



TO WHOMSOEVER IT MAY CONCERN

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Our Reference

23rd March, 2018

This is to certify that Miss. Lavanya D (USN: 1AZ16MBA31) student of Acharya Institute of Technology, Bangalore pursuing Final year of M.B.A - Finance & HR specialization underwent her Project Study in Volvo Group India Private Limited, from 15th Jan 2018 to 26th Mar 2018.

She has successfully completed her Project Work in Finance Department of VCE Peenya.

She has satisfactorily completed her work assigned under the guidance of Ms. Priya Prakash, Deputy Manager Business Control, VCE. She has presented her complete Project findings on "Budgetary Control System".

During the above period, we found her to be disciplined and dedicated.

We wish her all success in all her future endeavors.



Raghavendra D K
Asst. Manager HR & Administration
Volvo Construction Equipment, Peenya



ACHARYA INSTITUTE OF TECHNOLOGY

(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 18/05/2018

CERTIFICATE

This is to certify that **Ms. Lavanya D** bearing USN **1AZ16MBA31** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on “**A Study on Budgetary Control System**” at **Volvo Construction Equipment, Bangalore** is prepared by her under the guidance of **Prof. Mallika B K**, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

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Signature of HOD

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PRINCIPAL

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DECLARATION

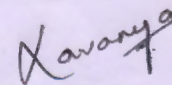
I, **LAVANYA.D** hereby declare that the project report titled "Study on Budgetary Control System" with reference to "Volvo Construction Equipment", Bangalore" prepared by me under the guidance of Mrs. Mallika B.K, faculty of M.B.A. Department, Acharya Institute of technology and external assistance of Mrs. Priya Prakash, Deputy Manager, Volvo Construction Equipment Private Ltd, Bangalore.

I also declare that this project work is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of ten weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/Diploma from any other University / Institution.

Date: 25/05/2018

Place: Bangalore



Signature of Student

ACKNOWLEDGEMENT

I deem it a privilege to thank our Principal Dr. Sharanabasava Pilli, Dr Mahesh-Dean Academics and our HOD Dr.Nijaguna for having giving me the opportunity to do the project, which has been a very valuable learning experience.

I am truly grateful to my external guide Mrs. Priya Prakash, Deputy Manager, Volvo Construction Equipment and my internal guide Mrs. Mallika B.K for their research guidance, encouragement and opportunities provided.

I wish to thank all the respondents from the firms who spent their valuable time in discussing with me and giving valuable data by filling up the questionnaire.

My sincere and heartfelt thanks to all my teachers at the department of MBA, Acharya Institute of Technology for their valuable support and guidance.

Last, but not least, I want to express my deep appreciation to my parents for their unstinted support.

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EXECUTIVE SUMMARY

The project work for the study was done in “Volvo Construction Equipment”, Peenya, Bengaluru. The topic selected to conduct a study on project work was “Budgetary Control System”.

The main intention for the study of project work is to have a practical exposure related to the topic (Budgetary Control System), To study budgetary concepts, methods and practices adopted by the company to forecast the budget for future, to find out the loopholes and to provide a corrective measure, and to know the benefits of Budgetary Control System.

Budget is an estimated future plan that helps that company to estimate the future cost, to control the cost which in turn increases the profit of the company. Budgetary Control System refers to controlling of budget by properly allocating the costs to various department and coordinates among the various department.

Volvo is a Swedish Multinational company which manufactures different types of products like trucks, buses, wheel Loaders, Pavers, etc. Volvo Construction Equipment is a part of Volvo Group which involves in manufacture of Compactor, Paver, Excavators, Wheel Loaders, and Volvo dumpers.

Volvo Construction Equipment has different department like purchase department, HR department, Research and Development Department, Finance Department and Taxation department. The company has manufacturing and consumables team. Volvo Construction Equipment has different shops for the manufacture of the products like Assembly line, Fabrication line, Parts Paints Shop and Touch-up Paints Shop.

The company focuses on increasing its profit by providing quality products and services. The analysis on budgeted data with that of actuals are done to know whether the company has achieved its targets and policies as specified earlier which increases the efficiency, effectiveness and profitability of the business concern.

CHAPTER 1

INDUSTRY & COMPANY PROFILE

1.1 – INTRODUCTION

A project work is a good experience that acts as a value added to the studies. The main aim of project work conducted was to gain a practical exposure, to study the theoretical concept related to study, to know about the corporate policies relating to study and to examine the policy objectives relating to the topic related.

In order to increase the efficiency and effectiveness of the business it is necessary for the organization to maintain the available resource and to utilize them optimally. This plays a very important role to the organization related to cost control.

Budget is a future estimated plan of expenses and incomes which the company may incur. It helps the organization to control the cost and to increase the efficiency, effectiveness and also profitability of the business. Budget is essential to forecast future and to see whether the company has reached its target as specified in the budget.

Budgetary control is an act of controlling the budgets by planning, organizing, directing, controlling and co-ordinating the required budgets among various departments in the organization. Based on the company's nature, the type of budgets like master budget, Fixed budget, Flexible budget, zero based budgets, financial budget, operating budgets are selected.

It plays a very important role in planning and controlling aspects, determining the policies, coordinates among various department, to solve discrepancies and to take necessary measures if necessary. Budget centre, budget manual, budget committee, Budget period, etc. has to be decided by the organization for the better implementation of the budget system in the organization. It acts as a support system which help the companies to know its target to be achieved.

1.2 - INDUSTRY PROFILE:

Volvo Construction Equipment is a manufacturing-based industry as they are the manufacturers, suppliers and traders of pavers, compactors and excavators. The raw materials which are required for the manufacturing of compactor, pavers and excavators are bought and are distributed to different manufacturing units in order to obtain the finished goods. Manufacturing unit involves fabrication line, assembly line, parts paint shop and touch up paint shop.

Construction of equipment is one of the manufacturing sectors. Heavy power machines are taken to perform certain specific function of construction and demolition. One such company which emphasis on construction equipment is Volvo. It is one of the world's leading manufacturers of trucks, bus, drive systems for marine construction equipment, etc.

Manufacturing industry is one of the type of industry which deals with the process of converting raw materials into semi-finished or finished goods. The finished goods obtained can be used for sale of goods to the customers or as intermediate goods used in the process of production.

Raw Materials → Semi-finished goods → Finished Goods

It plays a very important role in the industrial sector of the economy as it employs huge labour force and produces the products which are required as per the demand, needs and wants of the customer. These industries help in reducing unemployment problem and poverty and also helps in bringing the foreign exchange. In today's scenario, Manufacturing industry is more innovative, competitive and is updated with the latest technology. Therefore, it acts has a backbone for Indian economy.

Studies have indicated that the productivity in manufacturing industry in India is approximately 1/5th of the productivity in the manufacturing industry of US. Indian manufacturing sector currently contributes 16-17% to GDP and gives employment around 12% of the country's workforce.

Manufacturing starts with the process of designing the products and specification of materials are done from which the product is made. Manufacturing used to take place more in rural areas before the industrial revolution. The concept of manufacturing depends upon the ideas for transforming raw materials (organic or inorganic) into products that are used by the society.

Manufacturing industry is divided into engineering industry, construction industry, electronics industry, chemical industry, energy industry, textile industry, food and beverage industry, plastic industry, transportation industry and telecommunication industry. Each of these industries have their own contribution towards the development of Indian economy.

Being a manufacturing company, a company must link their objectives with that of their strategic business objectives. This plays a very important role for the effectiveness and efficiency of the company. Manufacturing objectives basically states about reducing the cost, increasing the quality of goods, increases in speed and production and flexibility to adapt changes. This helps the company to compete with their competitor and are able to meet the demands of the customers.

The major manufacturing companies are:

1. ITC group
2. Volvo Group
3. Ashok Leyland
4. Bajaj Auto
5. BPL group
6. Aditya Birla group
7. Apollo Tyres
8. Hindustan Lever group
9. Larsen and Lever group
10. L&T

1.3 - COMPANY PROFILE

The word Volvo came into existence from a Latin word which means “I roll”. Volvo groups are a Swedish Multinational Company headquartered in Gothenburg. It focuses on production, distribution and sale of trucks, buses and other construction equipment’s. Volvo was started in the year 1915. Volvo trademark holding AB is owned equally by AB Volvo and Volvo Car operation. The brand name of Volvo was originally registered as a trade mark in May 1911 with an intention to be used for a series of SKF ball bearing. Volvo also supplies marine and industrial drive system and provides financial services.

➤ History of Volvo Group

Volvo as a group has diversified its business by opening its branches in different countries. It is a leading manufacturer of automobile, marine and industrial engines, buses, trucks, cars, construction equipment’s and also manufactures certain components for the aerospace industry. Volvo Group has its strong brand and also has a broad coverage market.

First bus named B1 was launched in the year 1934. At the beginning of 1940’s their also started manufacturing aircraft engines. Though Volvo was established in 1915 as a subsidiary of AB SKF, a Swedish ball bearing manufacturer, the auto manufacturer considers itself officially founded on 4th April, 1927 when the first car, Volvo OV4 series, affectionately known as “JACOB”, rolled out of the factory in Hisingen, Gothenburg.

Renault sold to Volvo during 2001 and Volvo renamed it as Renault truck in 2002 and Renault became Volvo biggest shareholder with 19.9% stake as part of the deal and later in the year 2010, it increased the shareholding to 21.7%.

Volvo Group has approximately 115000 employees, production facility in 19 countries and sells its products in more than 190 market. Volvo Group has grown and developed throughout the year through the process of mergers and acquisition.

➤ Volvo Production System

It was introduced in the year 2007. The main aim of VPS is to improve the quality, efficiency of delivery and productivity. It is a Volvo way in action- How Volvo goes from words to action. This system contains certain practical tools which helps the organization to work as per the desired goals and objectives. It consists of 5 core principles. They are:

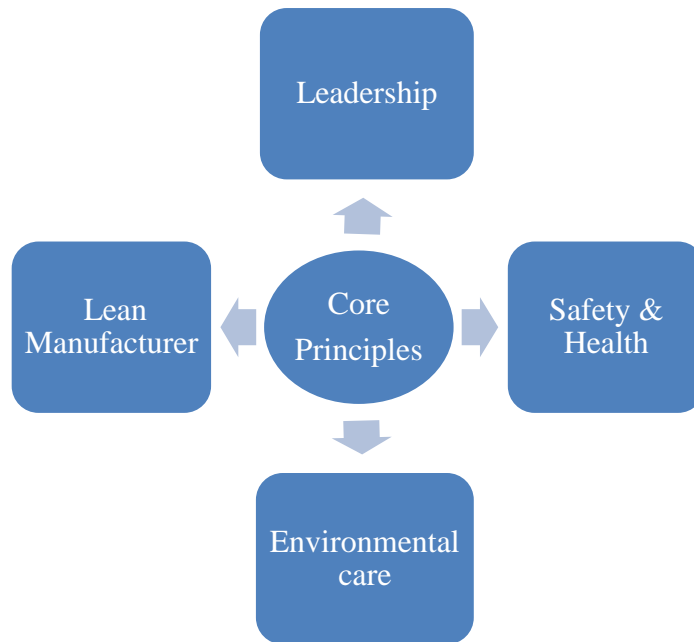


Chart no- 1.3.1

1. Leadership

Leadership plays a very important role in the organization. Worker are divided into teams and are headed by the leader in order to increase the efficiency and effectiveness.

2. Safety & Health

The workers in the factory are treated as assets of the company. The premises of the factory, assembly procedures and the process of manufacturing the products are designed keeping safety in mind. The employees are provided with safety shoes and jackets for safety concern.

3. Environmental Care

The company strive to minimize the waste by optimal utilization of available resources. It is avoiding the use of chemicals. Emission norms are followed.

4. Lean Manufacturer

It is a production practice that consider the expenditure of resources for any goal either than the creation of value for the end customer.

➤ **5'S of Volvo**

These are the key components of establishing a visual workplace and focuses on have visual order, organization cleanliness and standardisation. These 5's plays a very important role and acts as a key component for the sustainability of the organization. This is followed in the organization in order to improve their profitability, efficiency, effectiveness, service and safety. The 5'S are:

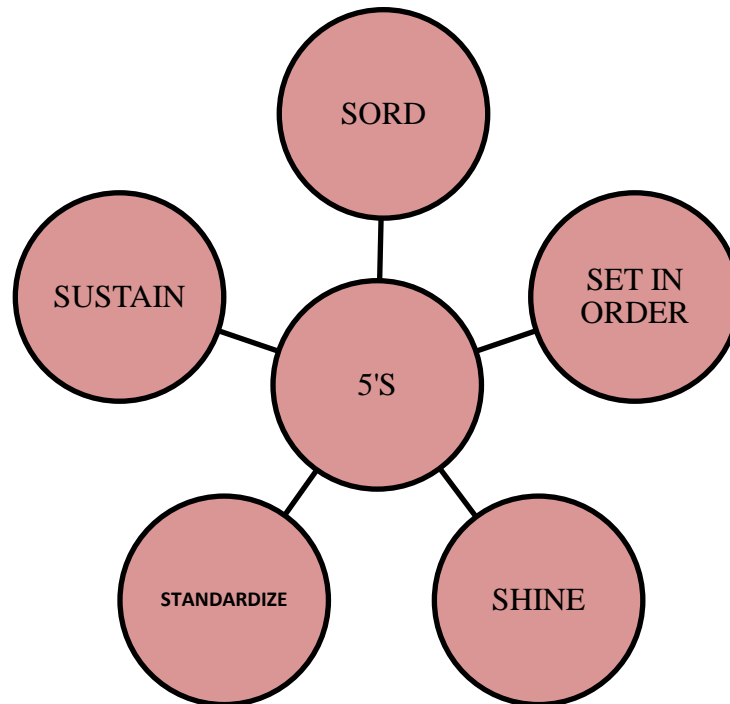


Chart no -1.3.2

➤ **Volvo Construction Equipment**

Volvo Construction Equipment is a part of Volvo groups and is a major international company that develops, manufactures, and markets equipment's for the construction and related industries. It manufactures certain products like excavators, paver, and compactors. It has its production facilities in Sweden, USA, Brazil, France, Germany, Poland, India, China, Russia, Korea, etc. Volvo Construction Equipment has two teams manufacturing and consumables team and has different departments like Purchase department, Production department, HR department, Research and development department, Finance department and Taxation department.



Volvo construction equipment was founded by Johan Theofron Munktel and the brothers Jean Bolinder and Carl Gerhard Bolinder. It was started in the year 1832 in Eskilstuna, which is the oldest industrial company in the world which is still active in the construction equipment.

Volvo Construction Equipment Pvt Ltd is a subsidiary of Volvo AB, Sweden. Volvo has invested around 90 crores INR for plant expansion and excavator project. The facility at peenya, Bangalore manufactures road machinery to cater primarily to Indian market and also for exports. To meet the demands of construction industry, a new excavator assembly line was added to the plant in September 2011.

The plant was started its operations in the year 1978 to satisfy the needs of mining industry and road construction sector. Out of 204 permanent employees there are 144 white collars and 60 blue collars work in the facility. Their core values are safety quality and Environment.

➤ **Global Scenario:**

The world demand is expected to grow for the construction industry for about 3.91% in 2019. The reason for these demand is government investment in development projects like oil prices, public private partnership, industrial residential growth and global economic growth. The construction equipment for road machinery have a huge demand in market in order to carter the requirements of the customer.

1.3.1 - PROMOTERS

1. Assar Gabrielsson

Assar Gabrielsson is one of the promoters of Volvo Group. He was born in the year 13th August 1891. He is also co- founder of Volvo and a Swedish industrialist. He pursued his bachelor degree in economics. He worked as a sales manager in Gothenburg with a bearing manufacturer SKF and he is also employed as sales manager in sales department by Bjorn Prytz and was also appointed as a sales manager in SKF company group.

From 1956-1962, he was a chairman of board AB Volvo. Later he left his position as a sales manager for SKF and was appointed has a president and a managing director for new Volvo AB on Jan 1st 1927. He held his position has a managing director for AB Volvo until 1956 when he became the chairman of Volvo Group.

His contribution towards Volvo Group is enormous. Once after becoming the chairman and managing director Volvo Group had a huge success where the company started earning more profits. The policies, procedures, strategies and techniques adopted by him worked out well. The production of each product like trucks, car increased due to demand in the market has it had an innovative feature.

2. Gustaf Larson

Gustaf Larson is one of the Swedish automobile engineer and a promoter of Volvo. He pursued his master of science in mechanical engineering and was born in the year 8th July 1887.

His main plan was to establish the manufacturing of new Swedish automobile. He was appointed has a president and technical manager on 1927 and left his employment in AB Galco.

Some 10 prototype cars were never sold except one which was sold to Volvos photographer and later donated to Volvo Industrial Museum. Later those unsold cars used as a transaction vehicle within a manufacturing plant.

His contribution is enormous especially in the field of cars and trucks. The modern styled car named PV444 with a completely new design and innovative featured car was introduced which became a huge success after the production of cars increased due to its brand name.

He was mainly responsible for technical design of 1st Volvo modern OV4 which was introduced in the year 1927. He and Assar Gabrielsson founded Volvo and he was appointed as a Vice president and as a technical manager for AB Volvo in Gothenburg.

He worked for Volvo until his death in the year 1968.

3. Martin Lundsted

He is a Swedish Businessman and a president and has been a president in CEO of Volvo Group. He pursued his MSc in the university of Gothenburg. He was well-versed in the field of production and sales and had 25 years of experience in the field of production and sales within the heavy automobile industry.

1.3.2 - VISION, MISSION AND QUALITY POLICY

➤ **Vision**

To be the most desired and successful transport solution provider in the world.

➤ **Mission**

Driving prosperity through transport solutions.

➤ **Quality Policy**

Volvo Group concentrates on satisfying the customers by providing the best quality products and services. The company's quality policy focuses on certain aspects as stated below:

1. Customer focus

The company focuses on satisfying the customer's needs, demands and wants by providing good quality products and services. It's aims is to reach the expectation of the customer by providing the products as they demand.

2. Commitment and participation by everyone.

The employees in the organization are dedicated towards their work and are committed towards the objective of the organization.

3. Process approach and continuous improvement

Customer needs, wants and desires may also lead the company towards the continuous improvement process by satisfying their needs by providing them the products and services as they desire.

1.3.3 - PRODUCT PROFILE

Volvo Construction Equipment is a manufacturing-based industry as they are the manufacturers, suppliers and traders of pavers, compactors and excavators. It involves fabrication line, assembly line, parts paint shop and touch up paint shop.

In Volvo Construction Equipment there totally 8 model line which are being manufactured in Peenya, Bangalore. They are:

PRODUCT LINE	SUB PRODUCT NAME	MODEL NAME
COMPACTORS	Soil compactors	SD110
	Asphalt compactors	DD90B
	Pneumatic compactors	PT220
PAVERS	ABG Wheel paver	P4370B
	ABG tracked Pavers	P5320B
EXCAVATORS	Excavators	EC210D
	Crawler excavators	EC300

Table no- 1.3.3.1

The other construction equipment's are:

PRODUCT LINE	MODEL NAME
Wheel loaders	L350F
	L180H
Volvo dumper	A60H
	A45G

Table no- 1.3.3.2

1. COMPACTOR

It is a machine or mechanism used to reduce the size of material. In compactors there are 3 types; the plate, jumping jack and road roller. In Volvo they mainly concentrate on road construction equipment. The features of compactors are:

1. It provides consistent reliability with accuracy.
2. It is flexible in nature to adapt for varying conditions in roadways.
3. It is used in small projects as well as highways
4. It is eco-friendly and a safe product to use.
5. It is versatile in nature.
6. It has a wide range of settings.

There are different types of compactors manufactured in Volvo Construction Equipment and each of these compactors has its own significance in its own area. The different types of compactor are:

➤ Soil compactor

The soil compactor in Volvo delivers all the compaction needs and it helps to tackle the demanding jobs. These machines have good quality and are more reliable and safe. These compactors are versatile in their nature. It is used to compact varying soils and aggregates its application in highways, water retention structures and site preparation.



➤ Asphalt compactor

Asphalt compactors have superior drum widths and have a faster rolling speeds and high performance. It provides wide range of options to maximize the productivity.



➤ Pneumatic compactor

Volvo PT220 compactor is pneumatic tyre roller that delivers ideal smoothness for asphalt compactors. It has a double drum compaction machine to provide smoothness. These compactors have long operation life.



2. PAVERS

It is equipment which is used to lay asphalt, concrete, cobblestone, bricks, tiles, etc.

It lays asphalt flat and provides minor compaction before the roller. It has powerful paving machines for rigorous job sites. It is equipped with high performance feature to reduce the maintenance, lowers the operating costs and increases the productivity.

The features of paver are:

1. These machines are designed with global technology.
2. It reduces the maintenance cost, lowers the operating cost and promotes the productivity.
3. It provides consistent reliability with accuracy.
4. It has a unique operation panel.

There are different types of pavers manufactured in Volvo Construction Equipment and each of these paver has its own significance in its own area. The different type of compactors are:

➤ **ABG Wheel paver**

These machines are ideal for medium and large scale projects. It maximizes the productivity by reducing maintenance and operating costs.



➤ **ABG tracked Pavers**

Volvo offers advanced wheel pavers. These pavers deliver superior productivity, excellent quality and reliability



3. EXCAVATORS:

These machines are used for lifting, digging, demolition and mining purpose. The feature of excavators is:

1. It is versatile in its nature.
2. It is also used for material handling and for forestry work.
3. It provides consistent reliability with accuracy.

It has two models namely:

➤ Excavators



➤ Crawler excavators



➤ **OTHER EQUIPMENTS:**

➤ **Wheel Loaders**

Volvo also manufactures equipment for loaders which are used for block handling and material handling to civil and building construction, recycling, waste handling and agriculture. Wheel loaders helps to allow the operation to work in confidence and focuses on productivity as it includes safe and comfortable Volvo cabs. These machines are well suitable for digging, moving of material and loading of materials.

The features of wheel loaders are:

1. Low sound level
2. It is flexible in nature to adapt for varying conditions in roadways.
3. It has low emission engine.
4. It provides high performance with high productivity.



➤ **Volvo Dumper**

These are used for mining, digging, material handling purposes in today's scenario. It is hauling a heavy profit. These machines are used for dumping of goods.



➤ **Volvo Parts**

1. Maintenance parts

It is very important for the company to keep the machinery in a good condition by periodically maintaining the machinery. Volvo offers a wide range of maintenance parts like:

- **Filters**

The Volvo genuine filters have pure productivity so that it increases the smoothness of machinery intern it increases the productivity. These filters clean the fluids and air from dirt.

- **Volvo care kits**

It includes those necessary parts and tools which are required for repair, maintenance and services of machinery. For example: nuts, screws, Greece, etc.

- **Volvo lubricants**

These are the lubricants(oil) which protects the machinery from wear and tear. These are developed to support the performance of machine by deducting the fuel and oil consumption and increases the individual component life.

- **Volvo Genuine battery.**

These have enough power to meet the demands of customers with the truly demanding situation and condition. These batteries have the service life of 20% more than other batteries. It recharges rapidly and is safe to handle.

2. Genuine Volvo repair parts

Volvo offers remanufactured components and exchange services and has a right repair parts and solution for the machine.

3. Volvo Wear parts

These are the parts that are tested to see that they meet the highest expectation. To keep the machinery in good condition certain parts are offered by Volvo in order to run the machinery smoothly.

Volvo wear parts consists of:

- **Tooth system**
Volvo offers certain patented teeth's and adopters. They are easy to fit and have ability to withstand a high stress level.
- **Genuine Volvo undercarriage parts**
Volvo undercarriage parts are developed to ensure high standard quality and performance.
- **Volvo rubber pad-on**
These rubber bolts are usually used for trucked excavators in order to increase its versatility and durability.

➤ **Volvo services**

Volvo offers wide range of service to meet the demands and to satisfy the customers need and demand. The services offered by them are:

1. **Uptime Services**

The company provides the services on time with related to oil analysis, care inspection and engine protection.

2. **Safety Services**

These are the services that reduces the rate of risk that is accidente.

3. **Fuel efficiency Services**

These are the services that are done to improve the working condition of the machine by deducing the overall fuel consumption and CO2, fuel efficiency is conducted.

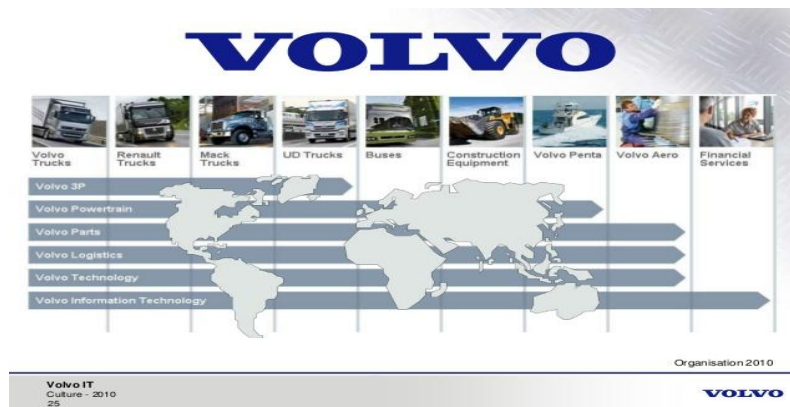
4. **Financial services**

Where a customer can own a machine through loan or lease a machine.

5. **Productivity Services**

These are the services that are done to ensure the efficiency and effectiveness of business.

1.3.4 - AREAS OF OPERATION



Volvo Group includes manufacturing of all products including logistics, assembly and remanufacturing and also in the development of industrial footprint. Volvo Group has its global presence and its one of the world's leading manufacturers of trucks, buses, construction equipment and industrial engines. The also provide complete solutions for financing and services.

In Volvo Group there are approximately 95,000 employees all over in Asia (16500), North America (14200), South America (4800), and Africa & Oceania (2400). Volvo has its production plant in around 18 countries and they market and sell their products in 190 markets.

1.3.5 – INFRASTRUCTURE FACILITIES

The infrastructure of the company plays a very important role to carry on the operations smoothly and effectively. Volvo Group has a good infrastructure facility which includes canteen facility, parking area, cafeteria, etc.

Volvo Construction Equipment facilitates good infrastructure. The company treats the employees as a real asset of the company and provides certain facilities like canteen facility, refreshment area, parking area, workshop area, road area where the products manufactured are tested here before suppling to the customers.

The company also facilitates certain cab facility to their employees. Employees are provided with a well-equipped cabin. Company has seminar hall, board rooms and are also provided with certain facility that are required to perform works effectively like lights, AC facilities, etc. The company also provides purified water facility and cafeteria.

Volvo Construction Equipment has different shop areas like Touch-up paints shop (TUP), Parts paints shop (PPS), Excavators assembly and fabrication area, Compactor assemble and fabrication area and Pavers assembly and fabrication area. Each of these products are manufactured separately in their shop areas.

In order to bridge the gap between the theoretical concept (in academic learnings) and practical exposure of industrial needs, Volvo Group gas come up with “RASTA” centre to provide training for Resource centre for Asphalt and Soil Training Academy.

Other infrastructure and facilities provided by the company are:

- Research and Development

The company’s product is innovative in its nature. They manufacture the products with the latest technological upgradation.

- Productive Facilities

The company facilitates production across the world in around 19 countries

- Distributive Facilities

There are certain dealers who link the gap between company and the customer. They facilitate the distribution of products to the customers.

1.4 - COMPETITORS’ INFORMATION

The major competitors for the Volvo Group are:

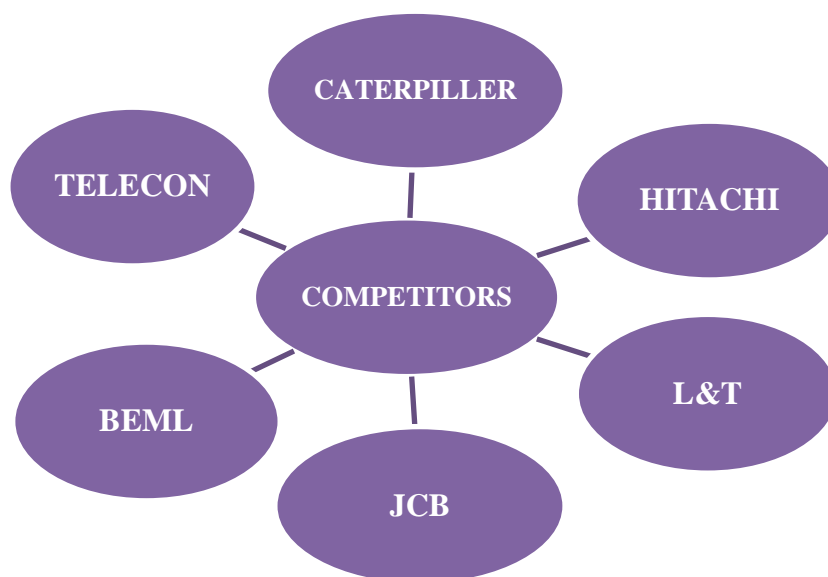


Chart no -1.4.1

➤ **Caterpillar**

It is an American Corporation which manufactures the construction equipment's. It was founded in the year 15th April 1925 (92 year ago) in California, US. They provide services in terms of financing, insurance, maintenance and training. The company manufactures certain products like bulldozers, excavators, wheel loaders, trucks and diesel engines. They are the largest manufactures of the Wheel Loaders. The products of Caterpillar companies are used in construction, mining, forestry, transportation, road building and material handling.

The machinery of the company is distributed through an organization of dealer's network. The company supports customers with related to certain segments:

1. Energy and Transportation segment which are related to power generation, marine, oil and gas, rail and industrial application.
2. Construction industry segment - Company provides a support to the customer by using a machinery infrastructure, forestry and building construction.
3. Resource Industry Segment – This segment supports the customer in the field of mining, quarry, waste and material handling application.
4. Financial Product Segment – The company provides certain services financially through its financial product segment.

➤ **Hitachi**

It is one of the construction machinery manufacturing company. It is an India based joint venture between Tata Motors and HCM. It manufactures certain electronic products, industrial machinery, telecommunication, equipment's, power plants, information system, automotive components, materials, defence technology and construction equipment's. It also provides consulting and financial services. This company was founded in the year 1961. It has more than half of the market shares in Excavator segments. It is one of the leading manufacturer, suppliers and traders of construction equipment's.

➤ **L&T**

L&T started its operation in the year 1975 in Bangalore. It was formed in the year 1998 with a joint venture of L&T and Komatsu Asian Pacific Limited. L&T Komatsu is now changed as L&T construction equipment limited. It is wholly owned subsidiary of Larson and Toubro ltd.

It is one of the leading players of construction manufacturing equipment. It has highly proactive sales network. The products of L&T have meet the high standards of safety, reliability and productivity. This company has introduced the various models of excavators into the Indian market.

➤ **JCB**

JCB India Limited is the world's largest construction equipment manufacturer. J.C Bamford Excavators Limited named as JCB is an English multinational company which was founded in the year 1945. This company manufactures certain equipment's for construction, agriculture, waste handling and demolition. It manufactures around 300 types of machine including diesel engines, truck, excavators and diggers.

It has 18 factories in UK, Germany, North and South America, Australia, India and China. The JCB company is creating an employment and entrepreneurship among the youths by opening 15 operating training centres in India. JCB manufactures trucked excavators, wheel loaders, compaction equipment's and fabrication for the group. The products are exported to more than 85 countries about the world.

➤ **BEML**

Bharat Earth Mover Limited is an Indian Public Sector undertaking with its headquarters in Bangalore. It manufactures certain heavy equipment, transportation, mining and earth moving. It was founded in the year 1964. It manufactures certain products relating to earth moving, equipment's, underground mining equipment, railways equipment's, high power diesel engines and heavy duty hydraulic aggregates. It is the Asia's second; largest manufacturers. It also consists of 70% of India's market share in its sector.

➤ **TELECON**

TELECON Construction Equipment company Limited is a leading manufacturer, supplier and traders of construction equipment. It is a subsidiary of Tata Motors which holds 60% of the shares and Hitachi holding balance 40%. The company was started in the year 1996. In the year1984 it collaborated with HCM for the manufacturing of construction equipment's.

1.5 - SWOT ANALYSIS

SWOT analysis is the analysis that is done in order to understand the company's strength, weakness, opportunities and threat. Strength and weakness are internal to the organization where has opportunities and threats are external to the organization which completely depends on external factors.

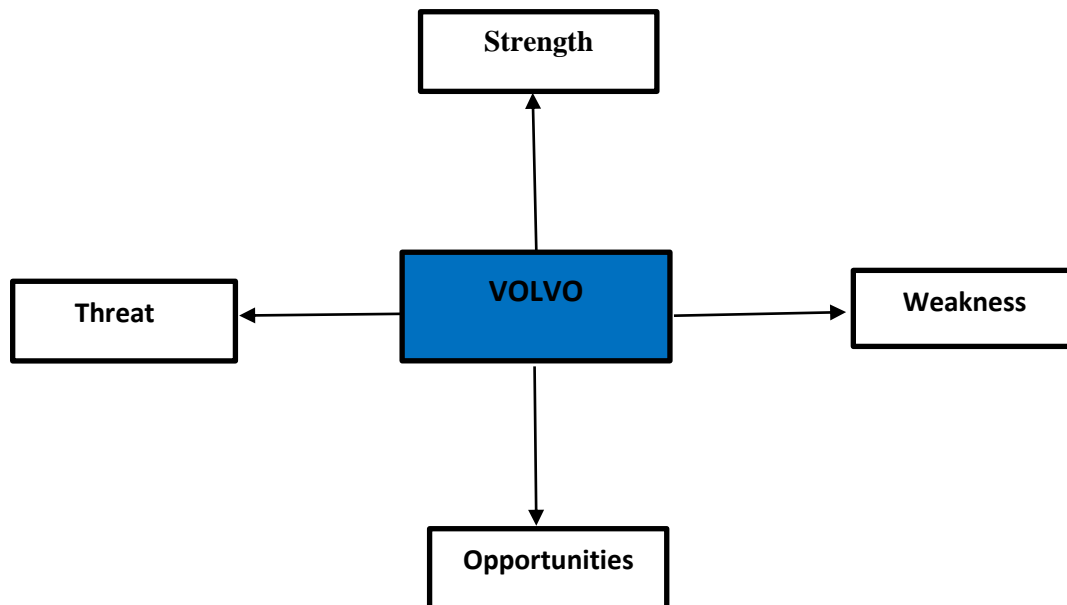


Chart no -1.5.1

➤ Strength

1. The products of Volvo have a good position in the market in turn increases the demand for the product.
2. It is easily adaptable for changes and hence it is flexible in nature.
3. The company product used are eco-friendly and has high safety standards.
4. The products of Volvo are versatile in its nature as the products developed by them are unique and innovative.
5. Company provides quality servicing for the better satisfaction of the customers.
6. Products offered by Volvo are innovative as they are developed with the latest technology.

- Weakness
 1. The advertisement given related to the company's product are low so it may not reach to more audience(customer).
 2. Based on the demands of the customer manufacturing of the product is done and hence it involves less marketing.
 3. Cost of the product is high when compared to the other competitors so middle and low income group may not be affordable to buy.
- Opportunity
 1. It provides a great opportunity for the market expansion which in turn leads to the growth of the company.
 2. It provides an opportunity to increase the per-capita income and purchasing power.
- Threat
 1. Competition from the similar kind of industry definitely effects the operation.
 2. Frequent environmental changes may affect the business operation.
 3. If the exchange rates fluctuate then the risk of threat arises.
 4. If there is a sudden change in the government policies, then kit may lead to market risk.

1.6 - FUTURE GROWTH AND PROSPECTS

1. In almost next 7-10 years' company is looking for compound annual growth rate (CAGR) 10-15% and the company says that it is the rate at which industry will grow effectively and comfortably.
2. Volvo Group is about to bring full electric bus in future for which they are concentrating at present.
3. The company is aiming tom achieve more targets than the expected ones.
4. The company's aim is to be a leader of the market in terms of quality of products, fuel efficiency and safety.

1.7 - FINANCIAL STATEMENT

1.7.1 - Analysis of current ratio

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liability}}$$

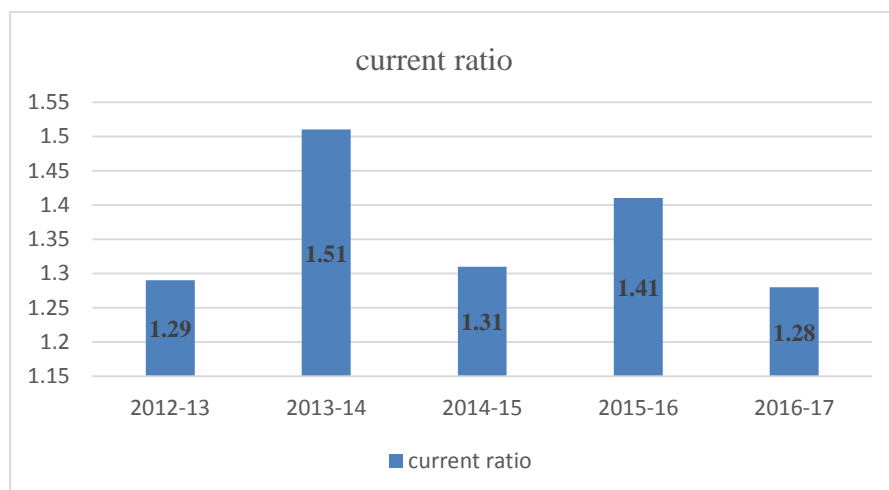
Table no – 1.7.1

Table showing the percentage analysis of current ratio in “SEK currency”

YEAR	2012-13	2013-14	2014-15	2015-16	2016-17
Current asset	1,81,217	2,05,594	2,03,478	2,18,615	2,13,455
Current liability	1,40,316	1,36,393	1,55,860	1,55,202	1,67,317
Current ratio	1.29	1.51	1.31	1.41	1.28

Analysis- The above table states that the current ratio is increasing in first two years and in the year 2014-15 it is decreasing later it has increased and has come down in the year 2016-17.

Graph no : 1.7.1 - Graph representing the analysis of current ratio



Interpretation: From the above graph it indicates that percentage of current ratio fluctuates year by year which depicts that the position of liquidity assets is satisfactory.

1.7.2 - Analysis of asset turnover ratio

$$\text{Asset turnover ratio} = \frac{\text{Sales}}{\text{Total assets}}$$

Table no – 1.7.2

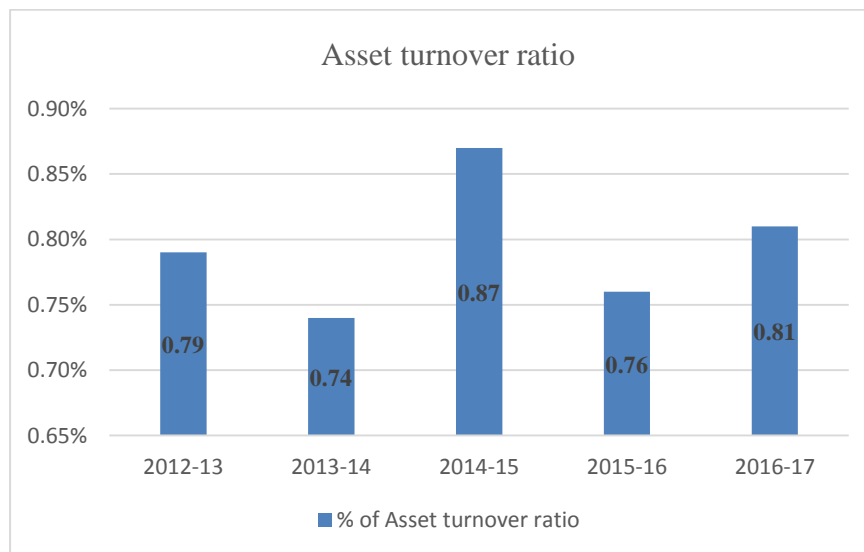
Table showing the percentage analysis of asset turnover ratio in “SEK” currency

YEAR	2012-13	2013-14	2014-15	2015-16	2016-17
Sales	2,72,622	2,82,948	3,12,515	3,01,914	3,34,948
Total Asset	3,44,829	3,82,896	3,74,165	3,98,916	4,12,494
Asset Turnover Ratio	0.79%	0.74%	0.87%	0.76%	0.81%

Analysis: From the above it indicates that the asset turnover ratio is increasing year by year from 2012-13 and has decreased in the year 2015-16. Later in the year 2016-17 it has increased.

Graph no -1.7.2

Graph representing the analysis of asset turnover ratio



Interpretation: From the above graph it depicts that the asset turnover ratio of the firm is satisfactory which depicts the efficiency and effectiveness of the firm.

1.7.3 - Analysis of net profit ratio

$$\text{Net profit ratio} = \frac{\text{Net sales}}{\text{Net profit}}$$

Table no- 1.7.3

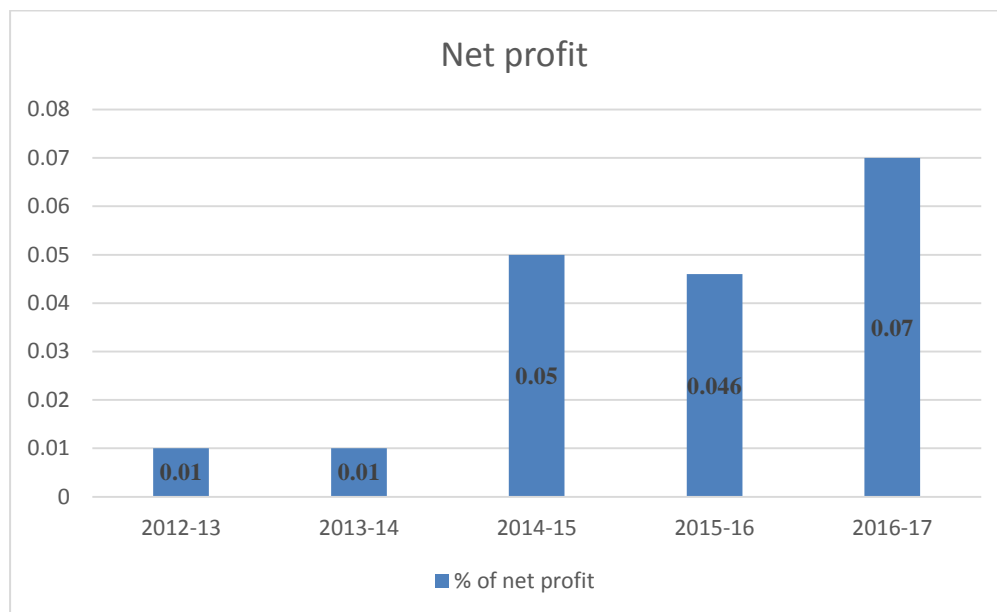
Table representing the percentage analysis of net profit ratio in “SEK Currency”

YEARS	2012-13	2013-14	2014-15	2015-16	2016-17
Net Sales	3,802	2,235	15,099	13,223	21,283
Net Profit	3,34,782	3,01,914	3,12,515	2,82,948	2,72,622
Net Profit Ratio	0.01%	0.01%	0.05%	0.046%	0.07%

Analysis: From the above table the percentage of net profit is increasing year by year from 2012-13 to 2016-17.

Graph no – 1.7.3

Graph representing percentage analysis of net profit ratio



Interpretation: From the above graph we can interpret that the net profit is increasing year by year which depicts that the position of firm and its efficiency and effectiveness is increasing.

1.7.4 - Analysis of current asset turnover ratio

$$\text{Current Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Current asset}}$$

Table no- 1.7.4

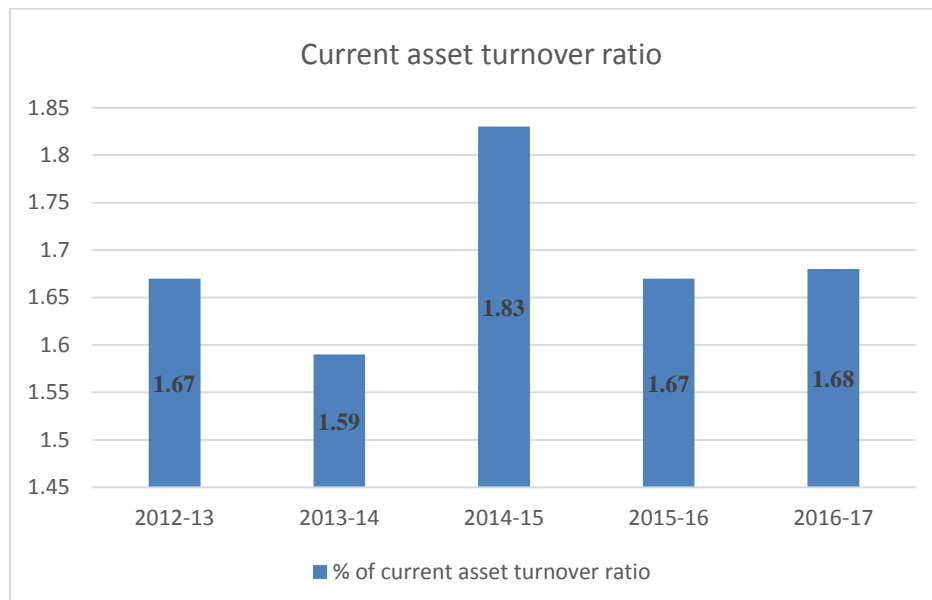
Table representing the percentage of current asset turnover ratio in “SEK currency”.

YEARS	2012-13	2013-14	2014-15	2015-16	2016-17
Net Sales	2,72,622	2,82,948	3,12,515	3,01,914	3,34,748
Current Asset	1,63,612	1,77,302	1,70,687	1,80,301	1,99,039
Current Asset Turnover ratio	1.67%	1.59%	1.83%	1.67%	1.68%

Analysis – From the above it states that the current asset turnover ratio from 2012-13 to 20116-17 has fluctuations seen.

Graph no -1.7.4

Graph representing the percentage analysis of current asset turnover ratio



Interpretation: From the above graph it depicts that the percentage of current asset turnover ratio fluctuates a lots which states that less assets are turned off.

CHAPTER 2:

CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

2.1- Conceptual Background of study:

➤ **Introduction**

It is very important for the organization to maintain its resources effectively and efficiently so that the goals and objectives of the organization can be achieved. This implies that the organization should reach its objectives and goals by minimizing the cost and maximizing the profit.

Budget is a future plan which states about the estimated expenses and incomes which the company may earn. It places a very important aspect for the organization to know its targets to be achieved in the mere future. This helps the organization to overcome the competitors and to meet the demands and expectation of the customers.

In order to make the estimated plan more effective it is very important for the organization to have a proper planning, organizing, staffing, directing, co-ordinating and controlling of the resources in the organization. Therefore, the budgeting procedure places a very important role to evaluate activities and helps the company to see whether the company is running in a good track as planned.

➤ **Budget**

Budget is a future plan which states about the estimated expenses and incomes which the company may earn for a specified period of time. It is expressed in a quantitative form which states about the estimated action by the company.

➤ **Characteristics of Budget**

1. It is an estimated future plan of action.
2. It acts as a blueprint to the organization to achieve its desired objective.
3. It is expressed in a quantitative form.
4. It helps in comparison of actual results with that of the standards.
5. It is prepared for future specified period of time.

➤ **Types of Budget**

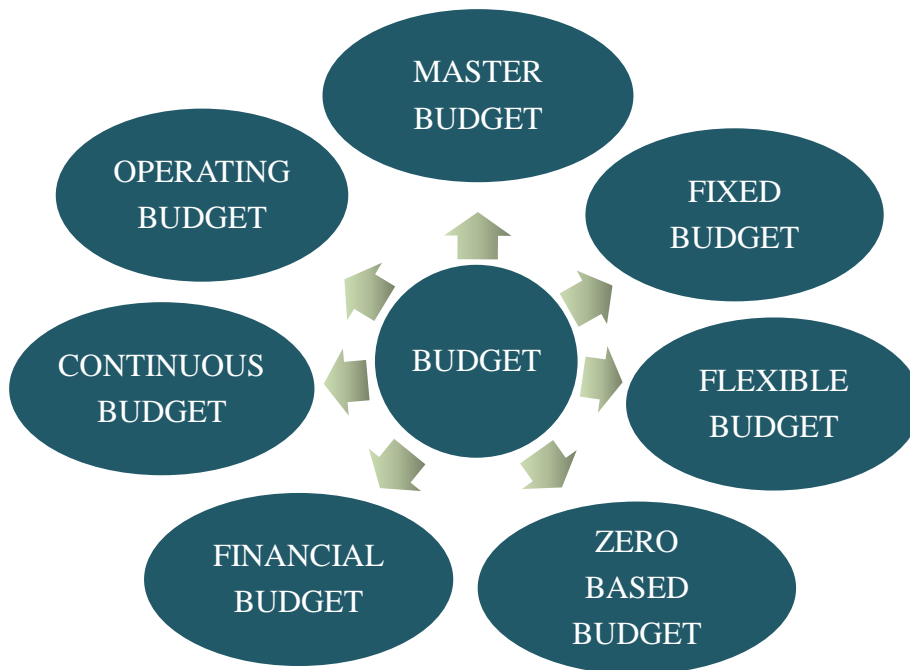


Chart no -2.1.1

1. Master Budget

It is a type one of the type of budget which includes the sum total of company's budget. It includes operating expenses, sales, other incomes, etc.

2. Fixed Budget

It is one of the type of budget which remains fixed that is it does not change when sales and some other activity increases or decreases.

3. Flexible Budget

It is also known as variable budget. It is a kind of budget which varies depending on volume of activity. It depends on market conditions and production capacity.

4. Zero based Budget

It is one of the type of budget where the budget is prepared without using the prior year's budget. Zero based budgeting starts from Zero base where all the expenses are justified for each new period.

5. Financial Budget

These are the assets including balance sheet which depicts the effect on asset, liabilities and equities.

6. Continuous Budget

It is one of the type of budget where the periodical preparation of budget is done. Here the budgets are prepared more than twice in a year.

7. Operating Budget

It is a budget prepared relating to the functional activity of a business. It plans about the number of resources and the total value of its which is required to perform the business operations.

➤ **Budgeting**

Budgeting basically states that how the company achieves its goals and objectives by establishing an estimated plan. That entire process of preparing budget is said as budgeting.

➤ **Budgetary Control**

Budgetary control acts as a control tool for the purpose of planning and controlling the cost. Budgetary control is an end result obtained. He actuals incomes and expenses are compared with that of the standard which helps the company to know whether the plan and policies adopted by them are suitable and are being followed by the employees of the organization. It plays a very important role in order to achieve the desired targets or goals of the organization.

➤ **Features of Budgetary control**

1. Planning and controlling acts as two important tools in budgetary control in order to achieve the goals of an organization.
2. Actual results are compared with that of the standards which helps the company to see whether the plans are followed properly.
3. It increases the efficiency and effectiveness of organization by controlling the cost.
4. It helps the company to achieve the desired targets/goals.

➤ Objectives of Budgetary control

1. Determines policies

It determines set of policies to be achieved in order to meet the desired objectives and goals of an organization within a specified period of time. It acts as a blueprint to the organization to achieve its desired objective based on which the further process is done. Policies should be determined by keeping those objectives that the company need to achieve.

2. Co-ordination

It co-ordinates the activities to various department which helps in achieving the goals and implementation of policies are done successfully. When there is a better co-ordination it increases the effectiveness of the organization.

3. Increases efficiency

Budgetary control acts as a control tool for planning and co-ordinating the cost. It increases the efficiency and effectiveness of the organization by controlling the cost and by co-ordinating it among the various departments in the organization. This in turn increases the smoothness of the work in the organization.

4. Takes corrective measures

In case of any discrepancies found, the corrective measures can be taken at a proper time so that the desired targets planned can be achieved by the organization within a specified period of time.

5. Communication

It communicates the required results to be achieved by the company by controlling the cost and by increasing the profitability.

5. Planning and controlling

It is one of the important objectives of Budgetary control. It states about the detail estimated plan for the purpose of planning and controlling the cost. Therefore, it acts as a blueprint to the organization to achieve the desired result.

6. Performance assessment

As the estimated plan is already established, it helps the managers to assess the performance of the employees based on the target fixed to them. This helps to know whether the employees have achieved their targets.

➤ **Advantages of Budgetary control**

1. It helps to achieve the required results as it is estimated before.
2. It reduces controlling cost and increases profitability.
3. It helps to solve discrepancies by taking corrective actions to achieve the goals.
4. Budgetary control is an action of plan. This helps to have a smooth running of the business operation.
5. It co-ordinates among various departments which intern increases the efficiency and effectiveness of business operations.
6. Actual results are compared with that of the standards which helps the company to see whether the plans are followed properly.
7. It helps in determination of policies in order to achieve the desired objectives of an organization.

➤ **Disadvantages of Budgetary control**

1. Preparation of budget is difficult at the time of inflation.
2. As the future is uncertain, the circumstances may change. This upsets budget estimated.
3. It is an expensive technique which requires qualified personnel's. Therefore, a small business concern may find difficult.

➤ **Other Concepts**

1. Sales Budget

It is an estimated future plan of action which states about the estimated number of sales unit and its sales cost per unit. It is a component of master budget which deals with the sales aspects.

2. Labour Budget

This budget states about the estimated number of labours required and the estimated number of labours required and also states about the estimated labour cost which are required to undertake the production activity.

3. Cash Budget

Cash budget is a type of budget which states about the cash inflows and outflows that the company may incurs for a specified period of time. It is an estimated plan of cash inflows and outflows.

4. Purchase Budget

This budget states about the detail future plan for the procurement of raw materials which are required to undertake the production. It estimates the cost of purchase and the number of quantity required for the production activity.

5. Production Budget

Production Budget is one of the component of budget which states about the estimated number of units to be produced as per the plan.

6. Capital Expenditure Budget

It is a budget which states the capital expenditure like purchase of land, building, etc. for a specified period.

➤ **Essentials of Budgetary Control**

For the better implementation of Budgetary Control, there are certain steps which are required to be followed by the organization. They are:

1. Organization for Budgetary Control

The proper organization plays an important role for the purpose of planning, organizing, maintaining and preparation of budgets. Each department has a head and Chief executive will be in-charge of overall activity of budgetary control.

2. Budget centres

It may be a department, section or any other part of organization where the budgets are prepared. It is a place where cost control takes place in the organization.

3. Budget manual

A budget manual is a document which contains the description of duties and responsibilities of each member in the organization.

4. Budget officers

Chief executive will be charge of overall activity of budgetary control in the organization and it is he who appoints the Budget officer. He can make the necessary changes in case if the circumstances demand. He acts as a monitor and co-ordinator of different department.

5. Budget Committee

The heads of each department are made has a member of the budget committee and are responsible for the preparation and execution of budget.

6. Budget period

Budget period states about the time taken for the preparation of budget. It depends on certain factors like type of budget, nature of industry and product, etc.

7. Determination of key factor

The budgets are prepared for each functional areas of operation and the budgets of each functional area are linked with one another. If the supply of raw material is limited then the sales, production budget is dependent on raw material budget. Hence the proper co-ordination places a very important role.

2.2 - LITERATURE REVIEW

1. **Welch, Hilton, Gordon (1998)** states that budgeting process is a planning and controlling process which not only recognizes two important budgetary function but also describes the process of budgeting briefly than it is stated.
2. **Blocher and Lawson (2013)** states about the long-term necessities that the students of accounting should possess to have success in entry level and states that budget also help to allocate, utilizes the resources, co-ordinates and controls the activity and acts as a base for the assessments of performance.
3. **Herath S.K and Indriani M.W(2007)** explains Budgetary control system as a management control system that helps to create the competitiveness among the company. It plays a very important role in management control system for the growth of the company.
4. **Charles (1997)** describes budget as a future plan of action expressed in a quantitative form. These plans are implemented and co-ordinated to carry out various functions like planning, performance evaluation, etc. to reach the objectives of the organization.
5. **D. Acquah, S. Kwaku, O.S Princeyantakyi (2016)**, a study was conducted where four hospitals were taken into consideration for study. For undertaking the research 60 workers at various hospitals were taken as a sample population to know how performance impact budget based on it they found out that poor budget leads to poor performance and an effective budget leads to effective performance in the organization.
6. **Hudson, MC Elroy, Susan L, Paul E. Keck, Harrison G. pope and James I (1992)**, the process of deciding the estimated plan for future related to the treatment of bipolar disorder based on the information provided which help to have an optimal utilization of available resources and helps to maintain effectiveness and efficiency in the organization.

7. **Griffin, R.W Welsh and Moorhead G (1981)**, states budgeting as converting the objectives of the business into an estimated plan for future which considers multidimensional factors if taken into consideration it provides good judgement, identifies manager's responsibility and states how to implement it in-order to increase the efficiency and effectiveness, and helps to achieve objectives.
8. **Lucey BM, Larkin C and Gurdgiev.C(2014)**, describes the budget as a quantitative statement plan of the organization for the various department in the organization which includes sales, production, and other items like incomes, expenses, etc.
9. **Modetola odeleye (1991)**, Budgetary control is a control tool that takes a corrective measure if required and links the gap between the actual results and budgeted results.
10. **Reynols (2015)**, states that budget act as an effective tool in today's competitive environment and helps to know the estimated profits of future.
11. **Panday (2008)**, defines budget as a future estimated plan for a short period of time that helps the manager in achieving the targets in order to meet the objectives of the organization.
12. **Horngren C.T (2004)**, an estimated future plan stated in a quantitative form and directs, co-ordinate and takes necessary actions to implement its.
13. **Conlon, Thomas (2004)**, states that budgets are the estimated future plan. The challenge associated with estimated future plan will be more successful only when it is accurate.
14. **Neely A, Bourne M, Adams C (2003)**, states that to have an effectiveness in budget the strategies of the business should be proper for the purpose of performance management.

15. **Egan & Wong K.S (1993)**, states that the importance of budgetary control is to forecast the future. Without proper planning and controlling it definitely affects the budgetary system in the organization.
16. **Swink, Morgan & Micheal (1995)**, Budget is the best financial planning and controlling tool to know about the resources and is a good manufacturing strategy. As the actual result is different from the estimated ones, it gives an idea to the manger when to evaluate the plan and to take corrective measures if required.
17. **Churchill and Harper (1984)**, states about planning, directing, controlling co-ordinating and decision making. These features act as a base for budgeting and plays a very important role to put the plan of budget into action.
18. **Kaplan and Norton (1992)**, Budgeting and budgetary control increases the efficiency and effectiveness of the business operations by fixing the targets and by allocating the resources to the various department based on the target fixed.
19. **Emmanuel, Otley, and Merchant (1990)**, states that the process of budgeting and budgetary control moves around the estimated budgets/ performance and the actual performance. This takes place through proper planning and controlling.
20. **Eichorn (2000)**, states about the method of approaches which a company may choose based on the desires of the management. Top-down approach states that the top-level management prepares the budget and passes on to operational level for implementation. Bottom up approach where budget is prepared by operational level and then moved toward top level. Top down/ bottom up approach which is the combination of both the approaches.

CHAPTER 3:

RESEARCH DESIGN

3.1 STATEMENT OF PROBLEM

Budgets are prepared to analyse the variance of actual expenses with the budgetary expenses. This is one of the tool used to have cost control. In this regard, the company in order to minimize certain cost there is a requirement for calculation of certain cost variance like office and administration cost, selling and distribution cost and also the variance of profit. This helps the company to frame proper policy regarding to cost control which helps the organization to achieve its objectives.

3.2 NEED OF STUDY

1. To forecast future by preparing the future estimated plan of incomes and expenditure and to set the targets within which it has to be achieved.
2. To plan and control the cost related to how the cost can be reduced by proper planning and controlling the cost in order to increase the profitability.
3. To find out the loopholes and to take corrective measures related to Budgetary control.
4. To have a practical exposure about the Budgetary control system in Volvo and gain working experience.
5. To have a working exposure with a company work culture.
6. To know about the policies, procedure and techniques that the companies follow to achieve its target.

3.3 - OBJECTIVE

1. To study the budgeting concepts and to know the budgeting control methods and practices.
2. To study the theoretical aspects of budget and budgetary control.
3. To compare the actual results with that of estimated (budgeted) results which helps to know whether the policies and plans are followed correctly.

4. To examine the policy objectives and its benefits towards budgetary control.
5. To study the theoretical aspect of budget and budgetary control.
6. To have a detailed analysis of different budget centres and the responsibility of each of it.
7. To have a detailed study related to the essentials of Budgetary control related to Budget committee, budget centres, budget period, budget officers, etc.

3.4 - SCOPE OF STUDY

1. To have a detailed study and to analyse the budgetary control system at Volvo CE with reference to their objectives and goals was unable due to shortage of time and study was limited only for Volvo construction Equipment.
2. Data was collected mainly from secondary sources through Volvo journals, statistical records, magazines, etc.

3.5 - RESEARCH METHODOLOGY

➤ RESEARCH DESIGN

Sample Design:

The study is concerned with financial characteristics of Volvo Construction Equipment. The period of study is for 4 years from 2012-2013 to 2015-2016.

❖ Data Collection:

The data can be collected by primary and secondary sources.

- **Primary data**

It is collected through personal interview with the manager and officers & taking their perception with regard to topic of the study.

- **Secondary data**

It is collected from the past financial records of the company, i.e. balance sheets, profit & loss account, annual reports of the company and other financial statements. And also, from journals, newspapers, magazines, publication and websites are referred to obtain information.

3.6 - HYPOTHESIS

Ho: Budgets are effective means of planning organizational activity.

H1: Budgets are not effective means of planning organizational activity.

3.7 - LIMITATION

1. Use of resources by the company may be restricted due to the budget factor.
2. Frequent changes may be done due to the changes in the industrial climate.
3. Preparation of budget is difficult at the time of inflation.
4. The analysis of study is limited for a specified period of time and is limited up to the information and date provided by the company.

3.8 – CHAPTER SCHEME

➤ **Chapter 1 – Introduction**

This chapter gives the details about the industry and company profile, competitors information, SWOT analysis, Future growth and prospects and Financial statements. The company profile includes promoters detail, Vision, mission and quality policy, product details, infrastructure and areas of operations.

➤ **Chapter 2 – Conceptual background and literature review**

This chapter describes about theoretical background of study and literature review.

➤ **Chapter 3 – Research Design**

This chapter includes statement of problem, Needs, objectives, scope of study, Research methodology, Hypothesis, Limitations of study and chapter scheme.

➤ **Chapter 4 – Data Analysis and Interpretation**

This chapter states about the data analysis and interpretation and is represented in the form of graphs.

➤ **Chapter 5 – Summary of Findings, Suggestions and Conclusion**

Summary of findings, suggestions and conclusions are covered under this chapter.

CHAPTER 4:

DATA ANALYSIS AND INTERPRETATION

4.1 – Administrative Expenses

Administrative expenses are the expenses that are not directly related to the production of goods and services. These are the expenses that are related to the general administration of the business operations.

Table – 4.1.1

Table showing the variance of budgeted administrative expenses (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	7126	5862	1264	17.7%
2013-14	6829	5408	1421	20.8%
2014-15	7246	5769	1477	20.38%
2015-16	6780	5121	1659	24.46%
2016-17	7500	5642	1858	24.77%

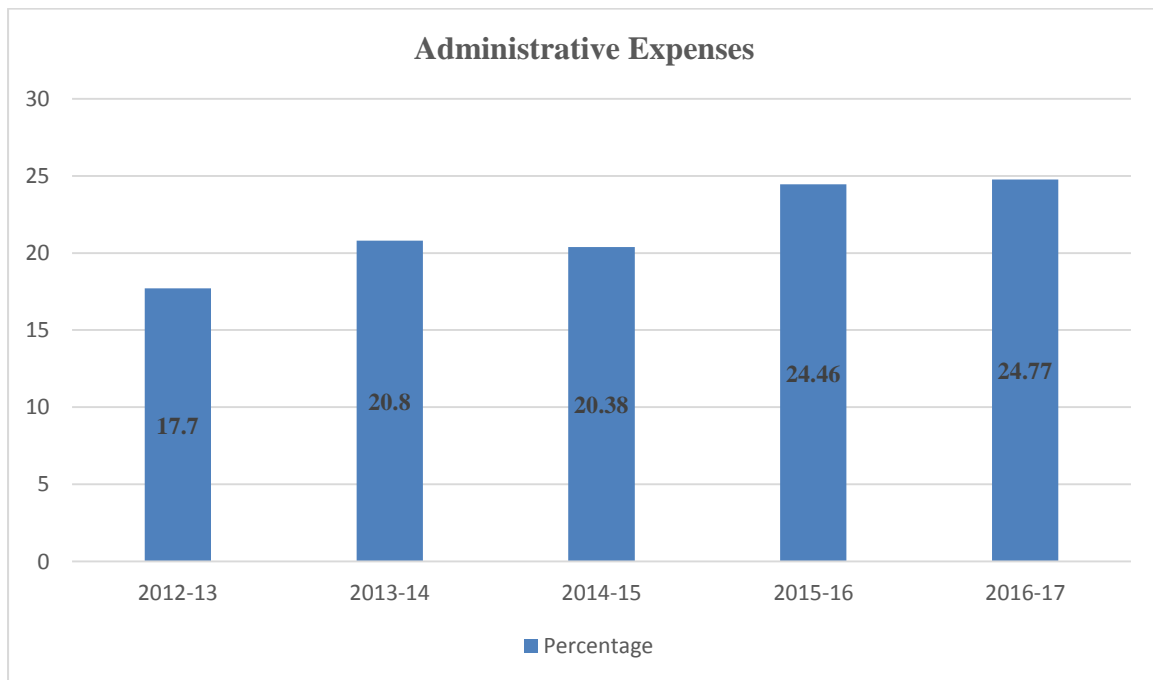
Analysis:

The above table states about the variance in budgeted administrative expenses expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted administrative expenses are

- 17.7% in the year 2012-13,
- 20.8% in the year 2013-14
- 20.38% in the year 2014-15
- 24.46% in the year 2015-16
- 24.77% in the year 2016-17

Graph 4.1.1

Graphs showing the percentage of variance in budgeted administrative expenses.



Interpretation:

From the above graph it states that the variance in budgeted administrative expenses is increasing due to the cost of expenses which are related to the general administration of the business operations is more.

4.2 – Operating incomes

Operating incomes are the incomes or earnings before interest and tax (EBIT). It does not include any profit earned from firm's investment. It is also known as operating profits.

Table no: 4.1.2

Table showing the variance of budgeted operating incomes ("SEK" currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	8240	7138	1102	13.3%
2013-14	7290	5824	1466	20.11%
2014-15	27212	23321	3891	14.29%
2015-16	24200	20826	3374	13.9%
2016-17	34000	30327	3673	10.8%

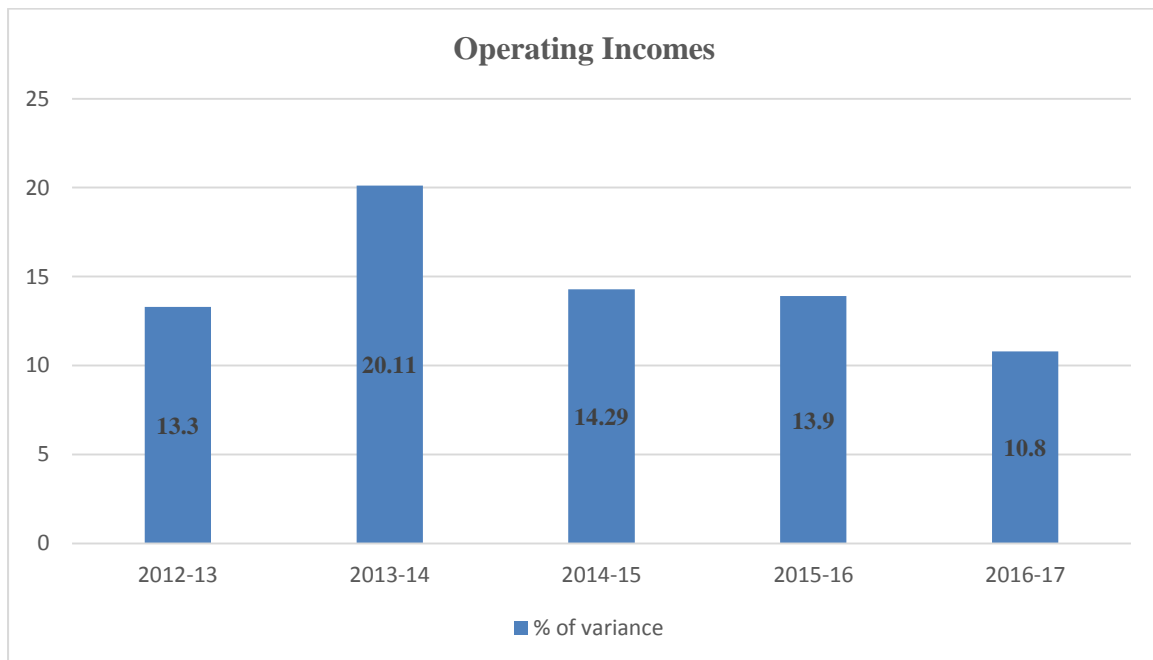
Analysis:

The above table states about the variance in budgeted operating incomes expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted operating incomes are:

- 13.3% in the year 2012-13
- 20.11% in the year 2013-14
- 14.29% in the year 2014-15
- 13.9% in the year 2015-16
- 10.8% in the year 2016-17

Graph 4.1.2

Graphs showing the percentage of variance in budgeted operating incomes.



Interpretation:

From the above chart it can be interpreted that that companies operating profit/ income is going down from year to year. This may be due to more expenses met by the company or it may be due to decrease in sales because of which the operating incomes has come down in the year 2016-17.

4.3 – Depreciations

Depreciation means decrease in the value of asset over a period of time. It is one of the way to collect the funds in order to replace the old asset with that of new ones. The asset value might reduce due to the wear and tear of machinery.

Table no: 4.1.3

Table showing the variance of budgeted depreciation (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	10400	9452	948	9.11%
2013-14	11200	9174	2029	18.12%
2014-15	14826	13453	1373	9.26%
2015-16	15200	13333	1867	12.28%
2016-17	11821	9358	2436	20.61%

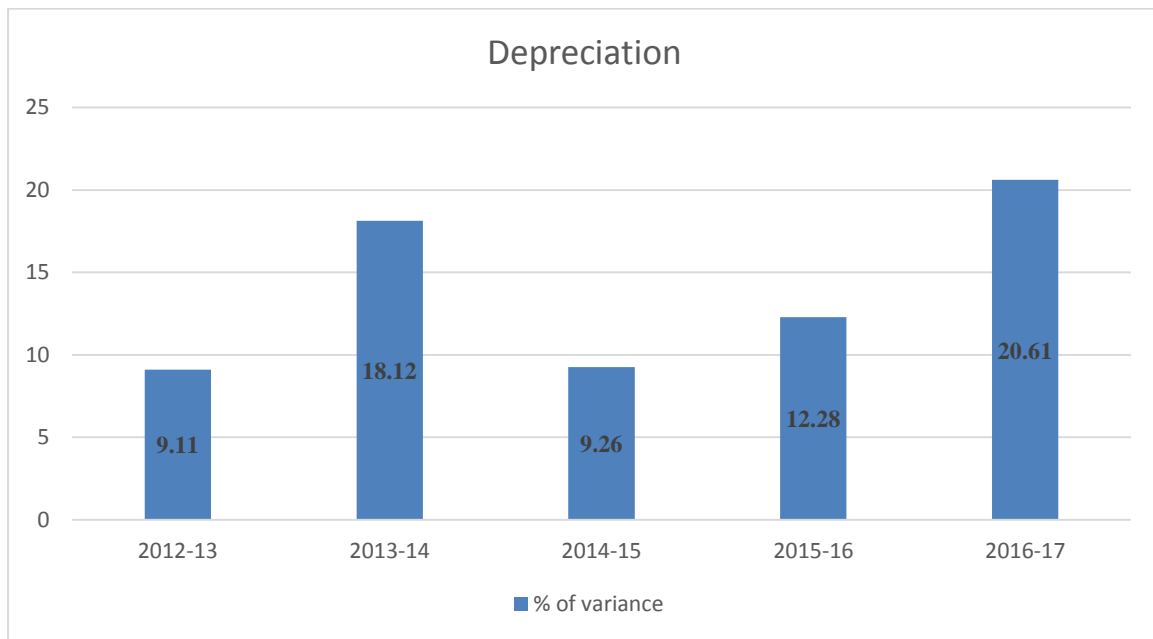
Analysis:

The above table states about the variance in budgeted depreciation expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted depreciation are:

- 9.11% in the year 2012-13
- 18.12% in the year 2013-14
- 9.26% in the year 2014-15
- 12.28% in the year 2015-16
- 20.61% in the year 2016-17

Graph 4.1.3

Graphs showing the percentage of variance in budgeted depreciation.



Interpretation:

From the above chart it indicates that depreciation has constantly increased in the year 2013-14 later for next two years it has come down and in the year 2016-17 it has constantly increased which may be due to decrease in the value of assets due to wear and tear of machinery.

4.4 – Inventories

Inventories refers to those tangible goods that are kept by the company with an intention of selling them to the customers. Inventories are nothing but stocks which is taken in current asset in balance sheet.

Table no: 4.1.4

Table showing the variance of budgeted inventories. (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	43500	41153	2347	5.39%
2013-14	48600	45533	3067	6.31%
2014-15	46242	44390	1852	4%
2015-16	52400	48287	4113	7.84%
2016-17	55621	52701	2920	5.25%

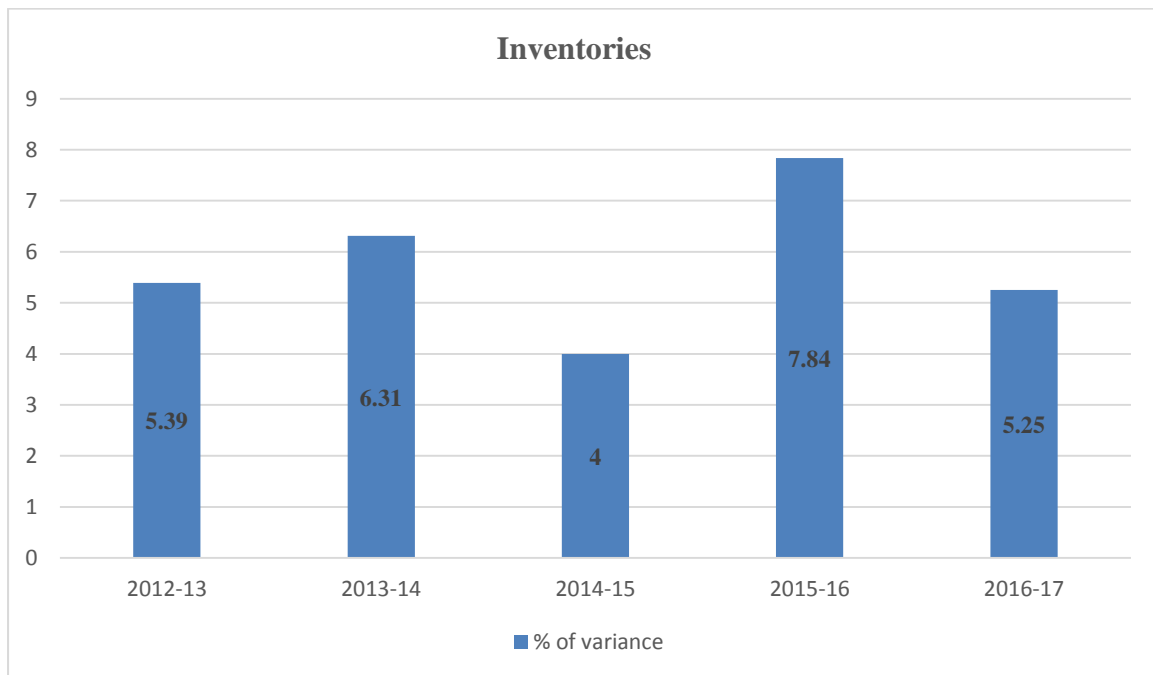
Analysis:

The above table states about the variance in budgeted inventories expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted inventories are:

- 5.39% in the year 2012-13
- 6.31% in the year 2013-14
- 4% in the year 2014-15
- 7.84% in the year 2015-16
- 5.25% in the year 2016-17

Graph 4.1.4

Graphs showing the percentage of variance in budgeted inventories.



Interpretation:

From this chart it can be interpreted that the percentage of variance in inventories is constantly changing year by year. When compared to 2012-13, in the year 2013-14 it has increased later in the year 2014-15 it has decreased and in the next year it has rapidly increased. In the year 2016-17 it has come down which may be due to the company's investments in inventory decreasing.

4.5 – Account Receivables

Account receivables are also known as bills receivables. These are the money which the company will receive for the goods and services rendered by them. Account receivables are treated as current asset.

Table no: 4.1.5

Table showing the variance of budgeted account receivables. (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	34250	29415	4835	14.12%
2013-14	35847	30895	4952	13.8%
2014-15	33521	29101	4420	13.19%
2015-16	36852	34419	2433	6.6%
2016-17	45258	40774	4484	10%

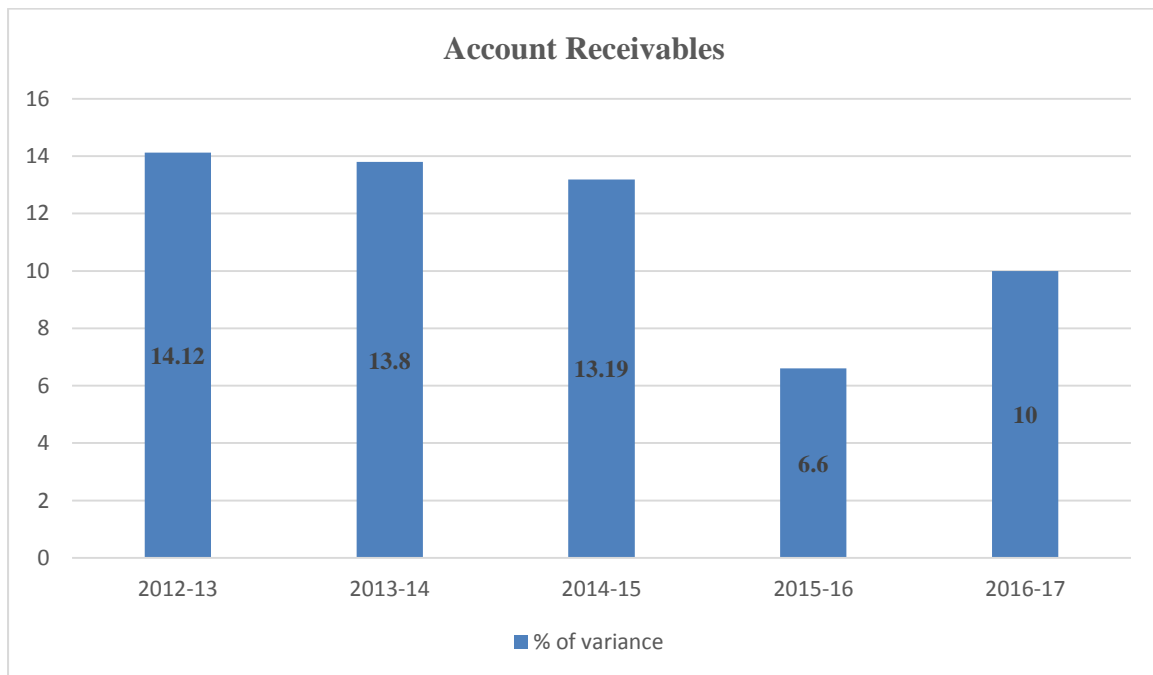
Analysis:

The above table states about the variance in budgeted account receivables expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted account receivables are:

- 14.12% in the year 2012-13
- 13.8% in the year 2013-14
- 13.19% in the year 2014-15
- 6.6% in the year 2015-16
- 10% in the year 2016-17

Graph 4.1.5

Graphs showing the percentage of variance in budgeted account receivables.



Interpretations:

From the chart it indicates that the percentage of variance in budgeted account receivables is more in first three years from 2012-2015 later in the year 2015-2016 it has come down and has constantly increased in the year 2016-2017 this states that the money which the company will receive for the goods and services rendered have increased in the year 2016-17.

4.6 – Selling Expenses

Selling expenses are those expenses that are spent on advertising the products in order to market the product to the customers. All those expenses that are connected with the sale of goods are termed as selling expenses.

Table no: 4.1.6

Table showing the variance in budgeted selling expenses (“SEK” currency).

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	32542	28506	4036	12.4%
2013-14	33582	27448	6134	18.26%
2014-15	33000	27694	5306	16%
2015-16	29456	26867	2589	8.7%
2016-17	31258	28582	2676	8.5%

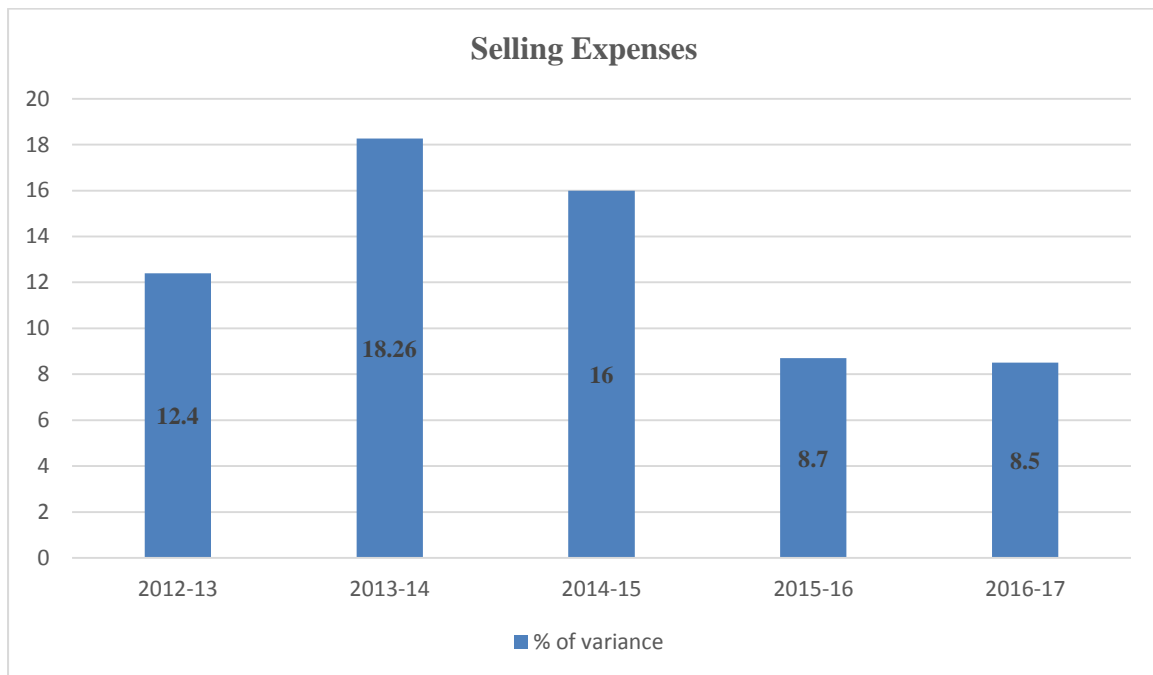
Analysis:

The above table states about the variance in budgeted selling expenses expressed in SEK currency from the year 2012-13 till 2016-17. The percentage of variance in budgeted selling expenses are:

- 12.4% in the year 2012-13
- 18.26% in the year 2013-14
- 16% in the year 2014-15
- 8.7% in the year 2015-16
- 8.5% in the year 2016-17

Graph 4.1.6

Graphs showing the percentage of variance in budgeted selling expenses.



Interpretation:

From the chart it indicates that the percentage of variance in budgeted selling expenses is coming down year by year which means that expenses that are spent on advertising the products in order to market the product to the customers is not much.

4.7 – Current asset

Current assets are those assets (includes prepaid expenses, inventories, account receivables, etc.) which can be easily converted into cash within a short period of time. It occurs in balance sheet asset side.

Table no – 4.1.7

Table showing the variance in budgeted current assets (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	184241	163612	20629	11.2%
2013-14	192482	177302	15180	7.89%
2014-15	166542	170687	-4145	-2.5%
2015-16	204802	180301	24501	11.9%
2016-17	225480	199039	26441	11.72%

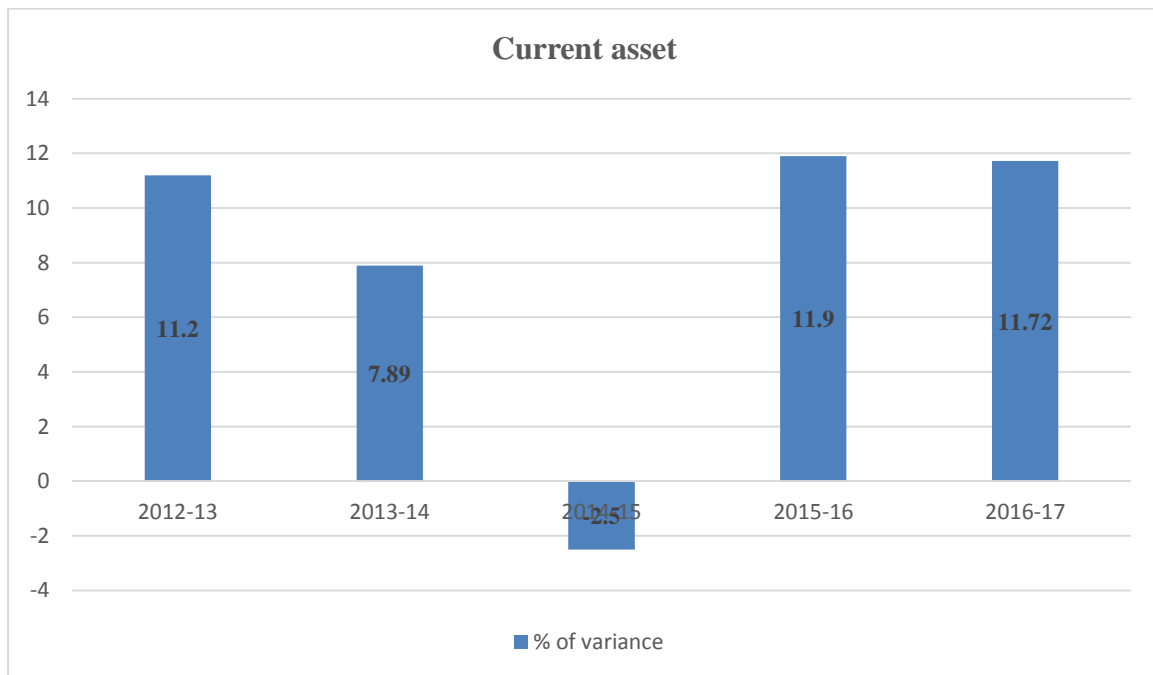
Analysis:

The above table states about the variance in budgeted current assets in SEK currency from the year 2012-13 to 2016-17. The percentage of variance in budgeted current assets are stated below:

- 11.2% in the year 2012-13
- 7.89% in the year 2013-14
- -5% in the year 2014-15
- 11.9% in the year 2015-16
- 11.72% in the year 2016-17

Graph 4.1.7

Graph showing the percentage of variance in budgeted current assets



Interpretation:

From the above chart it can be interpreted that in first two years the percentage of variance is coming down and in the year 2014-15 the budgets are less than the actuals. Later in the coming years the variance in budgeted current asset has increased. There is a lot of fluctuations seen which states that the company is required to maintain a good liquidity position where the assets can be easily converted into cash.

4.8 – Other financial incomes and expenses

Other financial incomes and expenses refer to those incomes and expenses that are not directly related to business operations

Table no – 4.1.8

Table showing the variance in budgeted other financial incomes and expenses (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	18	11	7	38%
2013-14	1102	931	171	15.5%
2014-15	1942	792	150	15.92%
2015-16	20	11	9	45%
2016-17	482	385	97	20.12%

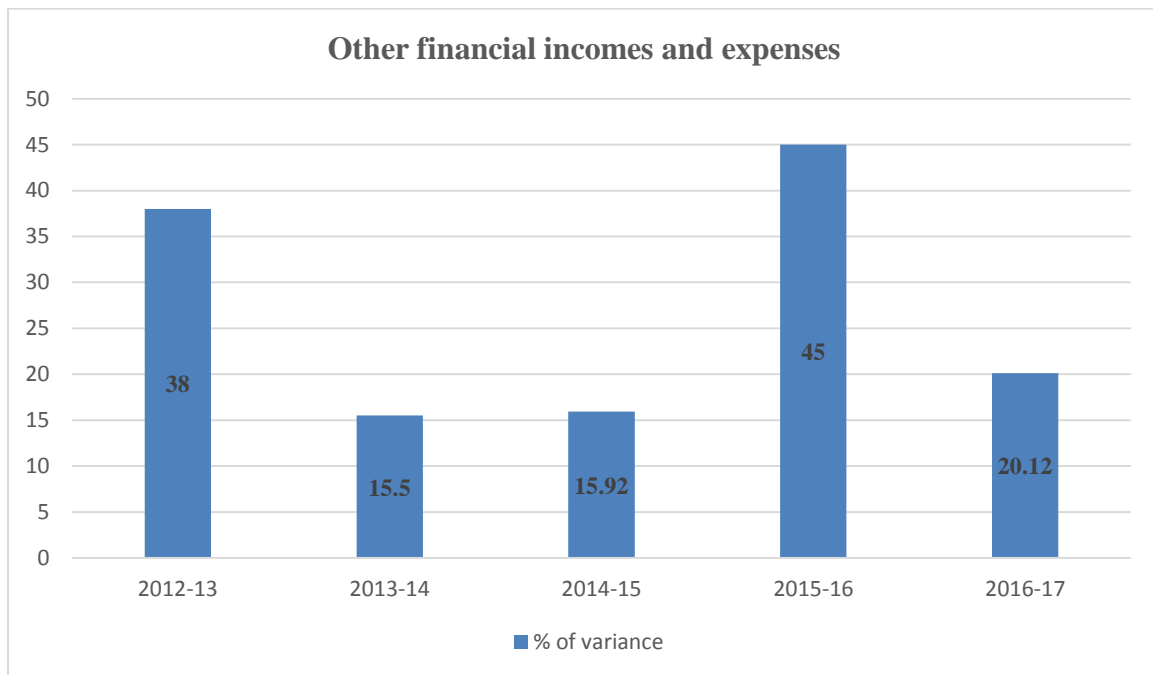
Analysis:

The above table states about the variance in budgeted other financial incomes and expenses in SEK currency from the year 2012-13 to 2016-17. The percentage of variance in budgeted other financial incomes and expenses are stated below:

- 38% in the year 2012-13
- 15.5% in the year 2013-14
- 15.92% in the year 2014-15
- 45% in the year 2015-16
- 20.12% in the year 2016-17

Graph no – 4.1.8

Graph showing the percentage of variance in budgeted other financial incomes and expenses



Interpretation:

From the above graph it can be interpreted that there is a fluctuation in the percentage of variance in budgeted other financial incomes and expenses which states that actuals of the other financial income and expenses that are not directly related to business operations are less than the budgets.

4.9 – Current Liability

The company is liable to pay its debt within a specified period of time hence it is called current liability. It occurs in the balance sheet liabilities side which includes creditors, bills payable, etc.

Table no – 4.1.9

Table showing the variance in budgeted current liability (“SEK” Currency)

YEARS	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	161141	140316	20825	12.9%
2013-14	152841	136393	16448	10.7%
2014-15	161112	155860	5252	3.25%
2015-16	179821	155202	24619	13.69%
2016-17	182412	167317	15095	8.27%

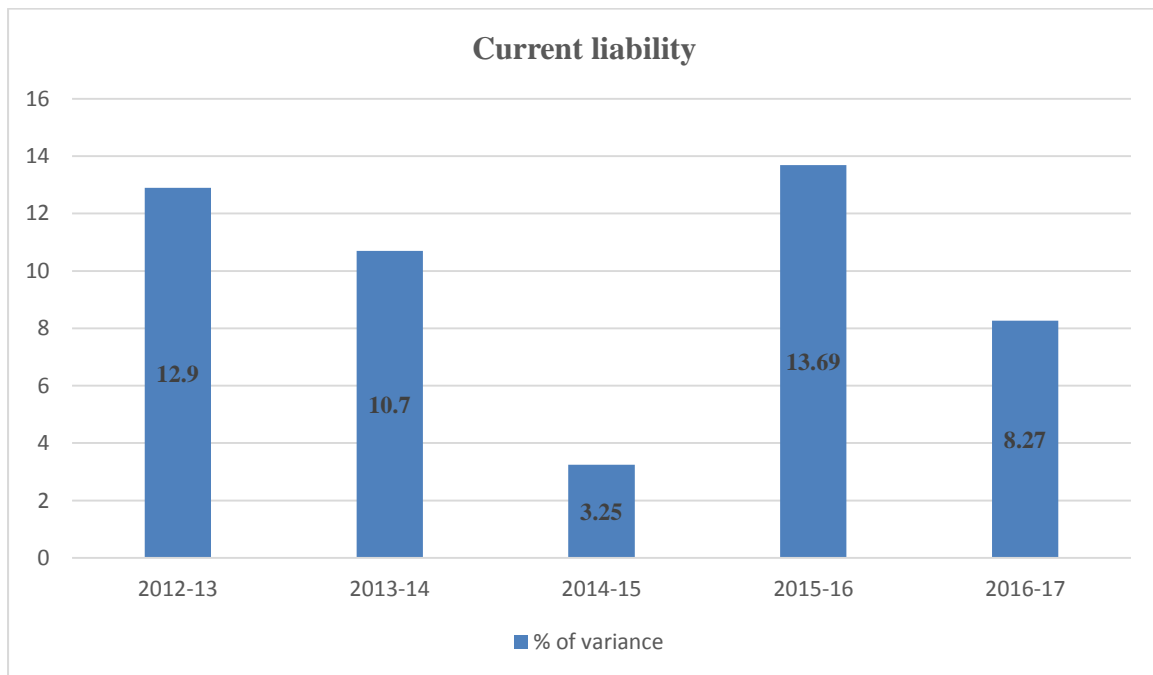
Analysis:

The above table states about the variance in budgeted current liability from the year 2012-2013 to 2016-17. The percentage of variance in budgeted current liability are as stated below:

- 12.9% in the year 2012-13
- 10.7% in the year 2013-14
- 3.25% in the year 2014-15
- 13.69% in the year 2015-16
- 8.27% in the year 2016-17

Graph no – 4.1.9

Graph showing the percentage of variance in budgeted current liability



Interpretations:

From the above graph it can be interpreted that the percentage of variance in budgeted current liability varies from one year to another which indicates that the budgeted are more than actual which is a good sign because the liability of the company towards the payment of debts is less than the budgets.

4.10 – Research and development expenses

Research and development expenses are those expenses that are incurred related to the research and development, at the process of developing a new product in the organization. The research and development for the product may be done by the employees of the organization or by the outside researchers.

Table – 4.1.10

Table showing the variance in budgeted research and development expenses (“SEK” currency)

YEAR	BUDGETED	ACTUALS	VARIANCE	PERCENTAGE
2012-13	17281	15124	2157	12.48%
2013-14	18477	16656	1821	9.8%
2014-15	18210	15368	2842	15.61%
2015-16	14000	14631	631	-4.5%
2016-17	19120	16098	3022	15.8%

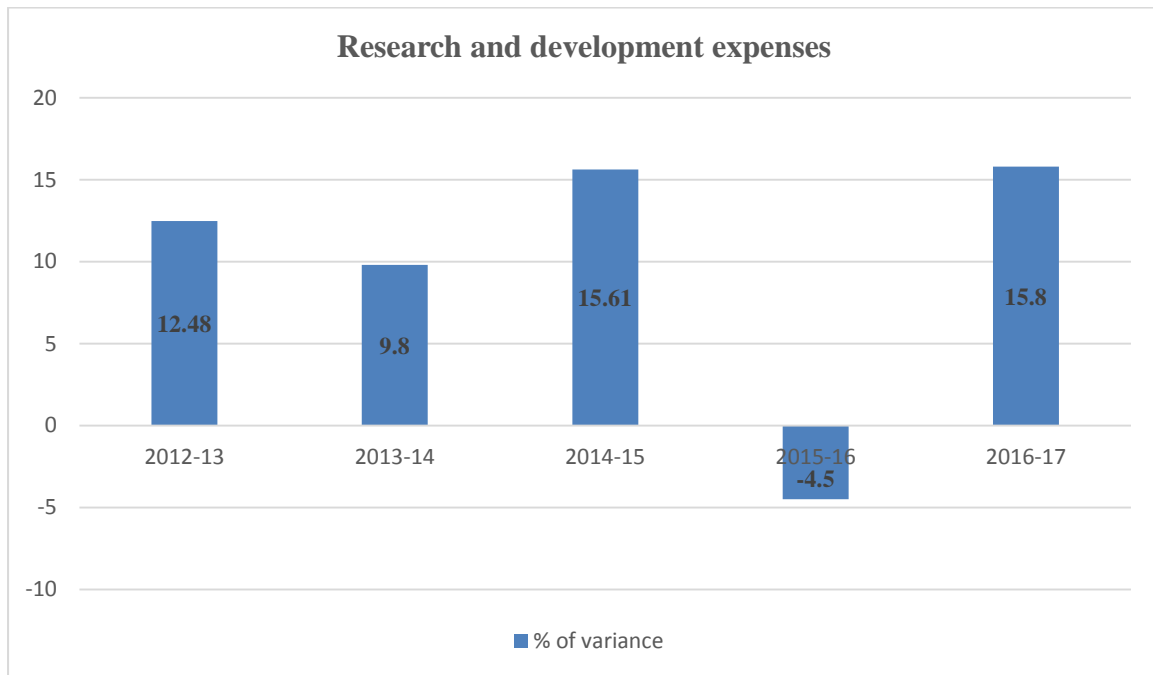
Analysis:

The above table states about the variance in budgeted research and development expenses in SEK currency from the year 2012-13 to 2016-17. The percentage of variance in budgeted research and development expenses are stated below:

- 12.48% in the year 2012-13
- 9.8% in the year 2013-14
- 15.61% in the year 2014-15
- -5.9% in the year 2015-16
- 15.8% in the year 2016-17

Graph no – 4.1.10

Graph showing the percentage of variance in budgeted research and development expenses



Interpretation:

From the above graph it can be interpreted that the percentage of variance in budgeted research and development expenses fluctuates year by year. In the first two years it is coming down, in the year 2014-15 actuals are more than budgets later it has increased. This shows that the actual expenditure met is less than the budgeted once which is a good sign for the business.

CHAPTER: 5

FINDINGS, CONCLUSIONS AND SUGGESTIONS

5.1 – Findings

- It is found that the company Volvo Group has a leading market position among its competitors and is increasing its income from year to year.
- The products of the company are versatile in its nature and are coming up with a new product in future which states about the demand of the product and about the acceptance of the company's products due to its quality features.
- In the year 2016-17, Volvo Groups has increased its sales and also its profitability when compared to the previous year especially in sale of trucks.
- In the year 2016-17, there was no risk involved in terms of number of accidents/ loss on fire etc. in Volvo construction equipment.
- After few years the Volvo Construction Equipment has an improvement in earnings in 2016-17 by reducing the cost which in-tern lead to increase in the profitability of the company.
- Volvo buses which is a part of Volvo Group had a record in sale of buses from years and has continued its record interns of sale which lead to increase in the efficiency and effectiveness of business.

5.2 – Conclusion

Every organization has its own objectives and goals to be achieved but reaching those objectives and goals by proper planning, controlling and co-ordinating makes it to be more effective. The company can only increase its efficiency, effectiveness and profit only if the execution of those plan are well planned and are delivered properly. This also implies that the company should reach its goals by minimizing the cost and by maximizing the profits.

In order to achieve the desired result and to fix the targets, Budget plays a very important role. Budgetary control act has a control tools helps the organization in terms of planning and controlling the cost which intern reduces the elimination of unnecessary cost and increases profitability. It also helps in fixing the target within which the work is to be done. Hence the budgetary control plays a very important role in the organization and acts as a framework for the company to achieve its desired result.

We can conclude that the Volvo Group has a good financial position in each of the segments as it has achieved the desired target fixed. At the time of comparison maximum of actuals expenses are less than the budgeted ones which states that the company is minimizing its cost by increasing its profitability.

5.3 - Suggestion

- A continuous comparison of actual performance with that of the budgeted performance.
- To have a proper planning and to take certain precautionary measures.
- Better formation of policy which helps to achieve the desired result in the organization.
- Periodical maintenance of machinery has to be done which may avoid certain percentage of breakdown machinery which intern increases the profitability.
- Better co-ordination among the employees among the various department.
- To take corrective measure if any discrepancies found.

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ANNEXURES

➤ Consolidated cash flow statements of Volvo Group in “SEK currency”

PARTICULARS	2017	2016	2015	2014	2013
Operating activities					
Operating incomes	30,327	20,826	23,321	5,823	7,138
Depreciation tangible asset	6,456	6,339	6,443	6,716	6,221
Amortization intangible asset	3,246	3,431	3,344	3,534	5,055
Depreciation leasing vehicle	7,167	6,994	7,020	5,680	6,146
Other non-cash items	1,400	(431)	(452)	6,141	2,416
Total change in working capital	(4,704)	(13,893)	(9,149)	(14,103)	(10,765)
1. Change in account receivables	(7,171)	(4,043)	514	1,213	(4,919)
2. Change in customer-financing receivables	(4,070)	1,062	(8,313)	(10,640)	(8,730)
3. Change in inventories	(7,537)	(1,568)	(2,324)	(1,622)	(3,263)
4. Change in trade payables	11,113	(2,923)	(1,098)	(799)	7,964
5. Other change in working capital	2,960	(6,420)	2,073	(2,255)	(1,817)
Interest and similar items received	274	346	375	317	364
Interest and similar items paid	(1,602)	(1,584)	(1,683)	(1,846)	(2,437)
Other financial items	(206)	(253)	(252)	(221)	(225)
Income taxes paid	(4,758)	(4,219)	(3,110)	(3,304)	(2,823)
Cash-flow from operating activities	37,599	17,559	25,858	8,737	11090
Investing activities					
Investments in tangible asset	(5,734)	(6,643)	(6,561)	(7,093)	(8,281)
Investment in intangible asset	(2,006)	(2,882)	(2,257)	(1,541)	(3,922)
Investment in leasing vehicle	(11,494)	(10,817)	(10,529)	(10,115)	(8,262)
Disposals of fixed assets and leasing vehicle	5,392	9,035	6,020	5,038	3,403

Operating cash flow	23,757	6,251	12,531	(4,973)	(5,972)
Investments and disinvestment of shares, net	2,182	224	(1,984)	69	(14)
Acquired and divested operations, net	928	1,425	408	7398	932
Interest bearing receivables including marketable securities	1,586	2,531	3,552	(4,808)	510
Cash flow after net investments	28,454	10,431	14,507	(2,314)	(4,544)
Financial activities					
Change in loans, net	(8,996)	(2,245)	(13,247)	6,686	12,955
Dividend to AB Volvo's shareholders	(6,603)	(6,093)	(6,090)	(6,084)	(6,084)
Dividend to minority shareholder	(13)	(206)	-	-	(162)
Other	(31)	(9)	14	(57)	56
Change in cash and cash equivalents excluding translation difference	12,811	1,878	(4,815)	(1,769)	2,221
Translation difference on cash and cash equivalents	(667)	1,023	(378)	1,044	(460)
Change in cash and its equivalents	12,144	2,901	(5,194)	(725)	1,761
Cash and cash equivalents, beginning of year	23,949	21,048	26,242	26,968	25,207
Cash and cash equivalents, end of year	36,092	23,949	21,048	26,242	26,968

➤ **Income Statement of Volvo Group in “SEK” currency.**

PARTICULARS	2017	2016	2015	2014	2013
Net sales	3,34,748	3,01,914	3,12,515	2,82,948	2,72,622
Cost of goods sold	(2,54,581)	(2,31,602)	(2,40,653)	(2,20,012)	(2,12,504)
Gross income	80,167	70,312	71,862	62,937	60,118
Research and development expenses	(16,098)	(14,631)	(15,368)	(16,656)	(15,124)
Selling expenses	(28,582)	(26,861)	(27,694)	(27,448)	(28,506)
Administrative expenses	(5,642)	(5,121)	(5,769)	(5,408)	(5,862)
Other operating income and expenses	(1,061)	(3,135)	(4,179)	(7,697)	(3,554)
Income from investments in joint venture and associated companies	1,407	156	(143)	46	96
Incomes/loss from other investments	135	112	4,609	50	(30)
Operating income	30,327	20,826	23,318	5,824	7,138
Interest income and similar credits	164	240	257	328	381
Interest expenses and similar charges	(1,852)	(1,847)	(2,366)	(1,994)	(2,810)
Other financial income and expenses	(385)	11	(792)	931	11
Income after financial items	28,254	19,230	20,418	5,089	4,721
Income taxes	(6,971)	(6,008)	(5,320)	(2,854)	(919)
Income for the period	21,283	13,223	15,099	2,235	3,802
Attributable to:					
Equity holders to the parent company	20,981	13,147	15,058	2,099	3,583

Minority interest	302	75	41	136	219
	21,283	13,223	15,099	2,235	3,802
Basic earnings per share, SEK	10.33	6.47	7.42	1.03	1.77
Diluted earnings per share, SEK	10.32	6.47	7.41	1.03	1.76
Other comprehensive incomes:					
Income for period	21,283	13,223	15,099	2,235	3,802
Items that will not be reclassified to income statement:					
Remeasurements of defined benefit pension plan	(827)	(304)	2,783	(2,833)	3,904
Items that may be reclassified subsequently to income statement:					
Exchange differences on translation of foreign operations	(2,546)	5,585	(2,481)	5,998	(1,634)
Share of OCI related to joint ventures and associated companies	25	(97)	24	198	(135)
Accumulated translation difference reversed to income	(56)	(48)	45	33	37
Available for sale investments	(10)	(57)	(3,837)	3,067	470
Change in cash flow hedge reserve	(20)	68	(32)	24	9

Other comprehensive income, net of income taxes	(3,434)	5,147	(3,498)	6,487	2,651
Total comprehensive income for the period	17,849	18,370	11,601	8,722	6,453
Attributable to:					
Equity holders of the parent company	17,601	18,249	11,527	8,334	6,196
Minority Interest	248	121	74	388	257
	17,849	18,370	11,601	8,722	6,453

➤ Balance sheet of Volvo Group in ‘SEK’ currency

Balance sheet – Equities and liabilities

PARTICULARS	2017	2016	2015	2014	2013
Equities and Liabilities					
Equity attributable to the equity holder of the parent company	1,07,069	96,061	83,810	78,325	76,032
Minority interest	1,941	1,703	1,801	1,723	1,333
Total equity	109,011	97,764	85,610	80,048	77,365
Non-current provision:					
1.Provision for post-employment benefits	14,476	14,669	13,673	16,683	12,322
2.Provision for deferred taxes	5,353	5,270	3,495	2,796	2,406
3.Other provisions	9,318	9,804	9,536	12,740	6,190
Total non-current provision	29,147	29,744	26,704	32,219	20,918
Non-current liability:					
1. Bond loans	48,962	60,653	47,776	68,877	46,585
2. Other loans	24,942	23,898	27,500	39,154	36,864
3.Internal funding	-	-	-	-	-
4.Other liabilities	22,309	20,322	16,538	13,732	11,477
Total non-current liabilities	96,213	104,873	91,814	1,21,763	94,926
Current provisions	10,806	11,333	14,176	12,473	11,304
Current liabilities:					
1.Loans	53,771	56,497	57,331	39,953	51,552
2.Internal funding	-	-	-	-	-
3.Non-interest-bearing liabilities held for sale	0	148	573	130	332
4. Interest bearing liabilities for sale	-	-	-	-	18
5.Trade payables	65,346	55,264	55,648	56,647	53,901
6.Tax liabilities	1,699	685	1,322	2,693	1,120

7.Other liabilities	46,501	42,608	40,986	36,970	33,939
Total current liabilities	1,67,317	1,55,202	1,55,860	1,36,393	1,40,316
Total equity and liabilities	4,12,494	3,98,916	3,74,165	3,82,896	3,44,829

➤ Balance sheet – Asset

PARTICULARS	2017	2016	2015	2014	2013
Asset					
Non-current asset					
Intangible asset	35,893	37,916	36,416	37,115	36,588
Tangible asset:					
1. Property, plant and equipment	53,317	55,841	53,335	54,915	51,906
2. Investment property	31	34	283	266	327
3.Asset under operating leases	37,166	34,693	32,531	31,218	25,672
Financial assets:					
1.Investments in joint ventures and associated companies	10,525	11,643	11,148	4,821	4,377
2.Other shares and participations	699	776	902	5,017	1,950
3. Non-current customer financing receivables	57,173	52,827	50,962	51,331	43,792
4. Prepaid pensions	252	79	34	15,831	13,166
5.Non-current interest-bearing receivables	2,335	1,258	1,150	126	22
6. Other non-current receivables	4,281	4,148	3,268	1,441	480
Deferred tax assets	11,782	14,399	13,450	3,531	2,937
Total non- current assets	2,13,455	2,18,615	2,03,478	2,05,594	1,81,217
Current assets:					
Inventories	52,701	48,287	44,390	45,533	41,153
Current receivables					

1. Customer financing receivables	52,205	52,994	51,621	47,836	40,069
2. Tax assets	1,567	1,359	2,161	3,414	1,749
3. Interest bearing receivables	1,166	1,135	1,788	1,113	909
4. Internal funding	-	-	-	-	-
5. Account receivable	40,774	34,419	29,101	30,895	29,415
6. Other receivables	14,305	16,410	13,920	14,669	12,654
Non-interest-bearing assets held for sale	51	525	3,314	288	8,102
Interest bearing asset held for sale	-	-	-	-	2
Marketable securities	178	1,223	3,344	7,312	2,591
Cash and cash equivalents	36,092	23,949	21,048	26,424	26,968
Total current assets	1,99,039	1,80,301	1,70,687	1,77,302	1,63,612
Total asset	4,12,494	3,98,916	3,74,165	3,82,896	3,44,829



ACHARYA INSTITUTE OF TECHNOLOGY
DEPARTMENT OF MBA

PROJECT WORK WEEKLY REPORT

Name of the Student : LAVANYA.D

Internal guide : MALLIKA.B.K

USN No : 1AZ16MBA31

Specialization : Finance & Human Resource

Title of the Project : A study on analysis of Budgetary Control System

Company Name : Volvo Construction Equipment

External Guide : Priya Prakash

Week	Work Undertaken	External Guide Signature	Internal Guide Signature
15-01-18 to 19-01-18	Introduction about Volvo company and its operations		
22-01-18 to 26-01-18	Learning about different products in Volvo		
29-01-18 to 02-02-18	Collecting information about the growth of the company		
05-02-18 to 09-02-18	Analysis of market position of the company		



12-02-18 to 16-02-18	Research Problem identification	<i>[Signature]</i>	<i>[Signature]</i>
19-02-20 to 23-02-18	Preparation of research instrument for data collection	<i>[Signature]</i>	<i>[Signature]</i>
26-02-18 to 02-03-18	Theoretical background of the study	<i>[Signature]</i>	<i>[Signature]</i>
05-03-18 to 09- 03-18	Data collection and analysis	<i>[Signature]</i>	<i>[Signature]</i>
12-03-18 to 16- 03-18	Interpretation of data gathered	<i>[Signature]</i>	<i>[Signature]</i>
19-03-18 to 26- 03-18	Final report presentation and submission	<i>[Signature]</i>	<i>[Signature]</i>

Company Seal



[Signature]
21/5/18

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