



Institute of Management, Nirma University

**Summer Internship Final Report
on
Oil and Natural Gas Corporation Ltd.**



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ACKNOWLEDGEMENT

It has been rightly said, “Whenever people are willing but unable to perform particular task, they need cooperation and guidance of experienced people which is quite imperative in achieving the desired goals.”

For every moment, the world is changing and advancing very rapidly in each field, so I must update my knowledge regularly. As a management student here, I have a chance to update my knowledge about the budgeting procedure used in ONGC.

My sincere acknowledgement to Oil and Natural Gas Corporation Ltd. for giving me a valuable opportunity to work with them. This project report is dedicated to all the people, whom I met virtually, took guidance, talked, and gained knowledge from them.

I am highly thankful to our institute for giving me an opportunity to widen our learning horizon. I am also thankful to Mr. Rajesh Kumar Agrawal (CM F&A) and Mr. Raja Mahendra Pratap (Sr. F&AO) at ONGC- Ahmedabad Asset, who helped me understand the budgeting procedure used in their organization and gave me an opportunity to increase the knowledge about the subject. I am highly thankful and deeply indebted to them for continuous and an excellent guidance to me till the last word of this project report. They made numerous valuable suggestions and corrections, which greatly improved the quality of my work. Despite being busy with their routine work, they spent quality time with me, and they never hesitated to cooperate and support us was a great gesture of their part. The practical and theoretical knowledge that I have gained from them will help me in enhancing my career and managing things in the better way.

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ABOUT THE SECTOR

The sector of the organization in which I am pursuing my internship is Oil and Gas Sector. The Oil and Gas sector is the largest sector in the world and also generating the highest revenue which is estimated about \$3.3 trillion dollar annually. Oil and Gas sector is one of the eight core sectors in India and play a major role for decision making and also contributing in many different ways.

The Oil and Gas sector is the major part for many countries in the world and same goes to India also this sector is considered as the backbone of the Indian economy. Different Oil and Gas companies in India contributing in this sector for the economic growth of the country. Some of the companies are private while some of them are Public Sector Undertakings (PSU) organized by Indian Government. Some of the major players of Oil and Gas sector are Indian Oil Corporation Ltd., Oil and Natural Gas Corporation Ltd., Bharat Petroleum, Reliance Petroleum Ltd., Essar Oil Ltd., Cairn India, Gas Authority of India Ltd (GAIL), Hindustan Petroleum Corporation, Oil India Ltd. and Tata Petrodyne Ltd.

Market Size:

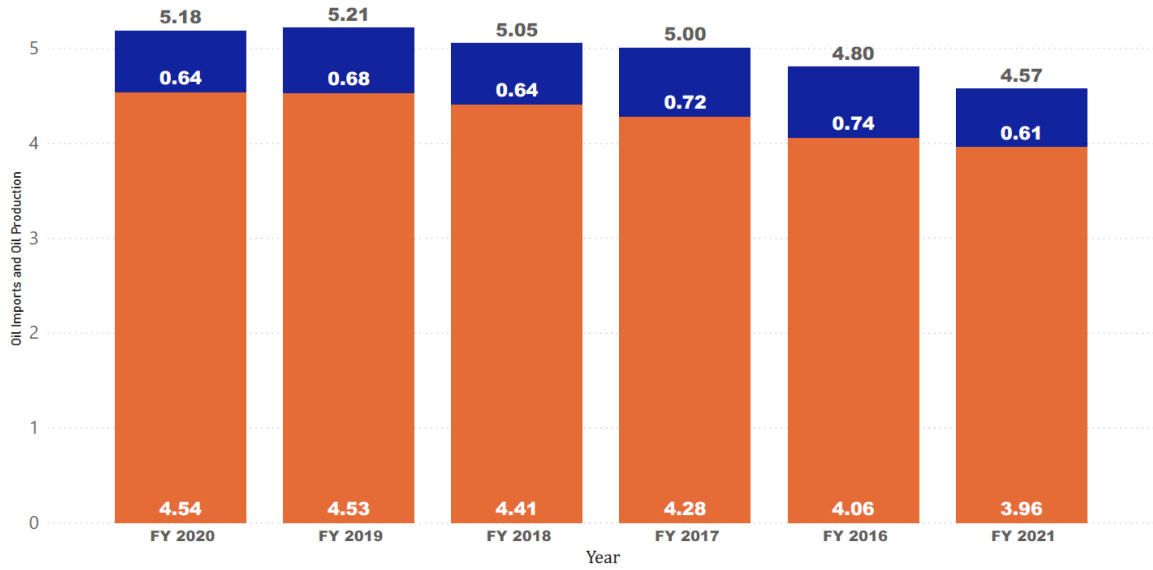
India is required to be perhaps the biggest supporter of non-OECD petrol utilization development worldwide. Crude Oil import rose strongly to US\$ 101.4 billion out of 2019-20 from US\$ 70.72 billion out of 2016-17.

As of December 01, 2020, India's oil-refining limit remained at 259.3 million metric tons (MMT), making it the second-biggest purifier in Asia. Privately owned businesses own about 35.29% of the all-out refining limit in FY20.

In FY20, unrefined petroleum exploration in India remained at 32.2 MMT. In February 2021, the raw petroleum exploration remained at 2.3 MMT, while for FY21* it was 27.9 MMT. In FY20, unrefined petroleum import expanded to 4.54 mbpd from 4.53 mbpd in FY19. Petroleum gas utilization is conjecture to arrive at 143.08 million tons (MT) by 2040. India's LNG import remained at 33.68 bcm during FY20.

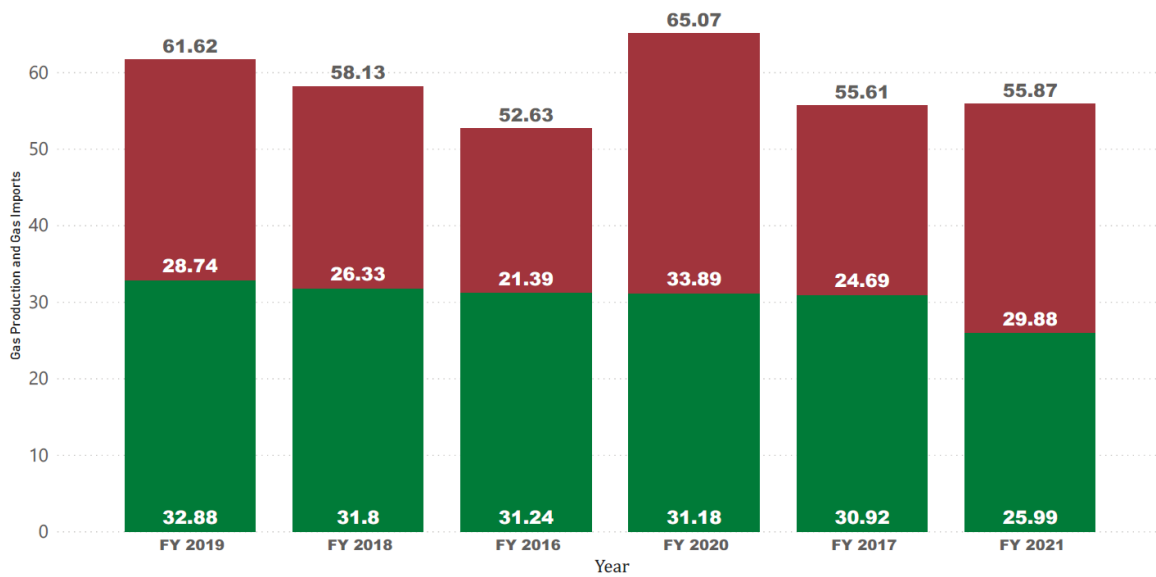
Oil Imports and Production in India (MBPD)

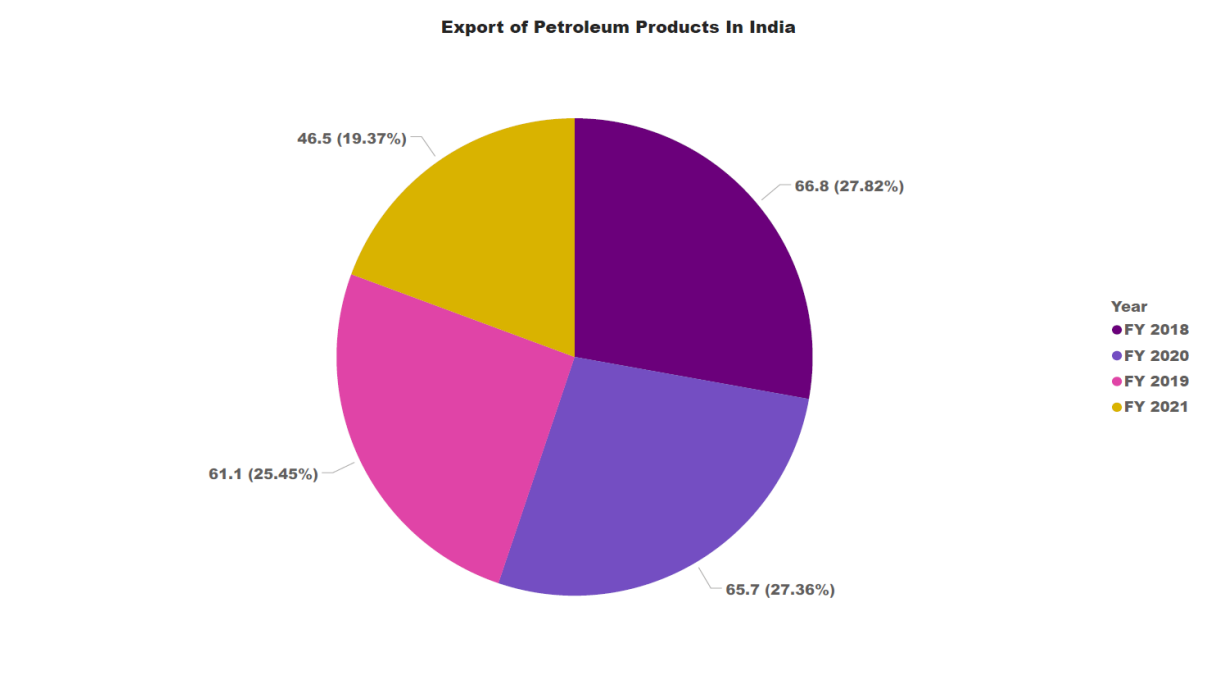
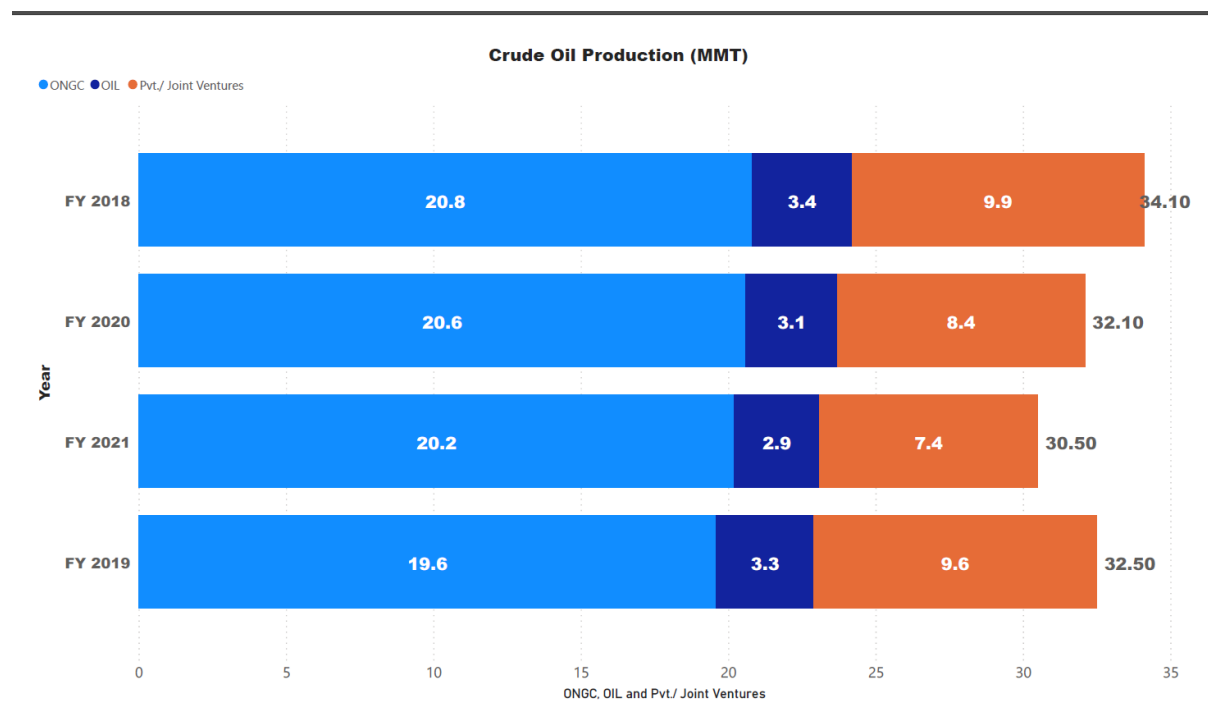
● Oil Imports ● Oil Production



Gas Production and Imports in India (BCM)

● Gas Production ● Gas Imports





Government Initiatives:

Government takes various initiatives to promote the Oil and Gas sector in India. Some of the major steps are as follows:

- In February 2021, Prime Minister Mr. Narendra Modi has announced to invest about Rs. 7.5 trillion on the infrastructure development of Oil and Gas sector for the next five years
- In the Budget 2021, the government allocated funds of Rs. 12480 crore as direct benefit

to encourage the transfer of LPG and around Rs. 1078 as a subsidy

- Under the Pradhan Mantri Ujjwala Yojana (PMUY) Scheme the government provides around 1 crore of LPG connections to households during the financial year 2020
- The Ministry of Petroleum and Natural Gas released a draft LNG policy that aims to increase the country's LNG re-gasification capacity from 42.5 million tonnes per annum (mtpa) to 70 mtpa by 2030 and 100 mtpa by 2040.
- The Ministry of Petroleum and Natural Gas released an 'Ethanol Procurement Policy' on a long-term basis under the 'Ethanol Blended Petrol (EBP) Programme' (October 11, 2019), which covers modalities for long-term ethanol procurement, proposed mechanisms for long-term procurement contracts

ABOUT THE ORGANIZATION

Organization Name: Oil and Natural Gas Corporation Ltd. (ONGC)

Sector of Organization: Oil and Gas

About Organization:

Oil and Natural Gas Corporation Ltd. (ONGC) is the 3rd largest crude oil and natural gas company in India. ONGC contributes around 76% of India's oil and gas production and has around 48.25 MMTOE of hydrocarbon output. ONGC has different subsidiaries and joint ventures in different fields. Subsidiaries like ONGC Videsh Limited, Hindustan Petroleum Corporation Limited, Mangalore Refinery Petrochemicals Limited and Petronet MHB Limited are engaged for the different purposes like Overseas E&P, Refining & Retail Marketing, Refinery & Petrochemicals and many others.

Oil & Natural Gas Corporation Limited (ONGC) is one of the 10 Maharatna companies of India. In 1955, the Government of India decided to develop the oil and natural gas resources in the various regions of the country as part of the Public Sector development. With this objective, an Oil and Natural Gas Directorate was set up towards the end of 1955, as a subordinate office under the then Ministry of Natural Resources and Scientific Research. A delegation under the leadership of the Minister of Natural Resources visited several European countries to study the status of the oil industry in those countries and to facilitate the training of Indian professionals for exploring potential oil and gas reserves. Experts from Romania, the Soviet Union, the United States and West Germany subsequently visited India and helped the government with their expertise. Soviet experts later drew up a detailed plan for geological and geophysical surveys and drilling operations to be carried out in the 2nd Five Year Plan (1956–61).

In October 1959, the commission was converted into a statutory body by an act of the Indian Parliament, which enhanced powers of the commission further. The main functions of the Oil and Natural Gas Commission subject to the provisions of the Act were "to plan, promote, organize and implement programs for development of Petroleum Resources and the production and sale of petroleum and petroleum products produced by it, and to perform such other functions as the Central Government may, from time to time, assign to it".

After finding new resources in Assam, establishing new oil province in Gujarat, adding new petroliferous areas in the Assam-Arakan Fold Belt and East coast basins (both onshore and offshore). ONGC went offshore in the early 1970s and discovered a giant oil field in the form of Bombay High, now known as Mumbai High. This discovery, along with subsequent discoveries of huge oil and gas fields in Western offshore changed the oil scenario of the country.

ONGC became a publicly held company in February 1994, with 20% of its equity were sold to the public and eighty per cent retained by the Indian government. At the time, ONGC employed 48,000 people and had reserves and surpluses worth ₹104.34 billion, in addition to its intangible assets. The corporation's net worth of ₹107.77 billion was the largest of any Indian company. In 2006, a commemorative coin set was issued to mark the 50th anniversary of the founding of ONGC, making it only the second Indian company (State Bank of India being the first) to have such a coin issued in its honour.

In 2011, ONGC applied to purchase 2000 acres of land at Dahanu to process offshore gas. On 11 August 2012, ONGC announced that it had made a large oil discovery in the D1 oilfield off the west coast of India, which will help it to raise the output of the field from around 12,500

barrels per day (bpd) to a peak output of 60,000 bpd.

It is the largest producer of crude oil and natural gas in India. The crude oil production benefits the downstream companies like IOC, BPCL, HPCL and MRPL to produce petroleum products like Petrol, Diesel, Kerosene, Naphtha, and Cooking Gas LPG. ONGC is distinctive in-house service capabilities in all fields of oil and gas exploration and production, as well as other oil-field services. This public sector organization, which won the Best Employer award, has a devoted workforce of roughly 28,500 experts who work around the clock in difficult settings.

Vision of the Organization:

To be a global leader in integrated energy business through sustainable growth, knowledge excellence and exemplary governance practices.

Mission of the Organization:

World Class

- Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people.
- Imbibe high standards of business ethics and organizational values.
- Abiding commitment to safety, health and environment to enrich quality of community life.
- Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.
- Strive for customer delight through quality products and services.

Integrated in Energy Business

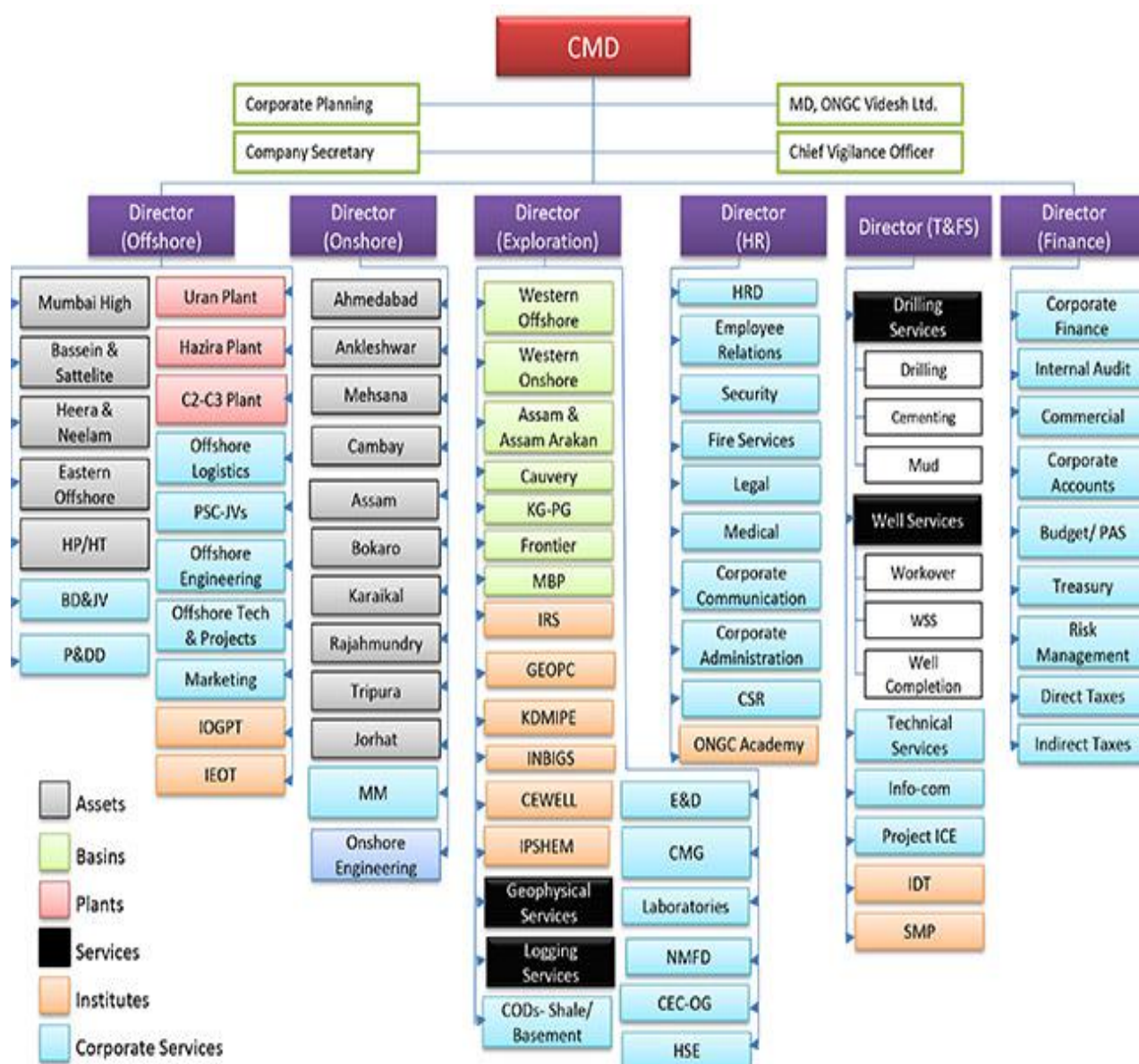
- Focus on domestic and international oil and gas exploration and production business opportunities.
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximize shareholder value.

Dominant Indian Leadership

- Retain dominant position in Indian petroleum sector and enhance India's energy availability.

ORGANOGRAM

Organogram depicts the hierarchy of the organization as a whole. In ONGC there are basically six directors like off-shore director, on-shore director, exploration director, HR director, T&FS director and Finance director. The following flow chart shows the organogram of ONGC.



HSE Department assures Health Safety and Environment Standards at workplace as well as surrounding area which might get affected due to the nature of work carried out by ONGC. Security Services covers all the wells, installations and rigs in addition to office workshop and colony premises in three tier security system i.e., Department, CISF (Central Industrial Security Force) and Contract Security.

The following engineering services are the most vital part of the ONGC's Exploration and production activities:

1. Drilling Services
2. Cementing Services
3. Mud Services
4. Work over Services
5. WSS Services
6. Logging Services

1. Drilling Services:

These services include preparing an engineering plan for constructing the wellbore. The plan includes well geometries, casing programs, mud considerations, well control concerns, initial bit selections, offset well information, pore pressure estimations, economics and special procedures that may be needed during the course of the well. Although drilling procedures are carefully developed, they may change if drilling conditions dictate.

2. Cementing Services:

A hole is drilled onto the earth's surface with the help of an oil rig by way of turning a drill bit. Once the hole is drilled, a metal pipe which is known as the casing is cemented into the hole. Cementing is done with care and the proportion is to be inspected. It must be taken care of that cement must be mixed properly, thereby; assuring that it is not too thick or fluid. Rather, a tight binding is deemed so that it enables in holding the casing.

3. Mud Services:

Mud Services provide drilling fluids engineering services for exploratory and development of oil wells. It encompasses most fluids used in hydrocarbon drilling operations, especially fluids that contain significant amounts of suspended solids, emulsified water or oil. Mud includes all types of water-bases, oil-base and synthetic-base drilling fluids.

The vital functions of mud are

- Transportation of the well bore cuttings to surface,
- Providing borehole stability,
- Containing well formation pressure,
- Lubricating drill string and bit,
- Communicating downhole information to surface,
- Provide cooling.

4. Work Over Services:

The process of performing major maintenance or remedial treatments on a well is performed by this group. Workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location.

Through-tubing workover operations, using coiled tubing, snubbing or slickline equipment, are routinely conducted to complete treatments or well service activities that avoid a full workover where the tubing is removed. This operation saves considerable time and expense.

5. Well Stimulation Services:

It is the treatment performed to restore or enhance the productivity of a well. Stimulation treatments fall into two main groups, hydraulic fracturing treatments and matrix treatments. Fracturing treatments are performed above the fracture pressure of the reservoir formation and create a highly conductive flow path between the reservoir and the wellbore. Matrix treatments are performed below the reservoir fracture pressure and generally are designed to restore the natural permeability of the reservoir following damage to the near-wellbore area.

6. Logging Services:

It is the measurement versus depth or time, or both, of one or more physical quantities in or around a well. The term comes from the word "log" used in the sense of a record or a note. Wireline logs are taken downhole, transmitted through a wireline to surface and recorded there. Measurements-while-drilling (MWD) and logging-while-drilling (LWD) logs are also taken downhole. They are either transmitted to surface by mud pulses, or else recorded downhole and retrieved later when the instrument is brought to surface. Mud logs that describe samples of drilled cuttings are take

ABOUT THE PROJECT

Project Title:

Budgeting and Financial functions at the ONGC Ahmedabad Asset under the Finance Department.

Time period of the Project: 2 Months

About the Project:

The project basically includes the exploration of the financial structure at the organization. As all the major decisions are handled by the headquarter of ONGC which is at Delhi, so at Ahmedabad asset the major focus is on the financial functions which are done at the Ahmedabad asset only which is Budgeting and other Financial Functions like Auditing and Research work.

The Project includes with the brief discussion and information of all the financial functions that are under the ONGC Ahmedabad Asset. After that exploring the working of all the financial functions and departments through various online sessions. Currently the Project is about the Budgeting section at the ONGC.

Tasks Assigned During SIP:

- Getting Acquainted with the Financial functions at the ONGC through the regular sessions taken by the Departmental head at the ONGC.
- Understand the Budgeting Process of the ONGC like how the budget is prepared, what factors need to consider during budget etc.
- Research regarding the Budgeting Process at ONGC
- Research and Information regarding the various financial functions taken at the ONGC Ahmedabad Asset.

BUDGETING IN THE ORGANIZATION

WHAT IS BUDGET?

Modern business world is full of competition, uncertainty and exposed to different types of risks. The complexity of managerial problems has led to the development of various managerial tools, techniques and procedures useful for the management in managing the business successfully. **One of the essential features of modern business management is planning and control.** There are a number of tools and devices that assist management in planning and controlling business operations.

Budgeting that is budget is the most common, useful and widely used standard device of planning and control.

Budget (from French *bougette*, purse) generally refers to a list of all planned expenses and revenues. It is a plan for saving and spending. A budget is an important concept in microeconomics, which uses a budget line to illustrate the trade-offs between two or more goods. In other terms, a budget is an organizational plan stated in monetary terms.

In summary, the purpose of budgeting is to:

- 1. Provide a forecast of revenues and expenditures i.e., construct a model of how our business might perform financially speaking if certain strategies, events and plans are carried out.**
- 2. Enable the actual financial operation of the business to be measured against the forecast.**

BUDGETING IN ONGC

A budget is a valuable tool to help plan the upcoming year. It provides a structure to forecast and measure the activities of the organization. Once a budget is approved and implemented, it becomes a standard with which to measure a chapter's performance on a monthly, quarterly, or yearly basis.

In addition, a budget can provide an early warning if adjustments are pending or revenue collection are necessary.

Budget means the future plan or estimation. Budget covers the action in the whole of the organization for a definite period of time, being a sum total of all the assets, basins, services and administrative offices put together in case of ONGC.

In ONGC, the following budgets are prepared: -

1. Revised estimate (current year)
2. Budgeted estimate (next year)
3. Commitment budget estimate (next to next years, may be two or more years)

Budget is prepared keeping in mind the following points: -

1. Physical targets

2. Financial point of view
3. Last year expenditure
4. Inflation/deflation
5. Zero based budgeting (ZBB)
6. Current stock position
7. Last purchase rate

The earlier approach i.e., traditional or incremental approach

- In the traditional approach, the budget was prepared on the basis of previous year's figures. The past spending was extrapolated every year. This carried forward the inefficiencies of previous year to current year.
- This approach was functionally oriented (by division and department) and accounting oriented (primary focus was on how-much).
- This justification was required only for incremental programs.
- Because of price rise, increment for inflation was given only on demand by the departments.
- This approach rarely made an attempt to reconcile or rationalize the budget to long range plans, strategies and objective.
- The burden of proof was placed on top management to decide how much should be spent for what and why.

ONGC adopts ABB (Activity Based Budgeting)

ABB grew out of the Activity-based Costing (ABC) movement. ABB was first discussed in the literature in the late 1980s, and companies are now experimenting with its use.

Activity Based Budgeting (ABB) is a technique for enhancing the accuracy of financial forecasts and increasing management understanding. ABB eliminates much of the needless rework created by traditional budgeting techniques. It analyzes the products or services to be produced, what activities are required to produce those products or services, and finally what resources need to be budgeted to perform those activities. Simply said, ABB is the reversing of the ABC process to produce financial plans and budgets. It is method of budgeting in which the activities that incur costs in every functional area of an organization are recorded and their relationships are defined and analyzed. Activities are then tied to strategic goals, after which the costs of the activities needed are used to create the budget.

Activity based budgeting stands in contrast to traditional, cost-based budgeting practices in which a prior period's budget is simply adjusted to account for inflation or revenue growth. As such, ABB provides opportunities to align activities with objectives, streamline costs and improve business practices.

At its essence, activity-based budgeting begins by looking at results and the activities that created them, as opposed to cost-based budgeting, which often begins with raw input and material and works outward. ABB can also help firms create more accurate financial forecasts.

So, in ONGC for the purpose of ABB activities are divided into Final activities, final Budget ultimately lie under these activities and intermediate activities.

TYPES OF BUDGETS

First budget is prepared activity wise by different departments and then it is clubbed together under the natural heads

There are mainly two types: -

Revenue Budget and Expenditure Budget, which are classified under the following heads -

1) Natural Head wise

- i. Capital
- ii. Stores
- iii. Spares
- iv. Contractual
- v. Manpower
- vi. General Expenses

2) A) Procurement Budget

- i. Capital
- ii. Stores
- iii. Spares

B) Operational Budget

- i. Contractual
- ii. Manpower
- iii. General Expense

3) A) Non-DRE

B) DRE (Deferred Revenue Expenditure)

4) A) Plan – Approved by Planning Commission

B) Non-Plan – Approved by Board of Director

5) Activity wise Budget

- i. Survey
- ii. Exploration Drilling
- iii. Capital Project
- iv. R&D
- v. Joint Venture
- vi. OPEX

BUDGETARY PROCEDURE IN ONGC

The process of budget preparation and finalization in a complex and large organization like ONGC is a critical and voluminous exercise involving each and every work center. Budget is considered as today's commitment for tomorrow's action. It is widely utilized as a tool for cost and performance control and monitoring.

With implementation of ICE, CRC structure has been implemented. The budget system, in ONGC is prepared with reference to the CRC (Corporate Rejuvenation Campaign) structure. It has to be completed in the CRC structure i.e., Assets/Basins, Services, Institutes, Regional offices and the company as a whole.

ONGC-Western onshore basin (WOB) is concerned with making of following budgets:

Revised estimates for the current year

For e.g.: in year 2008-09 Revised estimates for 2008-09 will be prepared

Budget estimates for the next year

For e.g.: in year 2008-09 Budget estimates for 2009-10 will be prepared.

RE 2008-09

Sr. No.	Particular	Amount
1.	BE 2008-09 (Prepared in 2007-08)	-----
2.	Add: Fresh Requirement	-----
3.	Add: Throw forward amount	-----
	Total RE 2008-09	-----

Thus, every year to arrive at figure of RE, the figures of BE for that respective year are taken as base and to that fresh requirement due to change in work program or any other reason and throw forward amount of last year are added.

ONGC'S expenditure budget is mainly classified on basis of depth of planning as:

Planned Budget

Non- Planned Budget

Planned Budget: Involves fixing of financial outlays for items that are of capital or long-term nature. Thus, it includes items, which generate revenue over a period of time, which may exceed the current year for the organization. For e.g., Construction of a project, technical expenses for drilling service etc.

Non- Planned Budget: is prepared for those items which maintain the current production which as such do not generate revenue on a long run and are written of the same year of their occurrence. It includes items like spares and stores, manpower, allowances, contractual payments that help to support the production.

In ONGC the budget is prepared under 5 natural heads: -

1. Capital- items of capital nature like construction of residential & office buildings purchase of furniture, etc.

2. Stores & Spares- includes items of consumables and machinery related parts.

3. Contractual Payments- includes hiring of services like hiring of Jeep/Car, Training charges, repairs & maintenance etc.

4. Manpower- includes items like basic pay, D.A, C.E.A, Bonus, H.R.A, Quarterly & Annual incentives; Leave encashment, L.F.A Availability & encashment etc.

5. Other/General charges- All items of general expenses like postage & telegram, meeting expenses, telephone expenses, boarding & lodging, miscellaneous expenses etc.

Physical targets are set for the following activities-

Survey

Exploratory Drilling

Development Drilling

Production

Budget drivers

Guiding factors (called drivers) for allocation of budget resources are –

A: Budget cost for activities

B: Inventory

C: Profitability

A: Budget cost for activities (i.e., Cost Drivers)

The unit cost of activities is to be taken as the guiding factor for working out budgetary outlays for each assets/basin, services, and regional office. The methodology for working out the cost of activities for budgetary purpose will be same as per accounting cost cycle allocations in view of synchronization of budget and accounts. To facilitate the working of budgeted cost of activities the budget software has an additional module for working out of the budgeted cost of activities. It is anticipated that work centers will utilize the facilities of the software to work out their activity wise budget outlays and budgeted cost of activities and moderate their budget requirements through iterative reviews so as to keep their activity wise budgeted costs at reasonable levels vis-a vis last year's actual and also to keep their plan and non-plan outlays at realistically achievable levels.

B: Inventory (Inventory Drivers)

The inventory management is essential to optimize level of inventory holding and carrying cost. While preparing/approving item-wise budgets for stores and spares, the available items in stock must be kept in view. To meet this objective, the budget software provides additional fields for feeding planned consumption of stores and spares items. Opening and closing inventory as per buffer stock requirements/corporation policy is to be fed in respective fields and the system will automatically work out the procurement budget for each line item. The guiding principle will be to optimize the investment in inventory and also attempts should be made to reduce the level of non-moving/ slow moving inventory.

C: Profitability (Profitability Drivers)

While framing the budget estimates it must be kept in view that not only the physical targets set in the MOU are to be achieved but the financial parameters of Gross margin, Net profit/ Capital employed and Net worth indicated therein are also to be achieved. It may be made clear that the financial parameters carry more weight (53%) as compared to physical targets (18%) in the MOU. Hence profitability of the asset/basin, rather than the cash outflow, assumes greater importance. The asset/basins are therefore expected to prepare budgeted profit margin and contribution and must emphasize on the achievement of overall efficiency/productivity and cost effectiveness in all its operations.

Guidelines for framing Budgets:

Budget to be kept at consuming work centers: It is advised that budget should be kept at the work centers where the materials/services are to be utilized/consumed and not at work centers where payments are to be made. If the budget provision is not kept at the consuming centers, it will not reflect the true profitability and cost of activities.

On the same analogy budget for R&D projects is to be kept at the respective assets where these schemes are implemented even though the implementation of such schemes is to be monitored by any institute which conceptualizes the R&D projects.

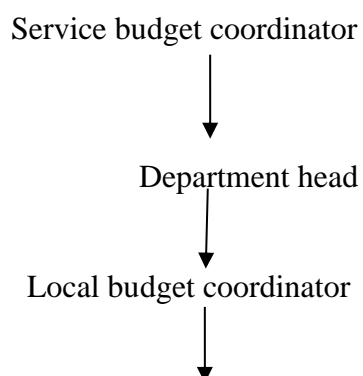
Concurrence and administrative approval at pre budget stage: The concurrence needs to be obtained prior to including schemes capital and capital procurements of significant value in the budget proposals. While according concurrence, cost benefit analysis should also be carried out. Necessary action to obtain financial concurrence may be initiated in advance so that there is adequate time for the finance officers to vet the proposals and have them included in the budget.

Token provision to be created for cases at conceptual stage: For cases still at conceptual stage, only token provision should be kept so that these are not treated as unbudgeted. This helps in avoiding unnecessary loading of the budget as many of such cases may not materialize in the budget period.

STAGES OF BUDGET APPROVAL

There are four stages a budget has to pass from. They are: -

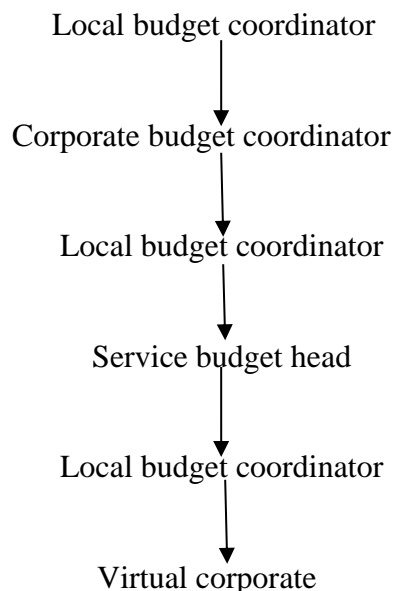
Stage 1: Initial stage



Asset head review meeting

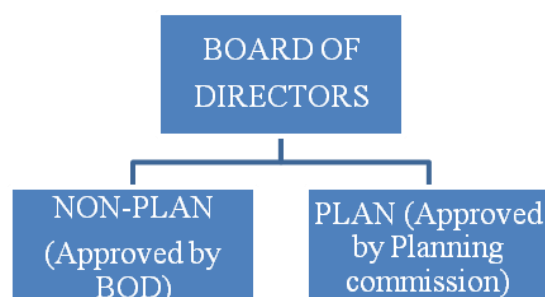
The service budget coordinators prepare and submit the budget to respective department heads. All the department heads submit their budget to local budget coordinator (LBC) who compiles the budgets of all the departments. After the budget is compiled, the asset head meeting takes place for revision in the budget.

Stage 2: Before approval



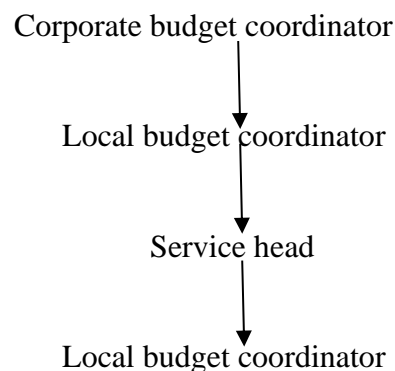
- ◆ If there are some changes to be made in the budget as suggested in the meeting, then the budget is sent back to LBC for compiling the budget after making the suggested changes.
 - The local budget coordinator then sends the budget to the corporate budget coordinator (at headquarters). This budget is checked and verified, and the necessary changes made if required and sent back to LBC.
 - LCB now forwards the budget to service budget head, so that the necessary changes recommended can be made. After revising the budget, it is again send back to the LBC.
 - LBC at this point compiles the budget of all the departments and sends it to virtual corporate.

Stage3: During approval



The virtual corporate presents the budget before the Board of Directors. Non-plan budget is approved by the Board of Directors, but plan budget is sent to planning commission for approval.

Stage 4: Allocation and allotment



- The budget proposed is not always the same as the budget approved. It is generally less than the proposed budget. The approved budget is sent back to the corporate budget coordinator for compiling, by incorporating the proposed changes.
- This budget is then sent to the respective local budget coordinators who in turn forwards it to the respective service heads.
- The service heads fits his budget within the approved limit and give it to the local budget coordinator.
- After receiving the budget from all the service heads, the local budget coordinators upload the budget in SAP.

CLASSIFICATION OF ACTIVITIES

For working out activity wise outlays, the activities have been classified under two categories: -

A. Final Activities

1. Survey
2. Exploratory Drilling
3. Development Drilling
4. Capital
5. R&D
6. JVs

7. Operating Expenditure (OPEX)

Budget will ultimately lie under these activities after running of all budget allocation cycles as budget is approved by the Board and the Govt. under these heads.

B. Intermediate Activities

It is anticipated that budget for services cannot be identified with the main activities at the time of feeding line-item wise budget data. As such following intermediate activities have also been classified in the budget software:

1. Drilling Services
2. Cementing Services
3. Mud Services
4. Work over Services
5. WSS Services
6. Well Completion Services
7. Logging Services
8. Engineering Services
9. Logistics Services
10. Geophysical Service
11. Project Over heads
12. Regional & Headquarter Overheads

Budget for services is first captured under these intermediate activities and then allocated to Final activities through cost allocation sheets. Accordingly, while linking the cost centres to activities for these services, cost centres will be linked to the relevant intermediate activities and not to the final activities.

C.Sub Activities

Each of the Final Activity and Intermediate Activity has been further been classified under sub activities to capture further details of activity wise expenditure. These sub activities are mainly Offshore-Deep Water, Offshore-Shallow Waters and On Shore. In case of OPEX, sub activity codes have been defined in line with Schedule 21 as adopted in Balance Sheet heads of OPEX. to facilitate capturing of OPEX expenditure under Schedule 23 heads.

BUDGETING SOFTWARE IN ORGANIZATION

INTRODUCTION TO SAP R/3 SYSTEM – ‘ICE’

SAP R/3 Financial system addresses the demands made on today's, management accounting system. It comprises business software for the use in a variety of operations, such as financial accounting, Asset management, and Management accounting. These components addition to recording and storing data, the system lets management use information to plan, control and monitor key business transaction.

Today's business enterprise needs to monitor business transaction in a plethora of locations. Management accounting system needs access to information in each phase of a corporate organization-from R&D to market research through manufacturing, distribution and sales. In additional, input to and from customers, supplier and financial institution is also linked to today's management accounting system

ICE Project objectives

- Facilitation of information consolidated at corporate level
- Availability of information at the right time, at the right place, thereby, enhancing managerial control.
- Integrating all business applications under single ERP platform with minimum interfaces.
- Improved responsiveness to changing global market scenario by adopting new and improved technology solutions.
- Optimization and standardization of business processes.

BUDGET SOFTWARE

Budget software has been designed to facilitate working of activity wise financial outlays. To meet this objective, cost center has to be linked to activity, while creating cost center master in the Budget software. While creating cost center master in the budget software cost center-profit center hierarchy in ICE has to be taken in account.

The responsibility of creation of section-cost center master and linkages of activity codes lies with the budget coordinator of the virtual corporate who will decide the activity code linkage in consultation with the technical budget coordinator of the budget units.

UPLOADING & PREPARING THE BUDGET

Doc. Line	Funds center	Commitment item	Amount (INR)	DK	Text
	AMDSDDSR		0		
			0		
			0		
			0		
			0		
			0		
			0		
			0		
			0		
			0		
			0		

This is the page for the SAP software which is used for the budgeting purpose in ONGC. After the necessary login credentials one can see this page after selecting the budgeting workbench. In the workbench to record the budget the user has to enter some predefined specific code. For example, in the above given budget the specific code for the Ahmedabad ONGC asset is AMDSDDSR.

If we break down the whole code which is AMDSDDSR then it will be explained as below:
In general, the code is of 8 to 9 digits in which the first 3 digits of the code represents the district name or the name of the location at which the ONGC asset is situated. For example, in the above given code AMDSDDSR
AMD – is the acronym for the Ahmedabad ONGC asset

After this there are different types of services and the group of such services known as fund center. Fund center includes services like drilling, surface, Mud Service, Cementing services etc.

Now there will be one center of drilling services. It will be one fund center. The 8-9 code should be entered to know how much drilling services were charged at Ahmedabad. Next digit i.e., 4th digit determines whether it is service or asset. 5th and 6th digit are the type of service 7th 8th and 9th what type of service it is. like Drilling service includes Cementing service and mud service. Thus in 7,8,9 digit it will tell the sub service.

AMD - A/S - DS/SA - DR/MD/CM ----- It is a fund center code
SA – Surface Service
DR – Drilling service
MD – Mud service
CM – Cementing service.

Budgeting Workbench - Create Document for FM Area ONGC

Document Overview on/off Hold Prepost Save Changes Long Text Messages log Messages per Line

Header D... Additional Data

Process: Enter Total: 0.00
 Budget Category: Payment Version: 0
 Document type: 0 (Budget Entry) Document Date: 01.06.2021
 Fiscal Year: 2021 Period: All

Funds center	Commitment item	Amount (INR)	DK	Text
AMSDSDR	90853	1	0	BUDGET FOR FURNITURE ITEM
		0		
		0		
		0		
		0		
		0		
		0		
		0		
		0		
		0		
		0		

SAP 94136 eccapp10 INS

After entering the Fund Center code, the user has to enter the commitment item number. Commitment Item is group of budget head. The commitment item number is the unique number or code specifically assigned for some specific items or materials. For example, in the above screen the commitment item number is 90853 which represents the budget for the furniture item and the amount allotted to that is Rs. 1.

Entry Document - Messages

Overview Num...

Availability Control (FM) 1

Type Message Text

Annual budget exceeded by 0.90 INR (FM PB Availability Control) for document item 000002

xt
 BUDGET FOR FURNITURE ITEM
 BUDGET FOR FURNITURE ITEM

When we proceed with this information an error message will come on the screen which shows that the budget exceeded by 0.90 INR. It means that the budget we have given for the furniture is 0.90 Rs. more than the allotted. This is for the demo purpose hence the budget allotted to the furniture is 0.1 INR. The budget varies from materials to materials as per the past experience and forecasted budget.

Budgeting Workbench - Create Document for FM Area ONGC

Document Overview on/off Hold Prepost Save Changes Long Text Messages log Messages per Line

Header D... Additional Data

Process: Enter Expenditures: 1.00
 Budget Category: Payment Revenues: 1.00-
 Document type: 0 (Budget Entry) Version: 0
 Document Date: 01.06.2021

Doc. Line	Funds center	Commitment item	Amount (INR)	DK	Text
000001	AMDSDSR	90853	1.00	0	BUDGET FOR FURNITURE ITEM
000002	AMDASA	CAPTL_AVL	1.00-	0	BUDGET FOR FURNITURE ITEM

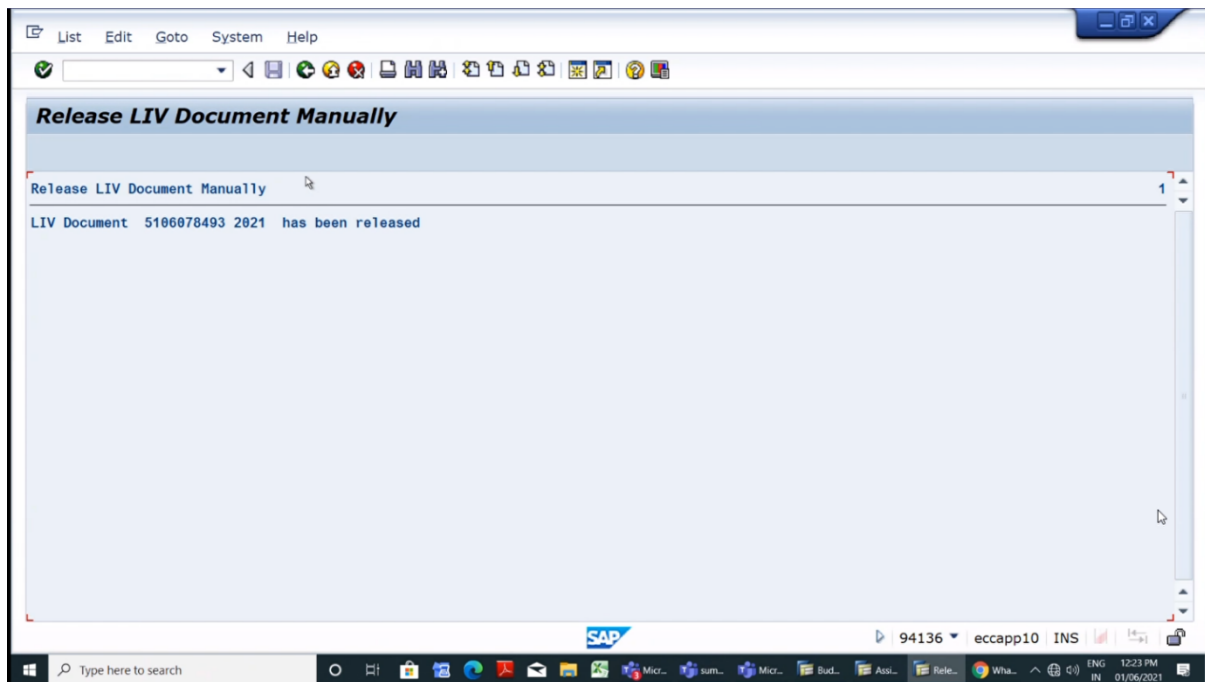
As our budget got exceeded by 0.9 INR then this budget won't approved by the asset. Now in the above image we are reducing or we can say reallocating the budget of furniture, that's why we are subtracting the allocated budget of INR 1.0 from the available capital. Also, we have to select the fiscal year for the budget which is 2021 in this case.

Release LIV Document Manually

Invoice Doc. Number: 5106
 Fiscal Year: 5106074636

5106072829
 5106072841
 5106072846
 5106071265
 5106071811
 5106070749
 5106069814
 5106061542

This is the device where the user can release the LIV which is List of Vouchers manually. When the vouchers are created for any purpose then it needs to be approved by the authorized person which can be done through the SAP Software System. The user has to enter the Invoice Document number for the approval of LIV.



After entering necessary details, the page will show the current status of the LIV. As shown in the above image the current status of LIV document is that it has been released which means that the budgeted amount is requested for the specific item and looking for the approval.

The screenshot shows the SAP 'Assigned Budget Detail Report' interface. The title bar includes 'List', 'Edit', 'Goto', 'Views', 'Settings', 'System', and 'Help'. Below the title bar is a toolbar with various icons. The main content area displays the report title 'Assigned Budget Detail report' and a sub-header 'Run By 94136 Run on 01/06/2021'. The report data is presented in a table with the following columns: Funds Center, Funds Center Name, Commitment Item, Commitment Item text, Fiscal Year, and Distributable budget.

Funds Center	Funds Center Name	Commitment Item	Commitment Item text	Fiscal Year	Distributable budget
AMDSDSR	Drilling Services-Dr	90853	Furniture&Fixtures	2021	0.10
					0.10

The SAP logo is visible in the bottom right corner of the window.

This above image shows the status of the budget which we have assigned for the specific item. In short it is the detailed report of the assigned budget. For example, in the above image it is shown that the budget of INR 0.10 is assigned for furniture and fixtures under the drilling service at the Ahmedabad ONGC asset.

Entry Document

FM Area: ONGC

Budget Category: [] to []

Entry Document Number: [] to []

Document Family Number: [] to []

Created by: [] to []

Changed by: [] to []

Original Application: [] to []

Created on: [] to []

Changed on: [] to []

Document Date: [] to []

Person Responsible: [] to []

Text Name: [] to []

BCS Value Type: [] to []

Version: [] to []

Fiscal Year: [] to []

Budgeting Period: [] to []

Int. Bdg. Process: [] to []

Budget Type: [] to []

Entry Document Type: [] to []

Document Status: [] to []

Reversal status: [] to []

SAP 94136 eccapp10 INS

This is the entry document page where we can see the details of the specific budgeting. For this the user has to enter the necessary details regarding the document like fund center number, fiscal year, type of budget etc.

Selection List for Entry Documents

FM area: ONGC
Currency: INR
Budget Category: Payment

Doc. Type	Process Type	Year	Budget Type	Funds ctr	Cmmt item	Amount	LC	Created on	Doc. Text	Process	Pers. Resp.	Entry Docu	User	Text
0	Enter	2021	Original Budget	AMDSDDSDR 90853		0.10		01.06.2021	ENTR			100005548	94136	BUDGET FOR FURNI
0	Enter	2021	Original Budget	AMDSDDSDR 90853		0.10		01.06.2021	ENTR			100005549	94136	
	BE					0.00								
	BE					0.00								

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After entering the necessary details, we get all the information of activities which are done with this fund center number. For example, the above Image shows the different types of actions done for the fund center AMDSDSDR and the item number 90853 and also the date when it is created.

Document Edit Goto Extras Environment System Help

Budgeting Workbench - Create Document for FM Area ONGC

Document Overview on/off Hold Prepost Save Changes Long Text Messages log Messages per Line

Budget Category: Payment
 Document type: 0 (Budget Entry)
 Sender:
 Fiscal Year: 2021
 Budget Type: TRNF Budget Transfers
 Version: 0
 Document Date: 01.06.2021
 Period: All

Receiver:
 Split

Doc. Line	+/ -	Funds center	Commitment item	Amount (INR)	DK	Text
000001	-	AMSDSDSR	201499	1,000.00	0	
000002	+	AMSDSDSMD	201430	500.00	0	
000003	+	AMSDSDSR	201430	500.00	0	
-						
-						
-						
-						
-						
-						
-						

SAP 94136 eccapp10 INS

This above image shows the transfer of budget allocated from one item to the other items. This can be done by subtracting the amount from one item to allocating the amount to another item. In this way we can allocate the budget amount from one item to the other items.

Text Edit Goto Extras System Help

Print Preview of LOCL Page 00001 of 00002

Archive Print and Archive

Oil and Natural Gas Corporation Ltd.
 PURCHASE REGISTRATION.
 Date: 01.06.2021
 Page 1 of 2

DOCUMENT NO : 1060062334
 Document Type : MAT FR-Capital
 Pur. Group : Amd-FINANCE
 Creation Ind. : DIRECT
 BIP Clause : BUDGETED CAPITAL ITEMS OF GENERAL NATURE
 Date : 01.06.2021
 Tracking No. :
 Release status:XXX
 Appr. Trk. No.:
 Requisitioner : 96612
 NRP CONTROLLER: Ast. Local Capital

Sl.No.	Material Cd	Net Qty	UOM	PLANT	S.LOC	Est.Price	Currency	Total Value(INR)
00002	OC9300000	1.00	NO	20A1	30.06.2021	2,000.00	INR	2,000.00
TABLE FAN								2,000.00
GRAND TOTAL(INR):								2,000.00

Per NoMat Code Description
 Detailed Specifications
 00002 OC9300000 TABLE FAN

LAST PURCHASE AND MRP DATA :

MATCODE	ContCode	VALTYPE	LAST PO RATE	LAST PO DT	PLANT	ONGC	PLANT	QTY ORDER	OPEN PR.
OC9300000					20A1				0.00

CONSUMPTION DETAILS

MAT_CODE	PLANT	CONS (Curr-Fiscal)	CONS (2020/21)	CONS (2019/20)	CONS (2018/19)
OC9300000	20A1				

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LEARNINGS FOR THE STUDENT

The learning opportunities for the students from the huge organization in any department is great from the first day of the internship itself. Working with the finance department during internship in ONGC was completely new experience for the students. The student's learnings so far can be broadly put as follows:

(1) Important elements of the Budget

During the preparation of budget there are many different things that have to keep in mind and have to do lot of research work on that. These elements may differ from organization to organization.

(2) Communication

This the most important element of learnings that the student learns from the internship. For any organization communication is the main aspect. The communication should be clear and precise so that there won't be any mishaps among the people working in the organization. The person has to maintain a proper chain of communication in the organization.

(3) Time Management

The most important thing that teaches any student during internship is the time management. The punctuality is the synonymous to the discipline in the organization.

(4) Practical Usage of Finance

After learning different aspects of finance in the first year of my MBA, I wanted to know the practical aspects of those learnings. ONGC Ltd. gave me this opportunity in the form of internship which helped me in gaining the knowledge of practical usage of financial studies. Working in the Budgeting department helped me gain the practical way of making the budgets for the organization and how various micro-economic and macro-economic factors are considered while preparing the Budget.

(5) Budgeting Procedure

Studying preparation of budget is pretty much different from what we do in practical budget process. As in the classroom we take many economic factors to be constant or sometimes we even avoid that. But at ONGC I was able to learn the budgeting process by considering every little aspect as the company cannot approve the budget again and again in the same year, thus it becomes very important to prepare the budget which will be near to the actual expenditure and revenue in the fiscal year.

(6) Management of Complex Financial Structure

Financial structure at ONGC Ltd. Is very complex. It consists of various departments and all the departments are inter linked and keeping in mind the company size of ONGC it becomes very difficult to understand the system. The management of the financial system at ONGC is commendable as if we talk about the Budgeting process, the budget is made of 3 periods and of various activities which includes drilling, surveying, pumping, extraction etc. and then the budgeting by revenue, budgeting by expenditure, budgeting by departments. Thus, to learn how the management works in the financial

department of ONGC was very great insightful for me.

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