Aims: The plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal, of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims.

(iv)Tool for Measuring Performance: By providing targets to various departments, budgetary control provides a tool for measuring managerial performance. The budgeted targets are compared to actual results and deviations are determined. The performance of each department is reported to the top management. This system enables the introduction of management by exception.

(v)Economy: The planning of expenditure will be systematic and there will be economy in spending. The finances will be put to optimum use. The benefits derived for the concern will ultimately extend to industry and then to national economy. The national resources will be used economically and wastage will be eliminated.

(vi) Determining Weaknesses: The deviations in budgeted and actual performance will enable the determination of weak spots. Efforts are concentrated on those aspects where performance is less than the stipulated.

(vii) Corrective Action: The management will be able to take corrective measures whenever there is a discrepancy in performance. The deviations will be regularly reported so that necessary action is taken at the earliest. In the absence of a budgetary control system the deviations can be determined only at the end of the financial period.
(viii) Consciousness: It creates budget consciousness among the employees. By fixing targets for the employees, they are made conscious of their responsibility. Everybody knows what he is expected to do and he continues with his work uninterrupted.

(ix) Reduces Costs: In the present day competitive world budgetary control has a significant role to play. Every businessman tries to reduce the cost of production for increasing sales. He tries to have those combinations of products where profitability is more.

(x)Introduction of Incentive Schemes: Budgetary control system also enables the introduction of incentive schemes of remuneration. The comparison of budgeted and actual performance will enable the use of such schemes.

Limitations of Budgetary Control:
Despite of many good points of budgetary control there are some limitations of this system. Some of the limitations are discussed as follows:

(i)Uncertain Future: The budgets are prepared for the future period. Despite best estimates made for the future, the predictions may not always come true. The future is always uncertain and the situation which is presumed to prevail in future may change. The change in future conditions upsets the budgets which have to be prepared on the basis of certain assumptions. The future uncertainties reduce the utility of budgetary control system.

(ii) Budgetary Revision Required: Budgets are prepared on the assumptions that certain conditions will prevail. Because of future uncertainties, assumed conditions may not prevail necessitating the revision of budgetary targets. The frequent revision of targets will reduce the value of budgets and revisions involve huge expenditures too.

(iii)Discourage Efficient Persons: Under budgetary control system the targets are given to every person in the organization. The common tendency of people is to achieve the targets only. There may be some efficient persons who can exceed the targets but they will also feel contented by reaching the targets. So budgets may serve as constraints on managerial initiatives.

(iv)Problem of Co-ordination: The success of budgetary control depends upon the co-ordination among different departments. The performance of one department affects the results of other departments. To overcome the problem of coordination a Budgetary Officer is needed. Every concern cannot afford to appoint a Budgetary Officer. The lack of co-ordination among different departments results in poor performance.

(v) Conflict among Different Departments: Budgetary control may lead to conflicts among functional departments. Every departmental head worries for his department goals without thinking of business goal. Every department tries to get maximum allocation of funds and this raises a conflict among different departments.

(vi) Depends upon Support of Top Management: Budgetary control system depends upon the support of top management. The management should be enthusiastic for the success of this system and should give full support for it. If at any time there is a lack of support from top management then this system will collapse.

7. Explain the different functional budgets.

Ans. A functional budget is a budget which relates to any of the functions of an undertaking, e.g., sales, production, research and development, cash etc. Following functional budgets are generally prepared:
(i) Sales Budget: Sales budget is the most important budget and of primary importance. It forms the basis on which all the other budgets are built up. This budget is a forecast of quantities and values of sales to be achieved in a budget period.
The Sales Manager should be made directly responsible for the preparation and execution of the budget. The sales budget may be prepared according to products, sales territories, types of customers, salesmen etc.

(ii) Production Budget: Production budget is a forecast of the total output of the whole organisation broken down into estimates of output of each type of product with a scheduling of operations (by weeks and months) to be performed and a forecast of the closing finished stock. This budget may be expressed in quantitative (weight, units etc.) or financial (rupees) units or both.

(iii) Cost of Production Budget: After determining the volume of output the cost of procuring the output must be obtained by preparing a cost of production budget. This budget is an estimate of cost of output planned for a budget period and may be classified into material cost budget, labour cost budget and overhead budget because cost of production includes material, labour and overheads.
(a)Materials Budget: In drawing up the production budget, one of the first requirements to be considered is material. As we know, materials may be direct or indirect. Thus materials budget deals with the requirement and procurement of direct materials. Indirect materials are dealt with under the works overhead budget.
The budget should be related to the production budget and the period of the budget should be of short duration because this budget has an important bearing on the cash budget.

(b)Purchase Budget: Purchase Budget is mainly dependent on production budget and material requirement budget. This budget provides information about the materials to be acquired from the market during the budget period.

(c) Direct Labour Budget: This budget gives an estimate of the requirements of direct labour essential to meet the production target. This budget may be classified into labour requirement budget and labour recruitment budget. The labour requirement budget is developed on the basis of requirement of the production budget given and detailed information regarding the different classes of labour, e.g. fitters, welders, turners, millers, grinders, drillers etc., required for each department, their scales of pay and hours to be spent.

(d) Manufacturing (or Production) Overheads Budget: This budget gives an estimate of the works overhead expenses to be incurred in a budget period to achieve the production target. The budget includes the cost of indirect materials, indirect labour and indirect works expenses. The budget may be classified into fixed cost, variable cost and semi-variable cost. It can be broken into departmental overhead budget to facilitate control.

(iv)Administration Expenses Budget: This budget covers the expenses incurred in framing policies, directing the organisation and controlling the business operations. In other words, the budget provides an estimate of the expenses of the central office and of management salaries. The budget can be prepared with the help of past experience and anticipated changes.

(v) Plant Utilisation Budget: This budget lays down the requirements of plant capacity to carry out the production as per the production programme. This budget is expressed in terms of convenient physical units as weight or number of products or working hours.

(vi)Capital Expenditure Budget: This budget indicates the plans for addition in Capital expenditure (acquiring fixed assets) improvement in old Assets and replacement of fixed assets. These may be: Plant addition, new building, and land and such as plants.

(vii) Research and Development Cost Budget: While developing research and development cost budget, it should be clear in mind that work relating to research and development is different from that relating to the manufacturing function. Manufacturing function gives quicker results than research and development which may go on for several years. Therefore, these budgets are established on a long term basis say for 5 to 10 years which can be further subdivided into short-term budgets on annual basis.

(viii) Cash (or Financial) Budget: Cash budget represents the cash requirements of the business during the budget period. It compares the estimated Cash Receipts and estimated Cash payments of the company during the budget period. It ensures that sufficient cash is available when required.

(ix)Master Budget (or Summarised Budget or Finalised Profit Plan): The Master Budget is consolidated summary of the various functional budgets. It has been defined as "a summary of the budget schedules in capsule form made for the purpose of presenting, in one report, the highlights of the budget forecast".

8. What is Fixed Budget? Distinguish between Fixed Budget and Flexible Budget.

Ans. A fixed budget is a budget that does not change or flex for increases or decreases in volume. A fixed budget is also known as a static budget.
The Institute of Costs and Management Accounts (U.K) defines a fixed budget as "Fixed budget are those that are drafted to remain the same regardless of the activity levels it actually attained."

Basis	Fixed Budget	Flexible Budget
1. Meaning	A fixed budget is a budget that remains static irrespective of the activity level.	A flexible budget is a budget that changes as per the necessity of activity level.
2.Nature	A fixed budget is always static.	A flexible budget is very dynamic.
3.Condition	It assumes that conditions remain static.	It is designed to change according to changed conditions.
4.Classification of Costs	Costs are not classified according to their variability i.e. fixed, variable and semi- variable.	Costs are classified according to the nature of their variability.
5. Ease of preparation	It is easy to prepare a fixed budget.	It is quite tough to prepare a flexible budget since one needs to prepare for all situations.
6. Comparison	Comparison is difficult since the	Comparison is quite easy since the

	activity levels are different at the actual level and budgeted level.	activity levels are quite similar.
7. Rigidity	Pretty rigid, no fluctuation is taken into account.	Quite flexible, almost every fluctuation is taken into account.
8.Forecasting	It is difficult to forecast accurately the results in it.	It clearly shows the impact of various expenses on the operational aspect of the business.

9. What is Flexible Budget? Explain the importance of Flexible Budget.

Ans. A flexible budget is a budget or financial plan of estimated cost and revenue for different levels of output. The variation happens due to the change in the volume or level of activity.
In brief, a flexible budget is a budget that distinguishes the behaviour of fixed and variable cost that change. And changes that happen with the level of activity attained, or change in the revenue or other variable factors.

Utility (or Importance) of Flexible Budget:

1. Flexible budget provides a logical comparison of budgeted allowances with the actual cost i.e., a comparison with like basis.

2. Flexible budget reckons operational realities and streamlines control function and profit planning. It gives balanced perspective on comparison. When flexible budget is prepared, actual cost at actual activity is compared with budgeted cost at actual activity i.e., two things to a like basis.

3. Flexible budget recognises concept of variability and provides logical comparison of expenditure with actual expenditure as a means of control.

4. With flexible budget, it is possible to establish budgeted cost for any range of activity.

5. A flexible budget is very useful for purposes of budgetary control because it corresponds with changes in the level of activity.

6. It is helpful in assessing the performance of departmental heads because their performance can be judged in relation to the level of activity attained by the organisation.

7. Cost ascertainment at different levels of activity is possible because a flexible budget is prepared for various levels of activity.

8. It is helpful in price fixation and sending quotations.

To conclude, a flexible budget is more useful, elastic and practical.

10. What is Zero-based budgeting (ZBB)? State its features. Distinguish between Traditional Budgeting and Zero-based budgeting

Ans. Zero-based budgeting (ZBB) is an approach to making a budget from scratch. The budget is not based on previous budgets. Instead, the budget starts at zero.
It is a method of budgeting whereby all the expenses for the new period are calculated on the basis of actual expenses that are to be incurred and not on the differential basis which involves just changing the expenses incurred taking into account change in operational activity. Under this

method, every activity needs to be justified, explaining the revenue that every cost will generate for the company.

Contrary to the traditional budgeting in which past trends or past sales/expenditure are expected to continue, zero-based budgeting assumes that there are no balances to be carried forward or there are no expenses that are pre-committed. In the literal sense, it is a method for building the budget with zero prior bases. Zero-based budgeting lays emphasis on identifying a task and then funding these expenses irrespective of the current expenditure structure.

The essential features of ZBB are as follows:

(i) Manager of a decision unit has to completely justify why there should be any budget allotment for his decision unit.

(ii) Activities are identified in decision packages.

(iii) Decision packages are ranked in order of priority.

(iv) Packages are evaluated by systematic analysis.

(v) Decision packages are linked with corporate objectives, which are clearly laid down.

(vi) Available resources are directed towards alternatives in order to prioritize to ensure optimal results.

Distinguish between Traditional Budgeting and Zero-based budgeting:

Basis	Traditional Budgeting	Zero-based budgeting
1.Meaning	Traditional Budgeting refers to the process of planning and budgeting in which previous year's budget is taken as a base to prepare a budget.	Zero-based budgeting is a technique of budgeting, whereby, each time the budget is created, and the activities are re-evaluated and thus started from scratch.
2. Focuses on	The traditional budgeting stresses on the former expenditure level.	Zero-based budgeting concentrates on making a new economic proposal, whenever the budget is set.
3. Orientation	Traditional Budgeting is accounting oriented, as it works on the basic cost accounting principles.	Zero-based budgeting process is decision oriented.
4. Justification	In the preparation of the traditional budget, justification of the existing project is not at all required.	In zero-based budgeting, the justification of the existing and proposed project is required, taking into account the cost and benefit.
5. Justification Authority	In traditional budgeting, the decision on why a particular amount is spent on a decision unit is taken by the top management.	Unlike, zero-based budgeting, the decision regarding the spending a specified sum on a decision unit, is on the managers.
6. Priority	In traditional budgeting, the primary reference is made to previous spending level, followed by demand for inflation and new programmes.	In zero-based budgeting, a decision unit is split into decision packages which are comprehensive in nature and then they are prioritized on the basis of their relevance, to facilitate top management to concentrate on

		the decision packages only, which got preference over others.
7. Clarity and Responsiveness	The clarity and responsiveness is lower as compared to zero-based budgeting.	The clarity and responsiveness is comparatively higher as compared to traditional budgeting.
8. Approach	Traditional budgeting follows a routine approach.	Zero-based budgeting follows a straight-forward approach.

11. Explain the process or steps involved in Zero-based budgeting (ZBB).

Ans. Steps in Zero-Base Budgeting (ZBB)
(i)Determination of Objectives: The first step in ZBB is the clear definition of the objectives of budgeting. The objective may be to reduce expenditure on staff, to discontinue an activity or project in preference to another etc.

(ii)Determination of the Extent of Application: Whether ZBB should be introduced in all operational areas or only in some selected areas is to be decided.

(iii) Identification of Decision Units: Decision unit refers to a department, a project or a product line to which ZBB is to be applied. Identification of such units is done in consultation with managers.

(iv)Cost-Benefit Analysis: Cost benefit analysis is undertaken for each activity of the decision unit. It provides answers to the following questions:

- Is it necessary to perform the activity at all? If the answer is in the negative, there is no need for proceeding further.
- How much is the actual cost and what is the actual benefit of the activity?
- What is the estimated cost and estimated benefit of the activity?
- If the unit is dropped, can the unit be replaced by outside agency?

(v)Preparation of Budgets: The activities and projects for which benefit is more than the cost are ranked. Priority is accorded to the most profitable projects/activities, in the allocation of funds.

12. Explain the advantages and disadvantages of Zero Base Budgeting (ZBB).

Ans. Benefits of Zero Base Budgeting (ZBB)
The major benefits (Need) of the use of zero base budgeting can be the following:

(i) Zero base budgeting examines all existing and new programmes and activities. It also makes the managers analyse their functions, establish priorities and rank them. This exercise helps in identifying inefficient or obsolete functions within the area of responsibility. In this way resources are allocated from low priority programmes to high priority programmes.

(ii) This system facilitates identification of duplication of efforts among organisational units. Such inefficient activities are eliminated and some other activities are merged.

(iii) All expenditures, under this system are critically reviewed and justified and all operations activities are evaluated in greater detail in terms of their cost- effectiveness and cost-benefits. This requires managers to find alternative ways of performing their activities which may result in more efficient procedures.

(iv) ZBB promotes the tendency to initiate studies and improvements during the period of operation as the persons at the helm of affairs know that the process would be exercised next year and their knowledge and training would enhance efficiency and cost-effectiveness.

(v) ZBB provides for quick budget adjustments during the year. If revenue falls short in this process, it offers the capability to quickly and rationally modify goals and expectations to correspond to a realistic and affordable plan of operations.

(vi) ZBB ensures greater participation of personnel in formulation and ranking processes. This helps in promoting level of job satisfaction and thus resulting in better control and operational efficiency in the organisation.

(vii) Zero base budgeting is a flexible tool that can be applied on a selective basis. It does not have to be applied throughout the entire organisation or even in all the service departments. Keeping in view the limitations of time, money and persons available to install, operate and monitor it the management thus can select priority areas to which zero base budgeting may be applied.

Limitations of Zero Base Budgeting (ZBB)
Limitations of ZBB can be summed up as:
(i) It challenges the past practices, performance, attitudes, of people.
(ii) It requires more time and effort.
(iii) Detailed costs and necessary information for decision packages often are not made available.
(iv) It increases paper work to unmanageable proportions.
(v) Ranking a large number of decision packages becomes an unwieldy process.
(vi) Identifying various levels of funding, particularly the minimum level is a difficult task.

13. What is Performance Budgeting? State its features. Also state its advantages.

Ans. Performance budget may be defined as a budget based on functions, activities and projects. Performance budgeting may be described as a budgeting system, where under input costs are related to the end results, i.e., performance. It is a system of budgeting which provides for appraisal of performance as well as follow up measures.

It involves the evaluation of the performance of the organization in the context of both specific as well as overall objectives of the organization.

Features of Performance Budgeting:
The main features of performance budgeting is as follows:
(i) It helps the management to regulate its each and every activity according to predetermined standards of performance, targets and objectives.

(ii) It is not only an estimate of future needs but goes beyond that and- includes functions, programmes, activity schemes and time schedules to help effective and economic allocation for the programmes.

(iii) It lays great stress on the management of organisational structural and overall policy, personnel, financial, etc. from traditional to dynamic one.

(iv) It is not merely a projection of trends and targets but planning the business from grass root level to top level on rational thinking and forecasting.

Following are the main advantages of performance budgeting:

(i) It presents clearly the purposes and objectives for which funds are required.

(ii) It gives better appreciation of budgeting by legislature.

(iii) It improves budget formulation process.

(iv) It enhances accountability of the executives.

14. Explain the steps involved in performance budgeting.

Ans. Performance Budget Process
Below is the step by step process which takes place:

(i) Formulation of Objectives: It is the initial step to formulate the objective as to what to achieve. It is essential to set the objectives, and then only the designated tasks can be allocated to the teams based on their abilities.

(ii)Identifying various process and plans: It is the second stage to identify the process and plan, which will help in achieving the objectives—various processes and strategy which can be introduced to the program to achieve the objective.

(iii)Evaluation & Selection of the processes and plans: After identification, various processes and plans, the most profitable and easy to communicate and implement plan and processes should be evaluated and selected to achieve the objectives.

(iv)Development of Performance Criteria: It is another step to develop the criteria on which the processes and plans will be rolled out. It is also essential to develop a basis to measure the performances of the persons involved in the processes.

(v)Financial Planning: After developing the processes, identifying the steps involved, it is required to plan for the financial requirement and prepare a financial budget for the processes planned.

(vi)Assessing Performance: After rolling out the processes, it is vital to measure the performance given by the persons involved in the process to initiate the actions accordingly. It is crucial to see whose performance was up to the mark and what changes are required to be made.

(vii) Correcting Deviations: It is the final step that corrects the deviations in the process and performances. Also to make the required changes in both the process and performance to remove all those deviations.

15. Distinguish between Performance Budgeting and Traditional Budgeting.

Ans.

Performance Budgeting	Traditional Budgeting
1. In it, the flow of decision is upward.	1. In it, the flow of decision is downward.
2. It follows the function – programme – activity classification.	2. In it, the classification of expenses is by objects.
3. It makes a prospective approach with its focus on future markets.	3. The approach is retrospective in such budgeting.

16. What is Programme Budgeting? What are its advantages and disadvantages? Explain the steps involved in Programme Budgeting.

Ans. A program budget is a budget prepared specifically for a project or program. This type of budget includes expenses and revenues related to one specific project. No revenues or expenses of any other projects are mixed with this particular project.
A business has many different projects running at a single time. Therefore, it becomes very important to set the goals and objectives of each individual project, along with its budget. The program budget allocates resources to a project, which helps in monitoring the performance of the project and increases accountability.

Advantages of a Program Budget

(i)It helps in determining the priority of the projects.

(ii)It helps in planning and managing the delivery of services in the future.

(iii)It monitors the allocation of resources to a project and determines how they are used to meet the goals of the organization.

(iv)It helps in identifying areas where cost reduction can be implemented and savings can be made.
(v)It helps in spotting the areas where higher levels of funds are required.

(vi)It adds accountability to the organization. Since each project has its respective budget, performance measurement can be done and firm accountability can be set.

Disadvantages of a Program Budget

(i) A program budget requires a lot of information and it can take a lot of time to determine the exact financial resources required. Additionally, during the year, when any changes must be made to the resources required, it becomes very difficult to achieve a balanced budget.

(ii)Sometimes, overlapping causes several changes to the budget. For example, the municipality department may include the electricity repair expenses in the budget, which may or may not occur. This leads to the budgeting of dual expenses.

(iii) If the program budget is incorrect, it can lead to an increase in costs.

(iv)The program budget sometimes makes it difficult to evaluate the performance of the project. Multiple layers of administrators govern a project, so finding out the actual performance of any administrator can become a daunting task.

Programme Budgeting Process:

First, programmes are identified for achieving different goals of the organization. Then each programme is divided into different elements. Resources such as materials, men, machines, utilities, etc., are allocated to various programmes over the period.

The emphasis is continuously placed on analysis of alternatives (including existing programmes) and estimating cost of accomplishing objectives and fulfilling purposes and needs.

The steps involved in the programming budgeting may be listed as follows:
(a) Identification of programmes required fulfilling the mission

(b) Identification of programme elements

(c) Allocation of resources to programmes

(d) Utilizing forecast studies analysis-mostly multi-year forecasts are considered in programmed budgeting

(e) Measuring the actual performance of approved programmes and comparing with budget performance

In the case of non-profit organizations, output indicators are to be developed because output cannot be measured in monetary terms. For example, for training programmes the output indicator may be in terms of number of employees trained.

For health programmes, output indicator may be reduction in disease. The programme budget, however, does not eliminate the need for traditional budget.

It adds only a new dimension to planning and budgeting system. A traditional budget can be divided into a number of programme budgets.

17. Distinguish between Programme Budgeting and Performance Budgeting.

Ans.

Performance Budgeting	Programme Budgeting
1. It is retrospective in outlook.	1. It is prospective in outlook.
2. It is evaluative in the sense of measuring.	2. It is connotes planning.
3. It is concerned with the process of work.	3. It is concerned with the purpose of work.
4. Activity analysis aimed to achieve results.	4. Output analysis aimed to achieve social objectives.
5. It focuses on work programmes.	5. It focuses on process of allocating funds.
6. It is relevant to the problems of lower and middle levels of management.	6. It is relevant to the problems of top level management.