



SNS COLLEGE OF TECHNOLOGY

An Autonomous Institution

Coimbatore-35



Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A+’ Grade
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

Department of Automobile Engineering

III YEAR/ VI SEMESTER

19MEE301 / Engineering Economics and cost Analysis

UNIT-4

Assistance from government budgeting support

Budget Support

Different donor organisations use different definitions of budget support. In the most commonsense, budget support typically refers to predictable, annual, medium-term resource flows that are channeled to the recipient country using its own financial management system and budget procedures. Budget support is typically based on an agreed set of performance indicators in the form of institutional or policy reform measures or outcome indicators.

While there is not yet an agreed definition of budget support, the following terms are those used most frequently in discussion about it. It is useful to list them here and make some comparisons for better understanding the budget support concept. The definitions below take into account the different positions of donor organisations engaged in the use of these instruments.

Profit or Loss Account:

The income statement and profit or loss account are not different but are interchangeably used. Where as in U.S.A. income statement is a popular usage in U.K. it is more commonly referred to as profit and loss account. According to AICPA terminology, income statement is defined as a statement which shows the principal elements the positive and negative in the derivations of income or loss the claims against income and the resulting net income or loss of accounting unit. In simple words an income statement shows revenue and expenses of an accounting

period. It matches revenue with cost. If the revenue exceeds the cost it implies the profitability of business and if cost exceeds revenue it implies the loss suffered by the business. The same view has been expressed by HARAY & GUTHMAN when he wrote that "the statement of profit or loss is condensed and classified record of gains and losses causing changes in the owners interest in the business for a period of time."

The purpose of the profit and loss account is to:

Show whether a business has made a PROFIT or LOSS over a financial year.

Describe how the profit or loss arose – e.g. Categorizing costs between "cost of sales" and operating costs.