



Study on planning, controlling and budgeting in organized retail industry in Pondicherry

A B Balamurugan

Lecturer, Department of Commerce, Kirubalaya International Higher Secondary School, Puducherry, India

Abstract

The supermarket retail sector plays an important part in the Brazilian economy, especially in the state of Santa Catarina. As such, this work seeks to provide evidence on the budgeting practices adopted by supermarket companies of said state. In order to reach this objective, an empirical study was carried out by way of a survey, with a questionnaire sent to all of the supermarkets making up the ACATS (Catarinense Supermarket Association), generating an initial study population of 451 supermarkets. From this initial population, 19 supermarkets displaying a formal budget were selected. In seeking to provide a better base for discussion, descriptive statistics were applied to the results gathered. The findings show that the majority of the supermarkets in question carries out a budgeting process, with the Top-Down approach shown to be predominant among them. Additionally, the study shows the varied bases for budgeting, the characteristics of the stages of execution and control, as well as the respective goals of the same.

Keywords: planning, controlling, budgeting, organized retail industry

Introduction

The budget is one of the oldest systems of planning and control employed by companies. Along with this, it continues to be one of the fundamental instruments used extensively by organizations for operations management. The budget system is one the tools most frequently used by managers to control costs and improve performance.

The budget is an important planning, execution, and control instrument, with its primary function being the conversion of strategic objectives into operational goals and values, creating a guide for operations and managerial decision-making. Horngren, Foster and Datar (2000) ^[15] define budget as a quantitative expression of a plan of future managerial action over a determined period.

Despite being a widely used instrument in companies, it is also a frequent target for criticism. Some studies show that budgeting problems are related to the way in which they are implemented. As per Jones (2008a), these approaches pose differing solutions, but they also share many of the common concerns in corporate budgeting.

Some traditional budgeting processes –the corporate model among them- are considered incapable of meeting the demands of a competitive and rapidly changing environment. As such, they are criticized for obstructing the efficient allocation of resources and promoting dysfunctional behavior, based in shortsightedness, while also allowing for gamesmanship. Regardless, the budget is still considered an organizational imperative, and little empirical evidence suggests that companies will phase it out in the future.

In general, a major component of these discussions is the notion that companies must improve their budgeting processes, seeking to make it more both more effective and efficient, and along with this, obtain greater benefits (Uyar & Bilgin, 2011). Such an efficiency gain can be achieved with changes in the methods and practices applied in budget planning, execution, and control. Studies by Umapathy (1987) and King, Clarkson and Wallace (2010) ^[21] showed that successful companies adopted practices that led to greater efficiency in their respective budgeting systems. Among the standout practices, commitment generation, cross-organization alignment, and the adoption of detailed and comprehensive procedures in budget preparation, as well as variation analysis and corrective measures.

The retail sector in particular has gained attention in various regions of Brazil. Retail, especially when considering the share of it held by supermarket companies, represents an important industry in the national economies of many countries. As such, the objective of this study is to explore budgeting practices in place in supermarket retailers in the state of Santa Catarina, Brazil. A contribution to an understanding of budgeting practices employed by supermarket companies in Brazil is a justification for the work, given that this topic has received relatively little attention in the literature in comparison to the use of more sophisticated practices in other countries. By analyzing the findings with those gathered from the literature and previous empirical studies, methods not yet incorporated by Brazilian supermarket companies might be explored. In terms of practical implications, the study seeks to assist managers in the selection of adequate methods, fitting into the larger goal of the best investment decision.

Subsequent evaluation stands to highlight gaps between theory and practice in the detailing of budgeting methods and techniques. Further, it can prove valuable toward the creation of a diagnostic of the incorporation of new concepts developed in recent years, such as zero-based budgeting. In this way, this work strives to offer a diagnostic of the current state of said practices, which, along with the synthesis and integration of other studies on the topic, will enable comparisons, research opportunities, and practical applications, with the goal of improving planning in Brazilian supermarket companies.

Additionally, as stressed by Araújo (2001), upon coupling planning of this type with cost reduction, supermarket companies differentiate themselves in the eyes of their customers, offering higher quality services. Following this introduction, the body of this work contains a theoretical framework in its second section, while the third section consists of an outline of the methodological procedures employed in research. The fourth section presents the results obtained in the study, while the fifth and final section provides space for the final considerations.

Issues involved in effective cash flow management

From the above discussion it is very much clear that the retail organizations would not be able to continue their day to day operations if they cannot pay their monthly bills before the due date. Therefore, the retailers should make proper arrangements to perform a regular cash flow analysis.

Use of timely cash flow forecasting can make it easy for retailer to take the necessary steps before the problem of cash inflow and outflow get worsens. Retailer can take the expertise of financial professional. These days retail organizations are also using various accounting software programs that have built-in reporting features and make it easy for the retailer to analyze the cash flow whenever and wherever required by only a mouse click button.

Following issues must be considered for managing cash flow effectively and prudently

1. Developing and using payment strategies that will maintain sufficient cash flow throughout the year. One of such most useful strategies for retail organization is to lessen the cash flow conversion period so that cash should come in business faster.
2. Offering cash discount policy to customers will make them clear their payments ill cash. Further, customers who pay their invoices early should be given some early payment discount for say 2.5 percent, will motivate others to pay their bills on time.
3. The retail organizations that are in service sectors like wall paints, repair and maintenance, and software development can ask their customers for paying certain part of the total payment before the service actually starts.
4. Accounting software can help you know the past due defaulters but it depends on the part of organization that how much active and serious it is about such collections. Organizations should do proper arrangement to have an apparent method for pursuing such pending collections.
5. Now organization can adopt reminder method in which series of letters are sent to tell the customers about their unpaid bills pending in their account. Some of the stores when find it difficult to collect the payment, give such cases to recovery/collection agencies.
6. By having a vigilant eye on organizational cash flow, retailers can make arrangements to eliminate it. One of the most effective ways that most of the retail organizations adopt is the continuous monitoring of store's cash flows and its comparative analysis at every fortnight/month so that retail business can bring in money faster.
7. The variety of income a retail organization receives, ultimately decides the cash flow management strategy an organization should consider.

Who is responsible for effective cash flow management?

Each retailer has funds to manage and liabilities to control. But question arises being responsible for store's day to day operations, is he the only person who should be made accountable for cash flow management. When this is the duty of finance department, why finance personnel should not be made accountable if the gap between cash inflows and cash outflows is continuously unpleasant.

Handy tips for managing cash flows effectively

Retailers have always a big question before them i.e. how they should manage cash flows effectively.

Undoubtedly cash management has been a complex matter for retailers always but can be made easier if we follow these handy tips

1. Try to get the pending money from customers as soon as possible and pay the store's bills at the last possible moment to use it effectively.
2. Concentrate store's inflows and outflows to a single bank account.
3. To speed up customers' orders and deliveries, prompt them to place orders before they come over phone or mail.
4. Send all your invoices, bills the same day merchandise are delivered, not next day or next week.
5. Mention clearly the last date of payment on invoice and also the penalty for late payment.

6. If your store accepts payment through bank checks or cross drafts, make provision for depositing them same day because you in some cases will lose interest.
7. Instruct your cashiers not to deposit checks in a bank's automated teller machines (ATMs) as you have no evidence of depositing these checks.
8. Make certain the financial soundness of a new customer before offering him any credit facility.
9. While offering credit service to a new customer, ask him for three business references and do not neglect to call them.
10. Do not offer too generous discount schemes, such as ten percent discount on cash payment. A better rate in Indian retailing is between two to five percent.
11. Do not hesitate to charge late fee to customers who do not pay on time and charge back customers who enjoy discounts even after the discount period.

Budget and budgetary control

Budgeting

Budgeting refers to the management's action of formulating budgets to facilitate various departments to operate efficiently and economically. In short, a plan showing how resources will be required and used over a specified time interval is called Budget. The act of preparing a budget is called budgeting and the use of budgets as a means of regulating financial operations is Budgetary Control. Budgetary control starts with the budgeting and ends with control.

Types of budgets

In retailing business normally budgets are prepared on two bases:

1. On the basis of expenditure

IT Can Further Be Divided Into Two Heads:

1. Capital expenditure budget
2. Operating budget

2. On the basis of activity

1. Fixed budget, and
2. Flexible budget

Forecast and budget

In the world of retailing, forecast is mainly concerned with probable events on the other hand budget is concerned with planned events.

1. Forecast may be done for longer time but budget is always prepared for shorter periods.
2. Forecast is usually a tentative estimate and can be revised as per management requirements and the need of the time while budget remains unchanged for the budget period.
3. Forecast is usually applied where there is no control over the events such as forecast of FDI in retailing in the years to come while a budget is endeavor to control the events.
4. In short, forecast is the foundation on which a budget is built.

Income statement

A profit and loss account or a Income Statement is the statement of the profit earned or loss incurred during an accounting year, usually a month, a quarter, or a year. This represents a summary of a retailer's revenues and expenses over a particular period of time. Such as April 1, 2010 to March 31, 2011 versus April 1, 2011 to March 31, 2012, in order to analyze the profitability. Continuous exercise of preparing income statements can help a retailer in knowing how a firm is performing towards the achievement of company's goals and objectives. Under income statement, income (profit) represents the amount by which retailer's revenues during an accounting year exceeds the expenses incurred during that year. The word profit is used with the several qualifying objectives like gross profit, profit after tax (PAT), profit before tax (PBT) and net profit.

A profit or loss account or an income statement has the following components

Net Sales

The term Net sales refer to the total revenues received by a retailer after deducting consumer refunds, discounts and all markdowns during a particular period of time, normally one year.

Cost of goods sold

This is the amount paid by a retailer to acquire the merchandise sold during a financial year. It is calculated by purchase prices plus freight charges (if any) less all commissions and discounts like (trade discount, cash discount, etc.)

Gross margin

This is also known as Gross profit and gives the retailer a measure of how much profit it is making on merchandise sales without considering operating expenses.

Gross Margins = Net sales – Cost of goods sold
In other words, it consists of operating expenses plus net profit.

Operating expenses

These are incurred on running a retail business in the normal course of business.

Net profit

It is the measure of a retail firm. It is expressed either before or after taxes. Generally the firm's overall performance reflects when it is calculated after taxes.

$$\text{Net Profit} = \text{Gross Margin} - \text{Expenses}$$

Table 1

Operating Expenses		
1	Administrative Expenses	Employees salaries + Operations of buying departments + miscellaneous expenses
2	General Expenses	Store rent + electricity bill + water bill + house tax etc
3	Selling Expenses	Sales staff salaries + bonus + commissions

Specimen of an Income statement		
(in rupees)		
Net Sales	-	22,20,000
Cost of goods sold	-	11,70,000
		10,50,000
Operating Expenses:		
Salaries	-	6,24,500
Advertising	-	22,000
Insurance	-	13,300
Repair & Maintenance	-	1,700
Rent	-	49,000
Courier & postage	-	1,000
Misc.	-	4,500
Total	-	7,16,000
Other Expenses	-	24,000
Total Costs	-	7,40,000
Net Profit Before Taxes	-	3,10,000

Asset management

Each retailer has assets to manage and liabilities to control. It is the retailer's ability and efficiency how effectively he manages the inputs and outputs. The proper way to find out the financial soundness of a going business at certain moment is to prepare balance sheet. Balance sheet is a statement that reports the values owned by the retail firm and the claims of the creditors and owners against these properties.

The period of time is an accounting period/year – The Balance comprises of firm's assets, liabilities and capital at a given date of time. It is static in nature because it tells about the financial position (financial soundness) of a retailing firm as on a certain date. Thus, the Balance sheet of a firm prepared on 31st March reveals the firm's financial position on this specific date.

IN an organization, balance sheet is known by different titles (names). these are:

1. Statement of assets and liabilities
2. Statement of resources and liabilities
3. Statement of financial position
4. Statement of financial soundness
5. Statement of assets, liabilities and owners fund etc
6. Balance sheet/ General balance sheet
7. Statement of stocks/position
8. However, in India the most widely used title is "Balance sheet". A balance sheet is supposed to be prepared considering the following basic principles of accounting.

Each retailer is expected to know all these principles listed below

- a. Business entity concept
- b. Monetary unit concept
- c. Going concern concept
- d. Conservatism concept
- e. Cost concept
- f. Accounting equation concept

The retail organization is regarded as a business entity separate from its shareholders. The financial position of a retail organization is shown in a balance sheet in financial terms (rupees). The business organization (retail firm) is considered as going concern, i.e. it has continuous existence till such time as it is legally elucidated. The conservatism concept of business means the philosophy of a business to “anticipate no profit but make provision for all losses”.

The cost concept implies that financial values of all the assets should be recorded on their market price. According to accounting equation concept, each financial transaction has dual effects, and therefore, a balance sheet indicates the value of all the assets on one side and the liabilities on the other side.

Table 2

Basic Divisions of Balance Sheet	
Assets	Liabilities
1. Current assets	1. Current liabilities
2. Fixed assets	2. Non-current liabilities
3. Intangible assets	3. Net worth
4. Other assets	
5. Deferred expenditure	

These are Explained Below

A. Assets

It is an item valuable to run a retail business. The value of an asset may be defined in terms of its capacity to be instrumental in selling of goods and services.

1. Current assets

These are the assets acquired through cash and easily convertible into cash during the normal course of retail business.

These are as follows

- a. Cash in hand and cash at bank
- b. Inventory on hand
- c. Bills receivable
- d. Government or other marketable securities held by a retailer
- e. Advance payments by a retailing firm.

2. Fixed assets

These are the items a retailer owns/acquires for the purpose of running a retail firm smoothly. These assets are not for selling purpose to earn profit and are used over a considerable period of time.

These are as follows

- a. Land
- b. Building (retail store, warehouse and so on)
- c. Retail store fixtures and furniture
- d. Conveyance means (trucks, vans, delivery scooters/cars, etc.)
- e. Equipment's such as cash registers, leasehold improvements.

3. Intangible assets

Contrary to tangible assets like land, furniture and fixtures, intangible items cannot be seen, touch or realized but are important for any retail business.

Intangible assets include the retailer's rights and include the following

- a. Patents and Trademarks,
- b. Goodwill, and
- c. Copyright, composition/formula, license etc.

4. Other assets

These are the assets, which cannot be included in any of the above-mentioned categories and therefore are termed as other assets.

These assets by nature are tangible but are not used in the normal course of business, like

- a. Non-trade debtors
- b. Investments excluding marketable securities
- c. Fund earmarked for assets.

5. Deferred expenditures

As the very name implies, these expenditures are not of recurring nature and do not arise from the present operations. The benefit of such expenditures is that they provide income or benefit in the coming years also. These are paid in advance and written off gradually over few years of business operations, treating each year's share in such expenditure as a charge on operational profit for that year. These include preliminary expenses, advertising expenditure etc.

B. Liabilities

These usually are the financial obligations of a retailer incurs in operating business.

These are

1. Current liabilities

Current liabilities of a retailer include such obligations or charges that are payable either on demand or in the coming year. All short-term obligations generally due and payable within one year are termed as current liabilities.

These include

- (a) Taxes
- (b) Short-term loans
- (c) Accounts payable
- (d) Bank overdraft
- (e) Unclaimed dividends
- (f) Short-term public deposits
- (g) Outstanding or accruals

2. Non-current liabilities

These are generally the debts of a retailer and are paid over a longer period of time, as after one year. These liabilities are also popularly known as long-term liabilities.

These include

- a. Loan or mortgage
- b. Loans from banks and/or financial institutions
- c. Bonds or debentures

3. Net worth

Net worth is the excess of the firm's assets over its liabilities. It shows the financial interests of a retailer and is also known as retailer's equity. Sometimes, net worth is also called by the names of net assets, retailer's equity, shareholders' fund, net employed capital etc.

Asset turnover ratio

Asset turnover ratio is a retailer's performance measure with regard to its net sales and total assets. The ratio measures the overall performance and activity of a retail organization.

It is computed as under

Asset Turnover = Net Sales/Total Assets

Asset turnover ratio is also known as activity ratios because it highlights the ability of management to convert or turnover the assets of retailing firms into sales. This makes enable a retailer to study the level of sales and the investment in various assets accounts. A sharp rise in this ratio may indicate that the company is expanding too quickly. Conversely any decline in the ratio indicates a decline in the retailer's efficiency or decline in retailer's products demand.

Financial leverage

Leverage indicates how effectively a retail company uses its borrowed funds to increase the retailer's return on equity. It measures the contribution of financing by retailer's creditors. Financial leverage is a performance measure based on relationship between a retailer's total assets and net worth. High financial leverage indicates

that the retailer has substantial debt while a ratio of 1 indicates no use of debt by retailer i.e. assets are equal to net worth.

This ratio is expressed as under

Financial leverage = Total assets/Net worth

High financial leverage can lead a retailing firm towards bankruptcy because of non or delay in payments of outstanding debts. On the other hand, low financial leverage ratio increases the retailer's ability to spend money on expansion plans or repair or maintenance. In nutshell, low leverage ratio means retailer's equity is more as compared to debt or marked securities (debt/loan).

Retailer's strategic profit model

The strategic profit model in actual is nothing but a numerical relationship among retailer's net profit margin, asset turnover and financial leverage. It indicates the retailer's return on net worth. A retailer applies strategic profit model in planning or controlling assets.

This model numerically expressed as under

Return on net worth = Net Profit x Asset Turnover x Financial Leverage

$$= \frac{\text{Net Profit}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Net worth}}$$

$$= \frac{\text{Net Profit}}{\text{Net Worth}}$$

Other key financial ratios

1. Quick Ratio

Quick ratio provides the retailer's ability to meet its day to day business obligations. It signifies a short term (Usually less than one year) liquidity of a retail firm and is computed by current assets minus stock and dividend divided by current liabilities. The philosophy behind deducting stock from current assets is that the stock may not be reduced immediately.

This ratio is expressed as under

Quick ratio = Current Assets – (Stock) / Current liabilities

2. Current ratio

Current ratio indicates the retailer's financial condition (ability) to meet normal operating obligations. It is calculated by dividing current assets by current liabilities. A high current ratio indicates the retailer's financial soundness and the ability to meet its current obligations. A ratio of 2:1 or 2 is a good measure of a retailer's current position.

3. The ratio is expressed as under

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The current assets of a retailing firm, as already discussed are those assets which in the normal course of action are easily convertible into cash within a short period of time say less than one year like cash and bank balances, work in progress, stock etc. The current liabilities on the other hand are to be paid in one year of time like bank credit, bills payable and outstanding expenses.

This ratio is used to know the retailer's ability to pay to its suppliers for the volume transacted. This is computed by accounts payable divided by Net Sales. Then this figure is usually compared to industry average to know how much a retailer is financially dependent on suppliers.

4. Gross profit margin

This ratio is used to measure the relationship between retailer's profit and sales volume. This is commonly known as gross margin. It is computed by dividing gross profit by sales.

$$\text{Gross profit margin} = \frac{\text{Gross profits}}{\text{Sales}} \times 100$$

The gross margin represents the limit beyond which any fall in sales prices are outside the retailer's tolerance limit.

5. Collection period

Collection period denotes the amounts retained/owed by customers in case of credit sales. It is computed by accounts receivable divided by net sales and then multiplied it by 365. High collection period means retailing firm has more credit sales.

Setting performance objective

As it is evident that today field of retailing is a lucrative and first options for an entrepreneur or a business tycoon. Therefore, each successful businessman is looking for retail business. Be it Reliance Fresh of Reliance Industries or 'More' of Aditya Birla Group or Walmart Bharti Joint venture, all present stiff competition in the retail industry.

Due to erratic sales, increasing competition, rising human costs, and other resources, retailers are giving stress on improving store's productivity. Productivity refers to the retail store's output relative to its inputs. In simple terms productivity refers to the goods and services sold with the resources used.

Productivity in the field of retailing is calculated as

$$\text{Productivity} = \frac{\text{Quantity of goods and services produced}}{\text{Amount of resources used}}$$

It is very clear from above equation that in productivity there are two variables – the amount of sale and the amount of resources used. Productivity varies with the amount of sale relative to the amount of resources used.

Productivity can be improved in these following ways

1. Increase in sales with usage of same marketing and human resources.
2. Reducing the amount of resources (Human, Marketing etc.) without hampering the sale or even sometime increasing it.
3. Allowing the amount of resources used to increase as long as sales increase more.
4. Allowing production to reduce as long as the amount of resources used decreases more.
5. It depends on the retailer which method it will apply to improve productivity but main thing, productivity needs to be improved as increased productivity contributes to the competitive advantage of a retail firm.

Some applied practices

1. Some food stores have been offering 'take away' or 'only packaging' services in their stores resulting in space productivity.
2. Conversion of manual operations to automatic brings human productivity.
3. Some stores like 'Tuesday Morning' in US operates only in 225 days in a year to save operating and administrative costs.

2. Theoretical Framework

Budgeting involves a process of operations planning, execution, and control. Horngren, Foster and Datar (2010) ^[15] define budget as a quantitative expression of a plan of future managerial action over a determined period. Budgeting can also be a means for converting company strategic plans in measurable standards (Adams, 2006) ^[2].

The budget represents an effort, on part of the company, to quantify the intake and utilization of resources, thusly concerning two management functions: planning and controlling (Garrison *et al.*, 2008) ^[11]. It is a forecast of the upcoming year, which includes marketing and other information that flow into the determination of objectives and performance measurement (Harris, 1999) ^[14]. As an integral part of the budget, forecasting is essential for planning the most efficient and effective ways to meet sales volumes (Schmidgall, 2006).

Studies on budgeting practices in companies have been carried out in several countries, including the United States (Schmidgall & Defranco, 1998; Steed & GU, 2009), the United States and Scandinavia (Schmidgall *et al.* 1996), the United Kingdom and United States (Jones, 1998; JONES, 2008), Australia (Subramaniam *et al.*, 2002; Winata & MIA, 2005); China (Yuen, 2006), Greece (Pavlatos & Paggios, 2009), Turkey (UYAR & Bilgin, 2011) and Brazil (Castro *et al.*, 2012) ^[7]. Table 1 displays the main budget preparation practices used by companies in different parts of the world.

Concerning budget execution, studies of note include those by Jones (2008b), Uyar and Bilgin (2011) and Castro *et al.* (2012) ^[7], which diagnosed practices concerning execution process evaluation, objectives and purposes, information used and behavioral facets. In turn, items of interest within the realm of performance evaluation specifically include the use of benchmarking, the role of the budget in monitoring procedures, the chief performance measures considered, and the personnel in charge of variation analysis.

Along with these, three other studies on budgets merit attention. The first, carried out by Subramaniam *et al.* (2001), deals with the role and impact of decentralized structure, the need to reach goals, and the participatory budgeting on organizational behavior, drawing data from 91 managers in Australia. The results showed direct and positive relationships between two of the variables –decentralized structure and need to reach goals- for

fulfillment of and participation in the budget. Further, participatory budgeting might bear a direct and positive relationship with organizational behavior.

Research Methodology

The methodological procedures used for the construction of a theoretical framework as well as the supermarket selection process are detailed in this section.

Theoretical framework construction process

The process employed toward selection and analysis of international references is divided into three stages: database selection, article selection and systemic analysis. The first stage provides a foundation for the selection of databases; the second compiles a portfolio of articles in agreement with an established and structured process, and, finally, the third stage serves to provide systemic analysis on said references portfolio.

Initially, a search was carried out in the journals collections contained in the CAPES (Coordenação de Aperfeiçoamento de Pessoal de Nível Superior), including the following: OneFile (GALE) (278), SciVerse ScienceDirect (Elsevier) (6), Social Sciences Citation Index (Web of Science) (4), Emerald Management and Journals (2), and MEDLINE (NLM) (1), using the keyword “budgeting”. Two-hundred and eighty-four articles were selected. Using this initial sample, the abstract of each article was read, seeking to identify the articles or relevance to the topic of budgeting practices; those articles that were selected went on to make up the theoretical framework of the study.

Discussion and Conclusion

We conclude that the objective of this study was reached, considering that the application of the questionnaire allowed for a deeper understanding of the budgeting practices employed by supermarket companies in the state of Santa Catarina, Brazil. Besides characterizing said supermarkets, the study also enabled empirical observation of their budget planning, execution, and control procedures.

The most-frequently used budgeting process is the Top-Down approach, a finding that corroborates those of previous studies by Schidgall and Ninemeier (1987), in the United States, and Schmidgall *et al.* (1996), in the United States and Scandinavia. Jones (2008) did not find a similar predominance of any of the approaches (Bottom-Up, Top-Down, and Combination/Participatory) in a study conducted in the United Kingdom. Uyar and Bilgin (2011) observed that in Turkey, along with Steed and Gu (2009) in respect to the United States, found that the majority of hotels uses the Combination/Participatory approach. These previous studies provided indications that the way budgets are prepared is changing over time, with employees gaining ground in the process, despite the fact that this study, itself carried out in Brazil, confirms that the process remains, in this case, largely centralized in upper management.

Regarding the information used in budget preparation, we observe that statistical data displays a lower rate of use among the companies in the sample. As such, the findings suggest that budgets are based in economic indicators as well as prior-period financials.

This study also showed that responsibility for variation analysis is largely concentrated in department supervisors, with cost and expense control analysis completed on a monthly basis serving to check whether the budget is efficiently applied in accordance with that planned; Schmidgall *et al.* (1996) also found this to be the primary purpose of variation analysis.

In general, the results show that budgeting remains underutilized in supermarket retail companies in Santa Catarina, given that many of its characteristics and techniques are seen in only partial use. Upon analysis of these findings, it might be noted that some of the practices highlighted by Umaphy (1987) are absent, which, according to that same author, are fundamental in the application of the budgeting process and in place in successful companies. Additionally, the importance of joining subsystems including planning, control, and accounting for achieving strategic objectives is highlighted, or, rather, there is more to it than sophisticated budgeting practices (TELES, 2011)

Despite the fact that flexible budgeting be the recommendation for use in this industry segment, research showed that 27% of the supermarkets employ corporate budgeting procedures. Though discussion on the topic is ongoing, corporate budgeting continues to be widely used in companies, as shown in this and other, similar studies (JONES, 2008; UYAR & BILGIN, 2011).

For further studies, we suggest that budgeting practices be observed in other regions of the country. Additionally, we recommend that queries be made concerning capital budgeting and the environmental performance of supermarket retail companies.

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