

A PERCEPTION STUDY ON BETTER BUDGETING SYSTEM

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ABSTRACT

This study inspects the usefulness of budgets, causes for budgetary slacks and the current budgeting process used in Malaysian companies. A thorough understanding of the budgeting system and budgeting approaches, namely the top-down and bottom-up, serves as a basis for the subsequent examination on its usefulness. Among the two divergent views on the usefulness of budgets, proponents of budgets contain numerous defects. The investigation is then extended to focus on the most significant defect, which is the manipulation of budget. Factors that cause budgetary slacks are identified. Primary data were collected through interviews with the budget preparers in four distinct industries, which are the packaging, delivery, insurance and media. Besides, since budget is an omnipresent management tool in all business environment, primary data were also gathered through distribution of questionnaires across various industries. Both one-sample test and frequency test in the SPSS software were employed to test the results of survey. There are three major findings in this research. First, defects in the current budgeting system are not significant. Hence this indicates that budget is still useful in Malaysia companies. Second, the intention for budgetary slacks creation is not encouraged due to strict management control in organization and ethical considerations. Lastly, most of the Malaysian companies are adopting a bottom-up approach in their budget preparation. These conclusions lead to the enhancement of confidence in using budget.