

BUDGET AS A PLANNING TOOL.

A CASE STUDY ON PERWIRA ERICSSON SDN BHD.

by:

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A project paper submitted to the School of Accountancy as a partial fulfilment for the Advanced Diploma In Accountancy.

31 October 1992

**ACKNOWLEDGEMENT**

This project paper is made possible with the help of those who are kind, enthusiastic and eager to see that it is being compiled and presented.

I would like to mention their names here and to extend my utmost gratitude and appreciation, without their help, this paper would not have been successful. Firstly to my advisor for her invaluable assistance and advice, encouragement, guidance and constructive criticisms throughout the course of this paper. Secondly to Encik Zamani b Puteh and Encik Kamaruddin b Md Ali, Finance and Administration Manager, and Head of Finance Department respectively of Perwira Ericsson Sdn Bhd, for their invaluable time, patiently answering questions during the interviews and supplying information for this project paper.

I would like to extend my sincere thanks to the staff of Perwira Ericsson Sdn Bhd for their cooperation. Lastly to those who have helped in one way or another in making this paper a success.

**ABSTRACT**

This study is on budget as a planning tool with special reference to Perwira Ericsson Sdn Bhd (PEM) that was established in 1982. The main activities of PEM consist of the assembly, supply and installation of public telephone exchange equipment and telecommunication equipment and provision of ancillary services.

This paper will review on the literature relating to budget. The review includes the definition of budget and it's relation to budgeting, the budget process, the discussion of the various functions of budget in general except the planning function that is discuss in detail.

This study is to relate the literature to the method and the formulation of budget, and the use of budget as a planning tool by Perwira Ericsson Sdn Bhd (PEM).

This study is also on the process of budgeting, the responsibility centre involved and the common practice of PEM in formulating it's budget that is used in the area of planning.

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### 1.1 PEM: PROFILE AND ORGANIZATION

In Malaysia, Ericsson has been supplying the telecommunication administration with a wide range of telecommunication products for nearly 25 years. Its activities are now undertaken by three joint-venture companies. These are Perwira Ericsson Sdn Bhd (PEM), Ericsson Telecommunications Sdn Bhd (ECM), and Electroscon Network Engineering Sdn Bhd (ENM), each with different levels of local equity. Lembaga Tabung Angkatan Tentera (LTAT) holds 60% of PEM's equity. LTAT is the ultimate holding company.

"The directors regard Lembaga Tabung Angkatan Tentera, a body corporate set up under the Tabung Angkatan Tentera Act, 1973 as the ultimate holding body corporate of the company." (PEM's Statutory Accounts, 31 December 1991.)

In meeting the demand for supplies and services, two production plants, a regional training school and several field and software support centres have been established.

PEM's assets are plant and machinery in Section 15, Shah Alam, and land, buildings, and plant and machinery in Pengkalan Chepa, Kota Bahru, Kelantan. Total investments in assets up to date is tabulated below:

	MYR
	(\$)
Shah Alam	
Plant and machinery	19.2M