

Some Points About The Preparation Of A Budget

Speaker: The questions to be asked are – What are the objectives of the project? What are the activities involved? What resources will be needed? How much will the resources cost? Where the funds are going to come from? And is the result realistic?

Audience: As per Bombay Public Act, which is applicable for Maharashtra and Gujarat, you have to submit a budget at least one month before the commencement of the financial year to the charity commissioner. It is a mandatory requirement. It does not specify if there is a penalty or not, perhaps just legislative wishful thinking only, but there is such a provision.

Speaker: Thank-you.

Speaker: It is a common myth, that when we agree on a budget, we think we are agreeing on the total amount. For e.g. what is the budget for this training? Rs 50,000 – okay let us spend it. We must analyse it.

Speaker: On food how much? On accommodation how much? On training how much? NGOs think they agree on the total amount and can to spend it in any manner. Example – as per budget - 10 teachers, Rs 800/month X 12 months = Rs 96,000. Actual was 8 teachers, Rs 1000/month X 12 months = Rs 96,000. Is there any budget variance?

Audience: Yes

Speaker: This means that they originally planned to cover 10 villages but actually only 8 villages were covered and they had to be paid more. Though there is no difference in the amount, we have to go into details on how it was spent.

Audience: Do you think the auditors check on the budgets and have the right to question these issues?

Speaker: Yes of course.

Speaker: Budget means both, expenditure and income. On the expenditure side we put all the projected expenses and on the income side we say where the funds come from. Program head is very important to make sense out of the expenditure. We have to keep certain things in mind. Inflation is one of them as Contingences are also important to keep but sometimes they are also used as discretion. Contingency means it is in the hands of the people implementing it and so to a limited extent it should be variable.