

Need Based Budgeting

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Introduction:

Budgeting is the systematic way of defining the income and expenditure of an organization or individual for upcoming year. There are several budgeting method is in practice. Of them zero based budgeting, which is making a budget from the scratch without any prior reference. This budgeting has the advantage of being free from influence of the previous years' budget. However, this budget has a disadvantage that since it is not based on any previous budget, there are possibilities to miss few budget sectors. Another budgeting method is the incremental budgeting where the budgeting is done based on previous year's budget. Here adjustments are made and necessary increments and decrements are proposed on the previous budget. This budgeting is adjusting budget and is free from the accidental missing of any sectors. Apart from the two common budgeting system defined above, a more realistic method of budgeting is need-based budget. Need based budgeting as the name implies is a budgeting system where the budget is made based upon the need. Unlike incremental or percentage budgeting method, where the budget is made based upon previous year's data and adding few increments or percentage to it, need based budgeting determines source of expenditure in light of requirement priority of the organization. Need based budgeting is a realistic budgeting method where the budget sectors are allocated as per need, not according to previous year's data or following any formula. In budgeting there are numerous variables are required to consider in finding the exact budgeting. Most of the budgeting sectors are based on estimation or formula, which are often ignored in real life.

Need based are formulated following few guidelines:

1. The average income should be determined. The budget should not cross the revenue or income. Otherwise it would be failed.
2. The cost of the needs should be carefully determined. The expenses that are necessary and the expenses that are obligatory should be determined. There are always few fixed expenses like transportation, wages, rent etc. that should be separated.

Need based budgeting:

Here is the budget of Delaware school district for the year 2014. A closer look into the budget sectors would reveal that here only expenses are listed against a fixed income of \$7,500,000.00. This fixed revenue is divided as a percentage into various sectors. Clearly, this budget is somewhat premeditated rather than need based.

As seen from the budget, almost 80% of the budget is allocated to the wages and salaries, which are indispensable. This are fixed costs for running the school. It comprises of the salary of the principal (1.23%), salary of three vice-principal (3.23%), salary of teachers (51.99%), salary of other employees (12.61%) and employee benefits (10%), which makes a total of $(1.23+3.23+51.99+12.61+10) = 79.06$ % of the total revenue. Remaining $(100-79.06) = 20.84$ % budget should be redistributed and adjusted for fitting with need based budget.

Now let us adjust these sectors in order to find a need based budget solution. However, it should be noted here that, there is a potential source in the fixed salary budgets, which can be reduced considerably by careful investigation. It is common in every organization that there is always few excess staff or few tasks can be distributed to even less number of staffs. It is not suggested here to reduce the essential staffs rather it is indicated here that a careful insight can lead to a way where it would be useful to reduce few staffs. The salary of them can be reallocated to few development projects of the school. 1~2% reduction in the wage budget can be beneficial if that can be expended in the development and student related activities.

For a school to become an educative institution, expenditure on instructional materials and computer technology can give high return. The more instructional and laboratory equipment a school would process the better would its educational prospect. Students would get more experience and easy grasp of the theories with the help of props used by the teachers. Practical knowledge can accelerate the realization of theory knowledge. The more the lab facility a school can provide the more its students gather hands on experiences. On the other hand, computer can be used as an instructional equipment as well as a supporting equipment in the lab. Computer animations are proved best method of instructional media. Moreover, in this world of advanced technology, computer education is essential. Therefore, it is obvious that the two sectors that need more budget to be expended are computer and instructional. An increase of as large as 1% in both of the budget sectors is needed.

Expenditure on textbook is a fixed budgetary sector. There are a fixed number of textbooks needed to be purchased and procured in the school library as well as for the students. Textbooks are indispensable. To make a better and

resourceful school library, the budget on the textbook are crucial. 2.5% budget seems to be sufficient budget for a school.

Student body arranges extra-curricular activities in the school. It also takes care of student's welfare and student's interest regarding various aspects in the school. A good and handsome budget for student body can increase the probability of betterment of students and hence is recommended. This sector is commonly overlooked by the authority in spite it has potential improvement resources. Currently, there has been 1% budget allocated to this sector. It should be increased to 1.5%.

Phones are essential for any organization. However, a reduction of phone bills is possible and recommended. In this era of telecommunication and internet communication, successful implementation of e-mails, text messages, computer chats are economical; they can reduce the cost of phone bills considerably. The staffs and teachers should be encouraged to increase the use of internet communication instead of phones. Therefore, a reduction in the phone budget can be possible. It can be reduced to 0.3% in place of 0.5%.

Utilities are fixed and cannot be reduced rather they can be increased if there is a rise in the utility bill. Therefore, the only recommendation here is to adjust the utility bill considering and calculating the sum of all utilities and then keeping provision for rise in bill.

Contracted services can be reduced. Few services are economical if they are procured in-house. On the other hand, few services are better to be provided by outsourcing. Therefore, a balance between these two is necessary and readjustment in budget is recommended.

Conclusion:

A need-based budget is more sophisticated and realistic form of budget. It is based on need and does not need to analysis previous year budget history. This budget can ensure the development of the organization and increase the profitability. There are few chances of surplus or deficiency in this form of budget.

In implementing need-based budget over the incremental budget of Delaware District School, the development sectors from the students' welfare and improvement perspective are considered highest priority needs and hence given importance to increase the budget on these sectors. Few of these sectors are instructional and computer, student body etc. On the other hand, the extra expenses are adjusted from comparatively lower priority sectors. The need-based budget should be beneficial to the students as well as to the school.

There are always few sectors in the budget, which are unnecessarily allocated with more resources whereas some essential sectors for development are deprived of sufficient money. Need based budgeting address this issue positively to endorse the most important sectors with sufficient amount of money to carry on development and progress of the organization.

It should keep in mind that, in implementing need based budget the other sectors of budget should not be overlooked or overemphasized. It should be balanced method, where the priority should be determined by the need of the sector to the development of organization.