THE ASSESSMENT OF BUDGET AND BUDGETARY CONTROL ON THE

PROFITABILITY OF SMEs

(CASE STUDY: SMEs IN MADINA)

BY:

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Administration.

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DECLARATION

I hereby declare that the research work is my own piece of work, done as part of the requirement for the award of a Bachelor of Science Degree in Business Administration. This work does not contain any material published by another person which has been accepted for the award of any other degree of the university, except where due acknowledgment has been made in text.

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DEDICATION

This project work is dedicated to Almighty God, for his Grace bestowed upon me throughout this work. I also dedicate this work to my parents Mr and Mrs Onikeku and my siblings Mas’ud and Abdul Quayyum Onikeku, who have contributed to the success of this project work.
ABSTRACT

Companies lack effective and efficient budget and budgetary control system to adequately allocate resources to meet organizational goals and maximize profit. Most employees are not aware of the budgeting system and its process that is being used in the organization.

The aim of this study is to review and ascertain how profitable an organization can be when they adhere to budgetary measures. Both Primary and Secondary data were collected to draw a conclusion to the study. A well designed questionnaire was used to obtain data through personal interview and administration of the questionnaires by employees of the selected SMEs. The analysis of the findings conclusively indicates that most of the employees do not work with the budget due to lack of proper induction, and also budget plan and preparation should be done in cooperation of units head and heads of departments, also the approval of budgets should be made public and should avoid manipulation. Budgets should be well prepared by the budget committee to avoid incurring unnecessary expenditures and cost. Companies should make enough arrangement to keep all their employees informed about their budgeting system and its process.
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Chapter One

General Introduction and Summary

1.1 Introduction

According to Chartered Institute of Management Accountants (CIMA), a budget has been defined as “a financial or quantitative statement prepared prior to a defined period of time for the policies to be pursued during that period for the purpose of attaining a given objective. Horngren and foster (1999) defined a budget as “a quantitative expression of a plan of action and an aid to co-ordination and implementation. Budget is a future plan of an action in which every department in an organization should possess and adhere to.

The rapid environmental changes that companies face today does not affect only the production system, equipment changes and new technology usage but also organizational performance and management philosophies. Following this uncertainties prevailing business environment today, management and shareholders needs to compete in order to survive. Budgetary control entails a repetitive circle of planning and control which is normally followed by appropriate information about actual result to the management for comparing them against a budget and initiating a control action if necessary (Defranco,1997).

Therefore this research will include the statement of the problem, the purpose of the study, objectives and significance the study has on the business organization as far as budgetary control and performance are concerned. Budgets are known to have an important role to transmit the expectations of the top management to the lower levels. According to Bremser (1988) budgets are used to communicate top management’s expectations to managers and employees. It is a quantitative expression of plan of action prepared in advance of the
period to which it relates, expressed in monetary term approved prior to the period (Lucey 1993).

1.2 Field of Study and Subject of study

The field of study of this research is Accounting the subject area of the study is Management Accounting.

1.3 Purpose of the study

The purpose of this study was to look critically into relevant areas of budget and budgetary control. Thus, it was to find out what type of budget and budgetary control are in use in the SMEs, why they use it and also investigate whether or not budgetary control has helped in managing their resources, what extent this tool is used to enable the SMEs take prudent decision that will help achieve their objectives. The problems they encounter during and after the budget process and how to reduce these problems.

1.4 General Objective/ Specific Objectives

Budgets are necessary tool to an efficient and effective planning process in an organization, the effectiveness of budget as a tool of management depends on whether the plans are well articulated. The main objective is to evaluate how budgeting and budgetary control could affect the profitability of a firm.

The Specific Objectives are

1. To ascertain the contribution of budget in controlling performance in an organization
2. To identify the problems associated with budgets and budgetary control in SMEs.
3. To find out ways to improve organizational performance through budgetary control measures

1.5 PROBLEM STATEMENT

Companies have performed poorly due to the fact that they lack effective and efficient budgets and budgetary control systems to adequately allocate resources to meet organizational goals and maximize performance. A study conducted by Boquist (2001) observed that companies continue to blunder and fail because they have flawed budgetary planning and control system, which they apparently fail to recognize.

However, many organization today do not make good budget about their organization and where they do, they do not control their performance in line with their budget. Budget, which is one of the tools that could be used by business organization to achieve their profit plan unfortunately, is not being used properly by many business organizations. In essence, many business organizations have failed in their profit plan due to lack of budgetary control in their organization.

Another problem of budgeting in the control of performance of an organization is that if the actual result are completely different from the target, the budget could lose its significance in the organization and could be because of the constraints imposed upon the managers which could affect the quality of the information gotten and then performance will also be affected because clearly nothing forecasted can be absolutely certain.
1.6 RESEARCH QUESTION

1. How has budgeting contributed to the performance of your organization?

2. How can organizational performance be improved through the use of budgetary control measures?

3. What are the problems associated with budgets and budgetary control in your organization?

1.7 SIGNIFICANCE OF THE STUDY

This research will help us to ascertain how budget and budgetary control can assist management in achieving their financial objective. It will enable organizations to know whether existing budgetary control system is in line with laid down rules and procedures.

It will also help management in assessing their performance in profit planning and control. This study will help management plan and set organizational goals that are attainable and measurable. It will also help measure improvement in future. This study expects to identify and provide information on the assessment of budget and budgetary control on the profitability of an organization. And this is going to add to the existing knowledge of literature and will serve as a reference material for further study.

The significance of this study is to enlighten the government about the need of budgeting and how it could severely affect the operations and economic state of a country. Since a country without budgeting could easily misappropriate funds, it could result to a negative effect thereby affecting the economy of the country. Therefore it is very important and necessary for the government to consider budgeting while carrying on the affairs of the
country. Not only the government but also to individuals holding various positions in a particular organization.

The society will benefit from this research work because they will be able to assess the performance of management and the profitability of the firm. Employees will also benefit from budget because they will know what goals the firm has set and strive towards achieving such goals.

Several firms or organizations just see budgeting as a means that aids in the allocation of resources to their appropriate departments but furthermore, it gives the management of firms valuable information to reach a better understanding on how budget can be used to influences their performance which gives an assurance that cost will be saved reasons that detailed information are been gotten before embarking on a particular task, so duties are carried out in accord leading to the avoidance of mistake and saving the cost of redoing that particular task or project.

1.8 BACKGROUND AND JUSTIFICATION OF THE STUDY

Budget is a key component in an organizations policy making which will decide how the organization performs its operation. Therefore budget will determine the success of an organization especially when the budget is prepared effectively.

This research intends to give an in-depth understanding on how budget and budgetary control affects the profitability of an organization, the budgetary control measures that are being put in place and how effective they are, using selected SMEs in Madina as a case study.
Budgeting provides information and data of past performance thereby giving the organization an insight to compare their actuals with expected. According to Chartered Institute of Management Accountants (CIMA), a budget has been defined as “a financial or quantitative statement prepared prior to a defined period of time for the policies to be pursued during that period for the purpose of attaining a given objective. Horngren and foster (1999) defined a budget as “a quantitative expression of a plan of action and an aid to co-ordination and implementation. In order to control expenditures, organizations set limits on how much they would spend on each item. As they incur the actual expenditure, they make comparison with the budgeted estimate.

An organization must plan in order to decide what line of action to pursue in a future time period and effective ways of executing them. Planning plays a vital role towards the success of an organization because when formulated, it gives a business a sense of direction. Therefore, we can say that a plan which is prepared to show how resources are acquired and managed over a period of time is known as budgeting. Its use in controlling activities is known as budgetary control.

CIMA also defined budgetary control as “the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparisons of actual with budgeted results, either to secure by individual action the objectives of that policy or to provide a basis for its revision. Hamilton [1961] rightly indicated that, “modern budgetary control comprises both a plan of operations and the means of controlling operations within the scope of the “plan”. In recent years, budgetary Control has been frequently examined to find its relationship with profitability of Industries.
The existence of many industries as at present can only be justified in terms of their profitability.

1.9 EXPECTED OUTCOME AND POSSIBLE USAGE

The expected outcome of this project is to assess the possible influence of budget on the control of performance in a SMEs, and to use this awareness to ensure that SMEs in Ghana operates effectively and more efficiently.

1.10 SCOPE AND LIMITATIONS OF THE STUDY

The whole research was comparative in nature. Some of the limitations encountered during the research are discussed below. The secondary data available for use in this research were old and out of date, with small sample size. Respondents also did not readily volunteer enough information as expected while some gave more than one response of classification of responses. Data collection and analysis will be time consuming and disorganized using manual methods. The unstructured nature of the responses will make the analysis and interpretation difficult.

1.11 LAYOUT OF THESIS

Chapter one comprises of the research topic, its background of study, objective of study, statement of the problem, significance of the study and the layout of the study.

Chapter two of the study looks deeply at the literature review, which involves the works of other researcher on the topic, theoretical review of the study and empirical review of the study.
Chapter three explains the methodology that was employed to carry out the research which comprises of the research design, population and sample, sources of data, data collection, and sampling procedures.

Chapter four represents the presentation of data analysis.

Chapter five deals with the findings and conclusion of the research, the conclusions will be drawn based on the findings and recommendations will be given for future research.
CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, a number of issues were discussed in relation to budgetary controls and the organizational performance. This study is based on the work done by scholars about budgetary control with major references to different writers who presented a variation of views about budgetary controls on the profitability of an organization.

One of the emerging issues in today’s globalized world is that managers are planning for the future of their organizations in an environment where changes in conditioned are experienced at regular intervals. The value of currencies rise and fall, prices of input materials suddenly fluctuates and there are generally structural imbalances and inflexibilities in the global economic systems. Amidst these conditions, management must focus on comprehensive appraisals and critical decisions about the future of the organization in order to remain a going concern.

Budget defined according to the Cambridge English Dictionary is a plan to show how much money a person or organization will earn and how much they will need or be able to spend. It gives a foreknowledge to what is to be done and also utilized for accomplishing a particular task. Budget came into existence in the century when monarchs were mismanaging the finances of the country. It brought about and led to diver chaos in the country and during the 18th century, the version of annual budget came into the world events. It all originated from the word “bougette” meaning a wallet in which a document or money can be kept.
According to Lambe (2014), one of the effective ways to prepare for changing conditions is to provide a framework that contains specific plans that are sufficiently flexible to adapt to unanticipated changes. A comprehensive process of providing such framework is known as budgeting. It involves the setting of targets, and effectively monitoring of actual performance against those budgeted.

It was stated by Johnson (1996), that companies began to use budgets to dictate what people needed to do in the 1960s. And then in the 1970s the performance improvement of a company was forgotten because people saw it as just meeting financial targets rather than its effectiveness. Due to this, companies began to face problems in the 1980s when they were not willing to spend money on innovations in order to stay with the rigid budgets, they were no longer concerned about the welfare of their customers and how they are being attended to, but their major aim or viewpoint was on meeting the sales target budgeted for that particular period.

Bartle (2008) indicates that budgets today provide a focus for the organization, aid in the coordination of activities and facilities control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved.

2.2 CONCEPTUAL REVIEW OF LITERATURE

2.2.1 NATURE OF BUDGET AND BUDGETARY CONTROL

Omolehinwa (1989), defined a budget as a plan of dominant individuals in an organization expressed in monetary terms and subject to constraints imposed by the participants and the environments, indicating how the available resources may be utilized, to achieve whatever the dominant individuals agreed to be the organization’s priorities.
According to Brook and Palmer (1984), it is a business’s financial control system. Budgeting is about making plans for the future, implementing those plans and monitoring activities to see to it that they conform to plan.

Appiah-Mensah (1993) explain that, budgeting is the way and means of preparing budgets and that a budgets is a plan of action which has been prepared and approved prior to the period when it will be used, detailing monetary, quantitative or other descriptive terms, the event to be accomplished in the budget period. A budget is different from a mere forecast, in that it is a formal management of events which are desired by management to take place in an organization within a defined period of time.

A forecast is not a scientific activity, because it can merely be a guess work. However a budget is scientific document because it is prepared under approved principles and procedures and in a systematic manner.

In reference to Gershon Kpedor (2012), “budgeting, budgetary control and performance evaluation”, Budget was first introduced in the 1920s as a tool to manage costs and cash flows in large industrial organizations. Johnson (1996), states that it was in the 1960s that companies began to use budgets to dictate what people needed to do.

Budgetary control has made business managers to be concerned about how best the concept of budget can be applied in executing their managerial function of planning and controlling the activities of their organization.

Rosenberg (1978), described budget as an itemized listing, and frequently the allotment of the amount of all estimated revenue a given business anticipates receiving, and the listing
and frequently the segregation of the account of all estimated cost and expenses that will be incurred in obtaining the above mentioned income during a stated period of time.

Hirst (1987), explains that an effective budgetary control solves an organization’s need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Shields and Young, 1993). Budgets are considered to be the major elements of an efficient control process and also an important part to the concept of an efficient budgetary control.

The motivations for this study also comes from the work of Herath and Indriani (2007) who investigated on the “role of budgetary control system as a component of the management control system in creating and sustaining competitive advantage” and came with a positive conclusion. They concluded that budgetary control system plays a leading role in establishing an efficient management control system for creating a sustainable competitive advantage.

Budgeting has now gone beyond the stage of been a financial and managerial tool in an organization. It also helps in the performance level of a business because it helps in the assigning of roles to qualified individuals within the organization. Essien at al enumerates some of the uses of budget:

- It is used to evaluate performance in an organization.
- It is a way of motivating managers to achieve goals and objectives.
- Acts as a benchmark for controlling on-going activities in an organization.
• It is also an aid in the making and co-coordinating of short term plans in the organization

• It’s also a device for the communicating of plans to various responsibility centers.

2.2.2 THE CONCEPT AND HISTORY OF BUDGET

Budgets are a financial blue print that qualifies a firms plan for the future. It is a detailed plan that outlines the acquisition and use of financial and other resources over a period of time. Lucey (2002) defines a budget as a qualitative statement, for a period of time which may include planned revenues, assets, liabilities and cash flows. Goldstein (2005), a budget is used by institutions in setting priorities by allocating scarce resources to those activities that are most important to the organization.

At the beginning of the Nineteenth Century, many of the currently accepted policies and procedures were taking shape. It was actually the French efforts to streamline their own government that budgeting became useful. By the mid-1800s, they had to put together guidelines for performing audits, defined a standard fiscal year, and created accountability reports. They required written reports that detailed all of the revenue and expenses for the year with a reconciliation of where all funds came from and how they were dispersed. In the early 1800s, American government and business began to recognize the concept of a balanced budget. While it would appear to mean something different to people now, in those days a balanced budget meant controlling expenditures and keeping them low while reducing or eliminating debt.
2.2.3 ADVANTAGES OF BUDGET AND BUDGETARY CONTROL

- Budget aids planning. It provides a definite objective with regard to future operations.
- Budget helps to promote and encourage co-ordination between the different sections and departments of a business.
- Budget enables management to control each function in an organization. It helps to measure performance and focuses attention on deviations for corrective measures.
- Budgetary control provides means by which the activities of the organization can be stabilized where the organization's activities are subject to seasonal variation.
- Budgetary control increases production efficiency, eliminates waste and controls cost.
- Budgetary control provides standard costs that are to be used in an organization.

2.2.4 TYPES OF BUDGETS

FLEXIBLE BUDGET

These are budgets designed to change in accordance with the level of activity or production level. It gives a set of budgets for different levels of activities. It takes into account the difference between fixed and variable cost. In essence, the flexible budget says, “you tell me your level of business activity for the period and I will tell you what your cost should have been” Maher and Deakin (1994) agreed that a flexible budget indicated revenues cost and
profits for virtually all feasible levels of activities. Flexible budget is a budget which by recognizing different cost behaviour patterns, is designed to change as the volume of activity changes for control purpose, it is vital that flexible budgeting is used only by comparing what the cost should have been with the expenditure incurred at the actual activity level can any control be exercised.

SALES BUDGET

Brook and Palmer (1984) describe the sales budget as setting forth the sales department’s objectives for the budgetary period. The sales budget is the key to the overall industry budget, because the anticipated sales volume is used as a basis to determine amount of goods to be produced, the labour equipment and capital required and the natural and amount of various selling administrative and financial expenses needed.

PRODUCTION BUDGET

According to Brook and Palmer (1984), after the sale budget has been determined, a production budget can be made to meet requirements of sale budget. The actual number of units to be completed is computed from the following data units to be sold, desired size of ending inventory and units in the beginning inventory.

FINANCIAL BUDGET

According to Joseph Baggot (1976) it consists of the budget of the budget capital expenditure, cash budget, the balance sheet and the statement of changes in financial position. They are concerned with the financial implications of the operating budgets that is the expected cash inflow and cash outflows, financial position and operating results.
**CASH BUDGET:** A cash budget is one of the most important budgets prepared in the organization. It shows in summary form, the expected cash receipts and cash payments during the budget period. As described by Brook and Palmer (1984), the cash budget shows the effect of budgeted activities selling, buying, paying wages, and investing in capital equipment and so on. Cash budgets are prepared in order to ensure that there will be just sufficient cash in hand to cope adequately with budgeted activities.

**MASTER BUDGET**

This is the summation of all the functional budgets of the organization and indicates also a budgeted profit and loss and balance sheet. In reference to Chika Agu, the master budget also known as profit plan is a comprehensive set of budgets covering all phases of an organizations operations for a specified period of time. The master budget is the principal output of a budgeting system, it is a comprehensive profit plan that ties together all phases of an organizations operations

**ZERO-BASED BUDGET**

According to CIMA, it is defined as “a method of budgeting whereby all activities are re-evaluated each time a budget is formulated. Lucey (1994) argued that, zero-base budgeting is a cost benefit approach whereby it is assumed that the cost allowance for an item is zero and will remain until the manager responsible justifies the existence of the cost item and the benefit the expenditure brings.

Appiah-Mensah (1993) also argued that ZBB are prepared without reference to the budget of the preceding period. A fresh look is made at the activities of the organization and based on the new circumstances and entirely new budget is prepared.
It is applied in three stages of:

- The decision unit: subdividing the organisation to discrete sub-units where operations can be meaningfully and individually identified and evaluated;

- The decision packages: each decision unit manager submits no less than three budget packages namely: the lowest level of expenditure; the expenditure required to maintain levels of activities and the expenditure required to provide an additional level of service or activity;

- Agreed packages will form the budget.

**INCREMENTAL BUDGET**

According to Appiah-Mensah (1993), incremental budgets are like ordinary budgets, except that in the case of incremental budget, in the next budget period a fresh budget is not prepared only a percentage increase or decrease is made to either the previous budgetary estimates or the actual results. It uses the current year estimates of income and expenditure as the basis for determining the budget for the year, Thus with the previous budget as the base, adjust for inflation and other changes in the economy, market conditions and the desire of management to attain some objectives are incorporated as adjustments.

**2.2.5 THE BUDGET PERIOD**

A detailed budget for each responsibility centre is normally prepared for one year. The annual budget may be divided into twelve months. Alternatively, the annual budget may be broken down by months for the first three months and by quarters for the remaining nine months. The quarterly budgets are then developed on a monthly basis as the year proceeds.
2.2.6 THE BUDGET COMMITTEE

This consists of high-level executives who represent the major segments of the organization. Their major task is to ensure that budgets are realistically established and that they are coordinated satisfactorily. The normal procedure is for the functional head to present their budget to the committee for approval if the budget does not reflect a reasonable level of performance, it will not be approved and the functional head will have to re-submit it for approval.

The budget committee should appoint a budget officer; whose role is to coordinate the individual budgets into a budget for the organization so that they can get to know its impact on the organization.

2.2.7 THE BUDGET MANUAL

A budget manual is prepared by the accountant. It describes the objectives and procedures involved in the budgeting process and will provide a useful reference source for managers responsible for budget preparation. In addition, the manual may include a timetable specifying the order in which the budget should be prepared and the dates when they should be presented to the budget committee. The manual should be circulated to all individuals who are responsible for preparing budgets.

2.2.8 BUDGETARY CONTROL

This is the process by which financial control is exercised by managers preparing budgets for revenues and expenditure for each function of the organization in advance of an accounting period. It involves the continuous comparison of actual performance against the budget to ensure the plan is achieved or to provide a basis for its revision (Collis and Hussey, 2007).
Lockyer, K (1983) was of the opinion that once a budget has been drawn up, it can be used as an instrument of control by continually comparing actual with budget performance. Since all activities are ultimately capable of being expressed in financial terms, the breath of control possible is very great. Hence budget control is part of the overall system of responsibility accounting within an organisation, as costs and revenues are analysed in accordance with areas of personal responsibilities of the budget holders through permitting financial monitoring.

According to Chartered Institute of Management Accountant (CIMA), budgetary control is the establishment of budget relating the responsibilities of executives to the requirement policy, and the continuous comparison of actual with budgeted results.

Budgetary control by Brown and Howard (1995), as a system of controlling coordinating the department and establishing responsibilities comparing actual performance with that budgeted and acting upon result to achieve maximum profitability. This means that budgetary control involves administration of cost and selling of budget standards. The success of budget depends on the effectiveness of the budgetary control system.

### 2.2.9 Essentials of Budgetary Control

- Establishment of budgets for each function and section of the organization
- Continuous compare of the actual performance with that of the budget so as to know the variations from budget and placing the responsibility of executives for failure to achieve the desire result as in the budget.
- Revision of budget in light with changed activities of the corporation may change due to pressure Imposed on management to attain a desirable objective
• If there is a variation of the actual performance from the budgeted performance, corporations should take suitable remedial action to achieve its objectives.

2.2.10 OBJECTIVES AND PURPOSE OF BUDGETARY CONTROL

Pan day 1988 briefly defined budgeting as a systematic and formularised approach for stating and communicating the firms expectation and accomplishment of it plans, coordination and controlling responsibilities of management in such a way as to maximize the use of given resources the objective of the organization in the budget to manage both human and material resources of an organization and to plan for future.

OBJECTIVES INCLUDES

PLANNING

A budget provides an in depth plan of action for a business over a definite period of time. By planning, problems can be anticipated before they arise and solutions can be sought through careful study. The budgeting planning process ensures that managers do plan for future operations, and that they consider how situations in the next year might change and what steps they should take now to respond to these altered conditions.

CO-ORDINATING

It helps to coordinate the activities and efforts of different departments in the organization so that the policies are successfully implemented. Effective planning and organization contributes a lot in achieving coordination. Budgets are not prepared for the benefit of individuals involved in the process but for the best interest of the business or the
stakeholders. Without guidance therefore, managers might make their own decision that will work against the overall objective of the business

**MOTIVATION**

A budget is helpful in encouraging managers to carry out their duties in line with the organizations objective. It can also serve as a useful device for influencing management behaviour and motivating managers to perform in line with the organizational objectives.

**CONTROL**

This is necessary to ensure that plans and objectives as laid down in the budget are achieved. It keeps the management informed as to whether employees are performing or not.

**COMMUNICATION**

A budget is a communication device, the accepted budget copies are distributed to every management personnel which serves as a guide to be followed. Budget itself does not facilitate communication; however the vital information will be communicated in the work of preparing budget. Budgets should be communicated to the right employees and also at the right time so that activities could be done orderly and timely. Communicated budgets must also be accurate and well-structured in other not to convey wrong information to the users of the budget that could eventually lead to a wrong execution of duties.
2.2.11 THE ROLE OF BUDGETARY CONTROL IN A BUSINESS ORGANIZATION

T. LUCEY (1996:386:387) the budgetary control report is a major vehicle to the feedback process and to ensure maximum effectiveness. It is important that it’s design, content, timing, and general impact is given careful consideration, which produce benefit whilst information only produce cost.

The key items to be shown are:

a. The actual level of revenue and cost for the period and year to date.

b. The variance between (A) and (B) together with the trend in the variance

c. An indication of what variance is significant together and where possible analysis and comment which can be used to bring the variance under control.

The recipients of budgetary control report should be encouraged to make constructive criticism of all aspect of the reporting procedures so that it is improved and made more effective. Organizations are often faced with the need to purchase additional property, plant and equipment. To invest in such property which require a substantial commitment of resources, but the result may significantly increase the organizations productive capacity and should improve long run profit. Capital budget analysis offers several methods to assist management in making these decisions.

After planning process has been determined, which is the determination of goals as well as ways to achieve them?, the next thing that should be done is to put the plan into work and once these plans are at work, it is also necessary for the management to monitor this
operation in order to exert some control over the operation. Key managed controlling involves three things:

Putting the plans into work

Observing those plans at work and

Gathering information on how well they are performing.

The information collected to assess the performance of the organization in reaching its goals and objectives is often called or referred to as the feedback. If the plans are not on track towards attaining the intended goals as determined by the feedback, management must determine what is necessary to get those plans back on track.

It is essential that planning and control interact with each other for an organization to reach its goals. However, the interaction between planning and control is not quite as simple. Although we definitely do need to have plans before we can control, the reverse is also true. We need to control before we can do a good job of making new plans, unless we have the feedbacks of the control process it’s not possible to our expectation for upcoming period in order to set new goals and the means of attaining them.

2.2.12 PROBLEMS OF BUDGETING

Budgeting problem can be classified into quantitative and non-quantitative as below:

QUANTITATIVE PROBLEMS

Budget is concerned with the future and as such the data that goes into its preparation must be future-oriented but on past events. Nevertheless, there is always a technical problem in forecasting accurately the future in a world that is dynamic in nature. It should also be
noted that since budgets are set by human judgement, they are subjected to the same feasibility which attends all human activity. Therefore, the dynamism of the future would definitely raise variance between the actual and the budgeted results.

**NON-QUANTITATIVE PROBLEMS**

These are the behavioural problems of budget. They arise as a result of the behaviour of human factor that is unpredictable. An average human being changes like weather with situation to his best advantage. It is this same human being that is expected to supply the information on which the formulation of budget would be based. He is also expected to use the budget to achieve the organisational objective. He may decide to be enthusiastic or indifferent about it. He may even consider it that his employer wants to reap where he has not shown at his expense, he may therefore bring in wide variables into the budget, most especially where he is informed that the budget would serve as a reference point in determining his efficiency of performance. Also, executives and employees are expected through education to have a very good understanding of what the budget is all about where this education and consequently the understanding is lacking, failure and collapse of the budgetary process is unavoidable.

**2.3 THEORETICAL REVIEW**

Budget also reflect the financial implications of business plans, make known the amount, quantity and the timing of the resources needed for a particular project (Shields and Young 1993). Budget is an important element in every organization and they are a collection of plans and forecasts (Silva and Jayamaha 2012).
INSTITUTIONAL PERSPECTIVE ON BUDGET

According to this perspective (Dimaggio & Powell, 1993), budgeting diffused via three mechanisms, under mimetic diffusion, organizations adopt budgets because they observe that other groups become more financially confident and successful with a systematic budgeting process. As budgeting become more popular, there were coercive pressures to adopt budgets. Stockholders who demand sound financial management may expect yearly budgets for key activities. Philanthropic organizations will scrutinize budgets of charitable organizations to ensure future contributions are spent wisely. Employees expect formal budgets to remain confident that money is available for salaries and important projects.

Finally, accountants and financial managers hired by firms bring normative pressure to adopt standardized budget practices. Budgeting is a logical extension of credit-debit accounting principles and is taught in every business school.

Budgets have also become a “rational myth” for modern organizations. According to Meyer & Rowan, the adoption of these myths is often ceremonial (Meyer & Rowan, 1977). Budgets necessary for legitimacy can be de-coupled from daily operations. Money may be transferred from one budget category to another to cover over-spending.

RESOURCE DEPENDENCY PERSPECTIVE ON BUDGETS

Budgets are pervasive in organizations because they help clarify internal resource dependencies. Often the hierarchy of budgets reveal organizational priorities and dependencies better than formal organizational charts. The approved budget can also represent a “rationalized” statement of purpose for the coming year understood by both employees and outsiders.
Budgets are also useful control mechanisms because they are more flexible than contracts. Unlike contracts, you can easily change a budget to affect a sub-group’s activity.

**TRANSACTION-COST PERSPECTIVE ON BUDGETS**

From a transaction-cost perspective (Williamson, 1975), budgets are ubiquitous because they help regulate the internal market. A good budget can lower internal transaction costs by minimizing uncertainties, hindering opportunism, and mediating internal disputes. Organizational involvement in budget preparation can help clarify future transactions between sub-groups.

**2.4 Empirical Review**

Otley (1978) did a study on budget used as a measure of managerial performance. He did a research on a single large organization which had a considerable number of production facilities, producing similar products geographically dispersed around the United Kingdom. His findings were that there is a positive relationship between budget use in evaluating managers and their level of performance unlike (Hop-Wood 1972) he noted little evidence to indicate that any particular style of budget use affected actual performance although this is a most elusive relationship to capture in a field study, but it was found that there were considerable, interaction and long-term unit profitability.

Muleri (2001) did a study on budgeting practices in Non-governmental organization in Kenya the aim of the study was to establish effectiveness of budgeting practices among British NGO’s in Kenya. The research looked at the concept from a different point of view and found out that most organization used modern practices as zero based and philosophies to reduce financial management.
Budgetary control is principally geared towards achieving in a functional and effective manner, the proposed course of actions quantified in the budgetary framework. According to Brown and Howard (2002) budgetary control can be viewed as a system of controlling cost which include the preparation of budget coordinating the department and establishing responsibility, comparing actual performance with that of budgeted and acting upon results to achieve maximum profitability. The above statement simply means that in order to achieve budgetary control, actual performance must be measured against the budgeted target at regular intervals so that performance can be properly assessed and evaluated.

Furthermore, the objective of budgetary control is to enable management to conduct business in the most efficient manner. Scott (2000) also agreed to this fact when he posited that budgetary control is more than an administrative technique which aims to ensure that management functions are carried out in a well-organized and co-ordinated manner.

Budgets are not prepared to be inserted in files but to be used to extend control during the implantation effort. The end of control can be best served when control is tied to a precise and clear organizational structure.

Finally, there is a chance of opinions that budgetary failure may occur even after a budget has been prepared in accordance with the idea in other words, a budget will succeed or fail depending on the operations of the system.

**2.5 Conclusion**

Budgetary control is a technique of managerial control in which all operations are planned in advance where budgets and actual results are compared with budgetary standards. Budgetary control as a management technique must be given adequate attention it
deserves in any organization, given the fact that good planning without an effective control for the purpose of measuring performance will result in inefficiency. Above all, it has become increasingly clear that budgeting and planning is an effective internal operating tool which could be good for organization in Ghana to help achieve overall success in their activities and can subsequently remain a positive instrument for effective performance in the long-run.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter discusses the research design, the population and sampling techniques. It also discusses the instruments used in the data collection, the procedure for data collection and the method for data analysis. In summary, this chapter discusses the research methods and procedures used for the study. It considered the following areas, research design, the study area, population, sampling unit, data collection method, data analysis method, limitations etc.

3.2 RESEARCH DESIGN
Research can be defined as a scientific and systematic search for pertinent information on specific topics. Eze and Agbo (2005) defines research design as the specification of procedures for collecting and analyzing data necessary to help solve the problems at hand, such that the difference between the cost of obtaining various level of accuracy and expected use of information associated with each level of accuracy is maximized. This research has a case study; the design uses primary and secondary sources of data. It uses a lot of qualitative data sources e.g official reports and records. The research also uses survey design where quantitative data are collected in the form of questionnaires. Descriptive research through questionnaires is designed to collect information from the target population on the contribution budget and budgetary control has on profit. The questionnaires are structured with both open and close ended questions to enable information to be obtained from respondents.
3.3 DESCRIPTION OF THE STUDY AREA

The study intends to find out how budget assess the control of performance in business organization. The study focused on SMEs in Madina Ghana, though there are lots of SMEs in Madina but for the purpose of this study, the researchers focused on five (5) selected SMEs in Madina Ghana. The selected SMEs are Beige Capital, Best Point, ASA, First Allied, FirsTrust.

Beige capital savings and loans Ltd (BCSL) is licenced by the Bank of Ghana and is the leading Savings and Loans company in Ghana. Since the inception in 2008 we have developed structures and strong pillars which have ensured the consistent growth of their business, thus placing them among the top tier brands within the category of financial institutions in Ghana. Beige capital has seventy branches (70) in the regions of Ghana.

Best point Savings and Loans Ltd is a wholly owned Ghanaian Company incorporated under the companies Act 1963 (Act 179) it was originally incorporated as Lucky Savings and Loans Limited but had the name changed in January 2013. Their sole business is the provision of savings and loans services.

3.4 POPULATION

As defined by Zikmund (2003) population refers to “a complete group of entities sharing some common set of characteristics”. Chisnall, P.M. (2000) population is any group of people or object which forms the object of study in a particular way. Population refers to the entire group about which information is desired. It is not possible and convenient to examine every member of an entire population. The Target population of this research work is fifty (50) SMEs while the accessible population of this research work is five (5) SMEs which include the staffs of the five (5) selected SMEs in Madina, a suburb of Accra in the greater Accra
Region in Ghana. The SMEs includes Microfinance institutions like Beige Capital, Best Point, ASA, First Allied, FirsTrust.

3.5 SAMPLE AND SAMPLING PROCEDURE

3.5.1 SAMPLE SIZE

For this research, the sample size comprises of fifty (50) employees in total for data collection. Amongst the selected companies, heads of the institutions were interview, and departmental heads and employees were given questionnaires to fill.

3.5.2 SAMPLING PROCEDURE

Sampling according to Zikmund (2003) refers to “any procedure that utilized a small number of items or a proportion of a population to arrive at a conclusion regarding the whole population. In other words, sampling is selecting a smaller group of participants from the larger population, it means determining who gets to be involve in the study. It is necessary because everyone in the population cannot be part of the study.

There are two types of sampling techniques: probability and non-probability sampling techniques. In the case of this research, probability sampling technique is used, specifically stratified sampling where the researcher divides the entire population into strata. In each SMEs, ten (10) respondents were chosen from different departments.
3.6 DATA AND DATA COLLECTION TOOLS

3.6.1 SOURCE OF DATA

Both Primary and Secondary data were used for this research. Bordens and Abbots (2002) define primary data as those containing the full research report including all details necessary to duplicate the study. Primary data collection methods include interviews and giving questionnaires to the managers and employees of selected SMES.

Secondary data was also used as an additional source of data before conclusion and recommendations were made. Secondary data are important, these are data collected and documented by other people which are available to the researcher. This data can be obtained through reading materials from the research company. References will also be made from the budget journals of each SME, also information will be gotten from the internet concerning their budgetary control process. Furthermore, text books will also be referred to for clarifications of ambiguities. Even though secondary data is useful, it is also very risky. This is because the researcher using it has no knowledge on the errors made by the author.

3.6.2 DATA COLLECTION TOOLS

Interviews were conducted; managers and employees were also asked questions by an interviewer to gather data on how budgetary control has affected the profit of the firm. Maduegbuna (2006) defines interview as a method that involves the researcher collecting data for the purpose of the study by means face- for-face contact with the respondents. Questionnaires are also administered. Questionnaire is a set of printed or written questions with a choice of answers, devised for the purpose of a research/survey.
The questionnaires administered in this research by the interviewer to the respondents are structured questionnaires having both open and close ended questions. The first part of the questionnaire contains background information about respondents such as gender, age, educational background, etc.

Some questions are very specific with a fixed-range of answers. The questionnaire has multiple-choice questions in which the researcher provided a choice of answers and respondents will be asked to select one or more of the alternatives and dichotomous questions that have only two response alternative, yes or no (Akoto 2011).

3.6.3 ADMINISTRATION OF DATA COLLECTION TOOLS

The design as earlier stated which is adopted is the survey method which is a structured list of questions given to respondents in respect to expecting an answer. It is done orally, face to face or over the phone. This design could also be sub divided into 3 types, which are descriptive, causal and explanatory and used for the purpose of this research. The descriptive studies was used to represent information’s with the use of chats, while explanatory studies were used to build the theory aspect of this research and finally the causal studies was done to find out the problems of budget as a basic tool to control performance in the organization. Following the objectives too, it will also determine the impact it has on organizations performance if it is negative or positive.

The method for collecting data by the researcher was by the use of questionnaires and oral interview. Questionnaires were distributed to respondent and this questionnaire was designed both in an open-ended pattern and a close-ended pattern. The open-ended pattern enables the respondent to actually give details because they were not be limited to
either selecting an alternative or foregoing others but rather provided their own opinions and ideas based on the question asked. While the close ended questionnaire provided alternatives to the questions in which the respondent selected from. The researcher visited the above named organization to distribute the questionnaire and also conducted a face to face interview with the employees of the organization. The researcher also ensured that he gave time durations to the respondent in case of those whose questionnaires were not given response to immediately.

### 3.7 ANALYSIS OF DATA

After data were collected, it is important for it to be analyzed. The data that were collected were examined, edited, evaluated and measured against research to ensure that they are consistent, accurate, complete and also relevant to the study. The qualitative data was summarized by determining the number or proportion of observation in each of several categories. Microsoft software’s were used while processing the primary and secondary source of data collection. These tools are used because it will enable the data’s gathered to be presented easily on graphs, tables, and charts in other to provide a quality explanation and suitable analysis on the research study which is budget and budgetary control and also the performance of the organization.
CHAPTER FOUR

DATA ANALYSIS AND REPORTS

4.1 INTRODUCTION

This chapter presents data which were gathered from the field through questionnaires, interviews, telephone conversations and face to face conversations with respondents in respect of budget preparation and budgetary control. From the findings researchers draw conclusions and make recommendations concerning the study that can be useful in an organization. 50 questionnaires were given out but 35 were completed and 15 were not returned.

4.2 STATISTICS OF DATA COLLECTED

TABLE 4.1: AGE DISTRIBUTION OF RESPONDENTS

<table>
<thead>
<tr>
<th>AGE</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 30 years</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>31 – 40 years</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>41 and above</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>


The table above shows that 20 of the respondents representing 57% are within the age of 20 – 30 years, 8 of the respondent representing 23% are within the age of 31 – 40 years and 7 of the respondent representing 25% are within the age bracket of 41 and above.
### TABLE 4.2: SEX DISTRIBUTION OF RESPONDENTS

<table>
<thead>
<tr>
<th>GENDER</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>Male</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

**SOURCE:** AUTHORS FIELD SURVEY, APRIL 2017.

As shown in table 4.2, out of 35 respondents, the total of 20 females respondents representing 57% and 15 males respondents representing 43%. Majority of the respondents are female compared to males.
Figure 4.1 shows the educational qualification of respondents with WEAC, BSC, MASTERS and OTHERS. The respondent with WAEC is 3 with the representation of 9%, while the respondents with BSC is 20 with a percentage of 57% and the respondents with MASTERS is 5 with the representation of 14% lastly the respondents with other degree is 7 with the percentage of 20% with a total of 35 which is equal to 100%. Majority of the respondents are BSc holders.
The figure above shows that 18 respondent representing 50% has a working experience of 1-5 years, 11 respondent representing 30% has a working experience of 5-10 years and 6 of the respondent representing 20% has a working experience of 10 years and above.
4.3 ANALYSIS OF DATA COLLECTED

4.3.1: TO ASCERTAIN THE CONTRIBUTION OF BUDGET IN CONTROLLING PERFORMANCE IN AN ORGANIZATION.

TABLE 4.3: HOW HAS BUDGETING CONTRIBUTED TO THE PERFORMANCE OF YOUR ORGANIZATION?

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>It increases managements</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It increases productivity</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>It prevents shortage of stock</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


The table above shows that 15 representing 43% of the respondents agrees that budgeting has contributed to the performance of an organization by increasing managements efficiency, 12 respondents representing 34% of the total sample agrees that it contributes to the performance of an organization by increasing productivity and lastly 8 representing 23% of the respondents agrees that it prevents shortage.
### TABLE 4.4 DOES POOR BUDGETARY CONTROL RESULT IN POOR PERFORMANCE?

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Authors Field Survey, April 2017.*

In the table above, 10 respondents representing 29% strongly agreed that poor budgetary control leads to poor performance, 15 respondents representing 43% of the total sample agreed, 7 respondents representing 20% disagreed while 3 respondents representing 9% strongly disagreed that poor budgetary control results to poor performance in their organization. Majority of the respondents agreed that poor budgetary control leads to poor performance. If budgets are not prepared properly, performance will be affected adversely.
TABLE 4.5: TO WHAT EXTENT CAN BUDGET SERVE AS A BASIC TOOL FOR BUSINESS OR ORGANIZATION?

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>It has successfully enhanced the performance and productivity of a business.</td>
<td>25</td>
<td>71</td>
</tr>
<tr>
<td>It only serves as a tool for measurement.</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>It influences the moral of employees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**SOURCE: AUTHORS FIELD SURVEY, APRIL 2017.**

The responses from the respondents reveals that 25 representing 71% of the total respondents agreed that budget has successfully enhanced performance and productivity as well as serve as reference point for management evaluation. While other 10 respondent representing 29% mentioned that budget act as a working directory whereas none of the respondent accepted that a budget is only measurement tool.

Thus, budget and budgetary control operates together as essential tools of a total management system.
**TABLE 4.6: DO YOU USE BUDGET CONTROL WHEN DETERMINING PERFORMANCE?**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28</td>
<td>80</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**SOURCE: AUTHORS FIELD SURVEY, APRIL 2017.**

The table shows that 28 of the respondents representing 80% accepted that they use budget to control performance, 7 respondents representing 20% does not agree. 80% of the respondents of this study use budgetary control when determining performance i.e. more than half of the respondents makes use of budgetary control to determine performance.
4.3.2 TO DETERMINE THE PROBLEMS ASSOCIATED WITH BUDGET AND BUDGETARY CONTROL

FIGURE 4.3: WHAT ARE SOME OF THE PROBLEMS FACED WHEN USING BUDGETS IN AN ORGANIZATION?

![Problems Chart]

**SOURCE: AUTHORS FIELD SURVEY, APRIL 2017**

The above figure shows that 12 respondents representing 34% admits that one the problem of budgeting is that it brings about dependency culture while 15 respondents representing 43% sees time as a problem of budgeting and 8 respondents representing 23% sees inaccuracy as a problem of budgeting.
4.3.3 TO FIND OUT WAYS TO IMPROVE ORGANIZATIONAL PERFORMANCE THROUGH BUDGETARY CONTROL MEASURES

FIGURE 4.4: HOW IS PERFORMANCE MEASURED IN YOUR ORGANIZATION?

The chat above shows that 18 of the respondent representing 51% agreed that the number of market share is one way of measuring performance in SMEs, while 5 respondent representing 14% agreed that only when activities are been monitored and controlled properly will it aid the measurement of performance and 12 respondent representing 34% agreed that the customer satisfaction also can be used measure the performance of SMEs.

TABLE 4.7: CAN REGULAR BUDGETING INCREASE THE PERFORMANCE OF AN ORGANIZATION?

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agreed</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>Agreed</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Disagreed</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Strongly Disagreed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**SOURCE: AUTHORS FIELD SURVEY, APRIL 2017**

The above information in the table shows that 26 respondent representing 43% strongly accepted that regular budgeting will improve performance and 28 respondent representing 47% agreed while 6 respondent representing 10% disagreed to the fact.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This aim of this chapter is to assess the need for budgeting and budgetary control on the profitability of a firm and also the effective way in which budgeting can be used to control the performance of an organization. It also looks at how budgets influence the organizational performance. Budget do not only tells the position of a company as one impact but it also brings about efficiency and effectiveness in an organization. Since plans have been made on the various activities that will occur in the organization at the particular accounting period it makes the task much easier to be carried out in the organization which will lead to the efficiency and effectiveness of the organization performance. The use of budget effectively, will improve the performance of organizations and there will be a greater management system for liability, which will tell the maximum volume of debt to be incurred, and also the amount of assets and capital available.

Some impacts of budget in controlling performance are better planning, communication and coordination. When budget is been prepared, it gives a clearer view of activities and plans could be made on easily and effectively. Also, the level of communication is been enhanced since the budget prepared will ensure a better coordination of the activities in the organization and also help the performance been controlled to enhance the growth of the organization and the world at large.
5.2 SUMMARY OF FINDINGS

The summary of the findings are presented on the objectives addressed in the study. Findings reveal that budget is a future plan expressed in a formal quantitative terms. It indicates that budget is also an in depth plan showing how resources can be attained and used within a specific time interval and that budget reduces unnecessary spending and maximizes income. Budgetary control enhances efficiency and reduces inefficiency and also enables managers to control the activities of their subordinates while having the achievement of their objectives in mind.

Budget serves as a guideline that will control their activities and enable them carry these out activities at specific time ranges and avoid time waste over unnecessary things.

5.2.1 TO ASCERTAIN THE CONTRIBUTION OF BUDGET IN CONTROLLING PERFORMANCE IN AN ORGANIZATION.

According to the analysis, budget has contributed greatly in the performance of every business organization. It shows that budget determines an organization’s level of success and also their current position. The kind of budget set in a company will tell what the company is capable of doing and attaining and so the better and clearer a budget gets, the more successful an organization as long as the workers adhere to the budget. Since plans has been made on the various activities that will occur in the organization at the particular accounting period it makes the task much easier to be carried out in the organization which will lead to the efficiency and effectiveness of the organization performance.
5.2.2 TO IDENTIFY THE PROBLEMS ASSOCIATED WITH BUDGET AND BUDGETARY CONTROL IN SMES

It has also been noted that budget hinders creativity and effectiveness of the workers in the organization. Most individuals believe in this saying because they see it that people just have to abide by every plan in the budget and so they cannot bring up their idea that might be of great advantage to the organization. But most times this can only occur when an organization is running a rigid budget rather than a flexible one where by it will be easier for change to occur and creativity enhanced because employees get to contribute their ideas on areas that needs an additional contribution. Fixed budget will hinder the control of performance. When a budget is fixed, individual will maintain the traditional method of carrying out their activities so it will be difficult to determine if there is an increase or decrease in the level of performance in the organization so it cannot be controlled which becomes a problem to the organization.

Ministry of health (1997) and Bradstreet (2004) discovers that most of the failure and problems faced by an organization is as a result of weak budget. If the budget of an organization is weak then it can certainly not be used to control performance effectively that could aid the growth of the firm and also the efficiently carrying out of duties and activities in the organization. Therefore, if an organization’s budget is weak or absent at some point, it will lead to problems in the organization.
5.2.3 TO FIND OUT WAYS TO IMPROVE PERFORMANCE THROUGH BUDGETARY CONTROL MEASURES

Based on the findings, one can only determine what level or position it’s operating and also how it’s performing when monitoring and control process are active in the organization. Therefore based on the research one can consider having an effective monitoring process as one of the determinants of measuring the performance of SMEs. One must make sure that the activities done and each work process are been monitored effectively. Also the quality of work carried out in the organization should be studied carefully and it is determined that the kind of work quality they carryout can also be a determinant to the measurement of their performance. If there is a better work quality, obviously there performance will also be better but if the quality of work is low, then the performance becomes low too and forms a basis for measuring their performance.

5.3 CONCLUSION

From the data presented and analysed, budget is seen as a creative measure which is used to assess manager’s performance. Since the reward system of every organization is often linked to the achievement of certain levels of performance which is frequently measured in monetary terms. Hence, every organization should take steps towards effective mobilization of budgetary control system in order to meet their set objectives and goals. Not leaving out the fact that communication is a very vital part in every organization with an intension to succeed. Therefore, it is advisable that the budget is been communicated to the right employees and also at the right time so that activities could be done orderly and timely. Communicated budgets must also be accurate and well-structured in other not to
convey wrong information to the users of the budget that could eventually lead to a wrong execution of duties. Therefore it is advisable that every organization participate in budgetary education in order to enlighten the budget members and other employees of the organization on every budgetary activity and how to go about it.

Budgeting is one of the fundamental decision making processes in an organization as they serve numerous purposes in the organization. Change is inevitable, it can occur at any point in time and for a growing organization to gain competitive advantage, it should be ready to adapt to any form of change. Organization’s budget should also be revised to suit the changes. Budget should have the feature of non-rigidity, SMEs should ensure that their budgets are always flexible in order to affect their daily transactions.

5.4 RECOMMENDATIONS

Based on the summary of findings and conclusion, the researcher recommends that:

Firstly, SMEs should employ flexible budget when demand for their product is very high, so as to meet their set goals and objectives. And also is the best kind of budget that should be adopted by any organization to help reduce the problem of delayed decision making and also inefficiency and ineffectiveness as well as hindrance of creativity.

Secondly, emphasis should be placed on the budgetary control systems to help assess the performance of the organization periodically and also serve as a basis of cognate decision. This system’s will also help in the detection of errors and other problems that could be faced during the use of budgets.

Lastly, monitoring the activities in the organization should be considered at every point in order to avoid mistakes or drift from initial plans of the organization.
5.4.1 RECOMMENDATION FOR MANAGEMENT
Management should ensure that the head of departments in the organization are not left out in the budget process in order for them to get more understanding and knowledge about the budget that is to be brought into the organization. Once every department head is involved in the budget process, the activities in the organization become easier to carryout.

Management should also hold budget education programs annually. It is very essential and advisable for every growing organization. With the educational programs, the employees are more enlightened on how to go about the budget preparations.

5.4.2 RECOMMENDATION FOR FUTURE RESEARCH
Assessment of budget and budgetary control on the profitability of a business organization is a topic that needs to be carefully and effectively studied. A research of this nature cannot cover all the necessary issues that need to be discussed, putting into consideration the limitations that where encountered during the course of the research such as: inadequate material supply in the aspect of the respondent, time factor, limited sample size, cost and a lot of them. Therefore I would recommend to the future researchers the following:

1. Future research on this topic should be embarked upon with a larger sample size, wider geographical considerations. Possibly more than one of the branches of the selected SMEs.

2. Future research on this topic should also consider more variables for its data analysis and interpretation. And also represent data’s using other analysis like the regression analysis and time series.
3. Future research should also give detailed organization budgetary programs that could enlighten organization on their budgets and also how to use it to enhance their profitability.
Dear Respondent,

**QUESTIONNAIRE**

I am a student of the above named school and department. I am carrying out a Research titled: The assessment of budget and budgetary control on the profitability of SMEs.

I therefore appeal to you to fill this questionnaire as honestly as possible. Your sincere response to the questions will help in this Research.

You are assured that your responses are solely for academic purpose and they shall be treated confidentially.

Yours faithfully

Onikeku Radeyaht Modupe.
APPENDIX II

INSTRUCTION(S)

Please tick against the option that best describes your opinion. Listed below are some statements or variables on the topic of the research. Where your options are not given, supply your chosen option(s) in the spaces provided please.

DEMOGRAPHIC DATA:

Age: a) 20 – 30 years ( ) b) 31 – 40 years ( ) c) 41 and above ( )

Sex: a) Male ( ) b) Female ( )

Educational Qualification: a) WAEC ( ) b) BSc ( ) c) MASTERS ( ) d) OTHER DEGREE

Department___________________________________________________________

SECTION B:

1. How long have you served in the company? a) Less than 1 year ( ) b) between 1-2 years ( ) c) between 2-4 years ( ) d) above 4 years ( )
2. Are you aware that your company has a budget? a) Yes ( ) b) No ( )
3. Does budgeting serve as an effective means of planning? a) Yes ( ) b) No ( )
4. Do you use budget control when determining performance? a) Yes ( ) b) No ( )
5. Do you get involved in the budget review exercise? a) Yes ( ) b) No
6. Budgets are used as a basic tool for controlling? a) Yes ( ) b) No ( )
7. Does budgetary control motivates managers to achieve objectives of the organization? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly disagree
8. Does inadequate planning by budget officers cause variance in budget? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly disagree
9. Does budgetary control contribute to the improvement of the management’s efficiency and productivity? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) strongly disagree ( )

10. Does the impact of budget control the performance of your organization? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly disagree

11. Is the performance of your organization better than that of other SMEs? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly disagree ( )

12. Are your customers always satisfied with the services you provide? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly disagree ( )

13. Does poor budgeting control result to poor performance? a) Strongly Agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly Disagree ( )

14. What are the causes of low performance in your organizations? a) Strongly agree ( ) b) Agree ( ) c) Disagree ( ) d) Strongly Disagree ( )

FOR MANAGEMENT STAFF ONLY

1. How has budgeting contributed to the performance of your organization?

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2. How do you feel about your organizations budgeting procedure?

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3. Why does your organization prepare budget?

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4. What are the main factors you consider in selecting budget committee?

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5. How can organizational performance be measured?

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6. What are some of the problem faced when using budget in your organization?

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THANK YOU
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(http://www.caritasuni.edu.ng/pro/management/acc6.doc)


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