

# BUDGET PREPARATION

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# INTRODUCTION:

- The aim of the financial administration is achieved through a budget.
- Budgetary process in any country involves four different operations, like -
  - a. Preparation of the budget,
  - b. The enactment of the budget,
  - c. The execution of the budget, &
  - d. The legislative control over the budget.
- Preparation of the budget estimate is thus, the first step in the budgetary process.

# STEPS INVOLVED IN THE PREPARATION OF THE BUDGET:

- The various stages involved in the formulation of budget follow in the order given below:
  - a. Preparation of the preliminary estimates by the disbursing officers i.e. heads of offices,
  - b. The scrutiny and review of these estimates by the Controlling officers,
  - c. The scrutiny and review of the revised estimates by the Accountant General and the Administrative Department,
  - d. Scrutiny and review of the revised estimates by Ministry of Finance, &
  - e. The final consideration of the Consolidated estimates by the Cabinet.

# A. PREPARATION BY THE DISBURSING OFFICERS:

- The preparation of the budget begins 6 to 8 months before the commencement of next financial year.
- The Accountant general sends the prescribed forms for estimates of revenue and expenditure in the month of July or August to the various administrative departments.
- The heads of the departments send these forms to the disbursing officers who prepare the preliminary estimates.
- While preparing the estimates the local officers are to fill in four columns of the prescribed form:
  1. Actuals of the previous year,
  2. Sanctioned estimates for the current year,
  3. Revised estimates for the current year, &
  4. Budget estimates for the next year.

## B. SCRUTINY AND REVIEW OF ESTIMATES BY CONTROLLING OFFICERS:

- ◉ These filled up forms goes to the respective heads of departments(Controlling officers) for scrutiny and review.
- ◉ This scrutiny is purely of an administrative type and not of a financial nature.
- ◉ The controlling officer has to judge the relative merit of the proposals from the various branches and sections of his department for new expenditure in the light of the possible grant for the department as a whole.
- ◉ He has to accept some and reject others. Then he consolidates the estimates of the department and send it to the budget officers, by October.

# THE REVISED ESTIMATES BY THE ACCOUNTANT GENERAL AND THE ADMINISTRATIVE DEPARTMENT:

- ◉ If the department wants to make any reduction in the estimates as received from the controlling officers, that has to be communicated to the Accountant General.
- ◉ If it wants to increase the estimates that is to be submitted to the budget department and if the department agrees, then the Accountant General to note the change.
- ◉ The heads of departments prepare estimates of revenue and expenditure only.
- ◉ But besides, revenue and expenditure, there are other estimates under debt, deposit and remittance heads. These are prepared by the Accountant General's office.
- ◉ By the end of November, these estimates goes to the budget department.

## D. SCRUTINY BY THE MINISTRY OF FINANCE:

- ◉ The estimates received from the various departments are scrutinized by the ministry of finance and consolidate it into the budget of the government as a whole.
- ◉ The scrutiny applied by the finance ministry is done from the financial point of view of economy and availability of funds.
- ◉ The Ministry of Finance then prepares the estimate of income and expenditure of the government of India.
- ◉ In other words, it divides the budget into two parts - the income side and expenditure side.

## E. APPROVAL BY THE CABINET:

- The Finance minister examines the budget estimates some where in January and in consultation with the PM, prepares his financial policy with regard to taxation, etc.
- After that has been done, the budget is submitted to the Cabinet which is responsible for laying down the general policy.
- When the Cabinet has approved the budget it is ready for being introduced in the parliament.