

BUDGET PLANNING AND CONTROL IN THAILAND

ABSTRACT

Several Pacific RIM countries have experienced recent growth in their economies. As a part of this development local business will show a development of their management processes. One particular area where this development should occur is in the use of accounting information for a variety of managerial purposes beyond the exclusive preparation of financial statements. There have been studies made of management accounting practices in some of the developed Pacific Rim economies. Such studies have primarily focused on the United States in the West, and on Japan in the East. Differences between the western (vis. U.S.) and eastern (vis. Japan) management practices in this area have been frequently hypothesized and to a lesser extent empirically verified. However, in the emerging economies there has been very little study of the development of business management practices. This is particularly true in the area of management accounting. The purpose of this study is to take a look at what is happening in Thailand in terms of managers' use of accounting information for budget planning and control purposes. These are two key features of a management accounting system. In addition there is recent data available concerning current American and Japanese, companies' practices in implementing budget planning and control. This will enable a comparison of the state of management accounting development in an

emerging Pacific Rim economy relative to developed Pacific Rim economies. It will also be possible to see whether the development of budget planning and control practices in Thailand is influenced more by the American or Japanese approaches to management accounting.

The empirical portion of this study is based on a survey of 500 largest Thai companies listed over 15 industrial classifications using the International Standard Industrial Classification (ISIC). The data were collected during January and February in 1990. The results of these data and a comparison of the Thai results to results previously found in the U.S. and Japan will be reported in the following areas.

I. Budget Planning :

- a. Type of budgets used
- b. Budget reflection of organizational goals and objectives
- c. Logistics of budget preparation
- d. Managers' participation in budget planning process
- e. Ranking of budget goals

II. Budget Control :

- a. Use of budget variances
 - b. Ranking of budget goals for performance evaluation
 - c. Influence of budget performance on managers' financial rewards
 - d. Influence of budget performance on managers' promotions
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