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INTRODUCTION

The Management Accounting is known as Managerial accounting where it usually assort through specific managers for formulating the valuable information that scrutinize by themselves before to make any kind of decision in perspective of organisation that generates better performance to control the functions. This method of accounting is only operates within the internal team management in the company as well as the procedure makes different from financial accounting. The main objective of management accounting to use the statistical data and undertakes through managers or superior level to enhance the correct form of decision making, to having better control towards organisation activities and development. In this report the main objectives are cover to highlight the role of budgeting that helps managers to make optimal decision in fluctuates environment along with actual budgeting process and analyse the budgeting types in short terms factor through mangers perspective(Otley, 2016).

MAIN – BODY

Role of budgeting in helping managers for making optimal decisions in changing business environment

Budgeting is an essential term for every business organisation because it helps in controlling the management system. It shows as an analytical framework that helps in setting down the targets with optimal utilisation of the financial resources. In dynamic changing business environment decisions related to the role of budgeting helps in gaining high profits and revenues by the company. Some role of budgeting that helps the managers of the organisation in the business environment can be shown below(Lavia López and Hiebl, 2015).

Planning process- It is one of the major role of the budgeting within the organisation. As it also helps the manager to forecast profitability. Communicate effective knowledge about one part and also helps in allocating the resources for completing the task that gives effective and efficient results. For example- In current changing business environment it is very essential for the Samsung manager to make a budget so that they can plan the task for gaining high profitability and allocating the resources according to that. Due to this firm will high market share with long term sustainability within marketplace. This helps in taking short term decision so that company will gain long term profits(Kihn and Ihantola, 2015).

Controlling process- Another main role of the budgeting in helping the managers within the organisation is controlling the wastage of resources so that cost cannot be calculated higher

basis. This also helps in production of goods within the company by providing the proper budget. The allocation of budget also helps in forecasting the demand of the customers so that firm will gain the competitive advantage within the marketplace. For Example- Budgeting helps the manager of Samsung, to spend the limited amount on the various activities and control the extra expenses so that cost of production would be minimum and company gain more advantage to beating the rival firms. This also helps in building the higher position within marketplace.

Motivation- One of the best role of budgeting is to motivate the employees to achieve the task. In changing business environment, this tool is very helpful for the managers because it helps in encouraging manpower to achieve the overall task by committing towards the predetermined course of action. For example- Budgeting helps the manager of Samsung to motivate them towards achieving the predetermined set of actions so that they can gain the competitive advantage within the changing business environment (Cooper, Ezzamel and Qu, 2017).

Various Budgeting styles

Static Budget- It refers to that budget in which the amount will be stable even when there is significant changes in the volume. For Example- In Samsung, manager can make static budget for the expenses like rent payment, utility payment etc. This term also helps in determining the overall financial health and performance and in the changing business environment it is very essential to examine the sales and profits so that beating the rival firm would be easy.

Pros- The main benefit of static budget is that it is very simple to execute and follow as it does not require any update on a continuous basis throughout the overall accounting period. It also helps in saving the time of taking decision. Due to this firm will save their cost and spend more time on taking decisions (van Helden and Uddin, 2016).

Cons- The major drawback of the static budget is that there is a lack of flexibility. In this if company need to additional resources to enhance their revenue that this type of budget are not providing any additional help. Due to this overall revenues of the business firm may be affected.

Flexible Budget- In today's dynamic business environment, Flexible Budget place an intense position. It refers to that type of budget that can adjust and flexes with the changes occur in volumes. It is a type of sophisticated and useful for gaining high profits and revenues. According to the changing business environment it includes some pros and cons that can be shown below (Sands, Lee and Gunarathne, 2015):

Pros- The main advantage of flexible budget for the managers in the company is that it helps in evaluating their performance and activity within organisation so that they get appraised for their good work. It also helps in gaining high profits as per the current demand of business and its environment. It showcase the best planning source that helps in taking effective decisions.

Cons- Flexible Budget main drawback is that it is very time consuming process because in this company need to research more for making the appropriate budget. As it also work for low range of revenues.

Merits and demerits of Participatory budgeting style implication on business performance

Participatory Budget refers to an effective process that helps the organisation to take decisions. In this manager of lower level of employees are take participate in the decision making process so that they feel also responsible and accountable towards their decisions. It shows as an traditional method of budgeting. For example- In case of Samsung, that is one of the largest firm in the world. In this adopting this type of budgeting style is very essential because there are various departments and to handle properly is some what difficult. Manager of the company can allow the lower level manager to take the decisions related to their spending funds because they know effectively where to invest. But at the same time it impact in positive and negative ways in the performance of the organisation that can be shown below(Turner and et. al., 2017):

Merits

Transfer of information upwards- It is one of the best advantage of the participatory budget because in this information is share from the departmental level manager to the top management. This helps in improving the performance of subordinate manager by giving them effective opportunities and in this they can easily share their views and issues to the top management. This helps in optimum utilisation of resources within a specific use of financial resources. For example- In Samsung, top management give the right to the operational level manager to take budget related decisions and share all their issues effectively so that task can be achieved in an appropriate way(Boučková, 2015).

Employee Motivation- It is the best benefit of the participatory budget because in this company can give the chance to their employees to take participate in budget preparation process. At this time employees are feeling satisfied to their job and get motivated to do their best so that top manager can appreciate them for their great work. In context of Samsung,

participatory budget helps in engaging the employees in their work due to this organisation performance with individual development can be shown positive within the business firm.

Demerits

Time consuming- Major drawback of using participatory budget within business enterprise is that it is very time consuming process as compared to other imposed budget. In this preparation of budget start from lower level to the top level and that shows the involvement of many people due to this taking final decision would be time consuming. That also affect the performance of the organisation(Burritt and et. al., 2019).

Budgetary slack- It is another drawback of participatory budget because in this manager can overestimate budget and underestimate revenues. In this lower level management set goal for the budget to achieve it but they exceed it because of not proper management. Due to this organisation performance may be affected(Azudin and Mansor, 2018).

CONCLUSION

From the above research essay report it is to be concluded that management accounting is an effective term for making the effective decisions regarding the company benefits. In this Budgeting helps in taking the suitable decisions so that task can be attained within a specific period of time. This report inculcates the different roles of budgeting that helps the manger to communicate and control the workforce and resources in an effective optimal methods. There are various style of budgeting that have impact on the business in a positive and negative aspects. At last it depicts the pros and cons of the participatory budgeting that shows their impact on the performance of the company, profits and sustainability.

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