

**ASSESSMENT OF BUDGETARY PERFORMANCE (A CASE  
STUDY OF WOLKITE TOWN FINANCE OFFICE IN EZA  
WOREDA)**



**WOLKITE UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF ACCOUNTING AND FINANCE**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT  
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**BY: ENDRIAS ERGANA.**

**ID NUMBER SSR/0531/14**

**ADVISOR: DR. ARON ABRAHAM (PHD)**

**WOLKITE/ETHIOPIA**

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**WOLKITE UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
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This is to certify that a thesis on the topic entitled “**Assessment of Budgetary Performance (A case Study of Wolkite Town Finance Office In Eza Woreda)**” submitted Partial Fulfillment of the Requirements for the BA Degree in Accounting and Finance; the undergraduate program has been carried out by **ENDRIAS ERGANA**, under my supervision. Therefore I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis.

**ADVISOR**

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**EXAMINERS' APPROVAL SHEET**

We, the undersigned, members of the Board of Examiners of the final open defense by **ENDRIAS ERGANA** have read and his thesis entitled “**Assessment of Budgetary Performance (A case Study of Wolkite Town Finance Office In Eza Woreda)**” and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the BA degree in Accounting and Finance.

<b>Name of Principal Advisor</b> _____	<b>Signature</b> _____	<b>Date</b> _____
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Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the department of Accounting and Finance.

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## **ABSTRACT**

*The establishment of effective budgetary performance is important for every organization in order to achieve its objectives and future plan of action. This research is conducted to the assessment of budgetary performance in Wolkite town finance office. The objective of the study is to assess the budgetary performance and identify any problems which affect its effective implementation of budget in general. In this study the researcher were used both primary and secondary data to conduct it. The primary data was collected from questionnaire and through interview. The secondary source of data collected from reference books, internet and also used the budget report of the office. The sample used for this research was purposive sampling techniques. The data analysis would be carried out based on tabulation and percentage method and interpreted accordingly. The outcomes of the researcher was effectively implementation of budgets in an organization, factors affecting budgetary performance, effectively uses of budget in an organization, budget allocation, capacity to reduce budget deficit and utilization of budgets in an organization was discussed detail and finally based on discussion and conclusion recommendation was forwarded.*

*Keywords: effective budgetary performance, implementation of budget, assess, budget allocation, objectives, use of budget, utilization of budget, future plan of action, budget deficit*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the study

According to Cherington budget is defined as follows Budget is an itemized estimate of the operating result of enterprise for a future time period. Forms of budget vary from organization to organization. Budget is eventually summarized in to the form of normal financial statements. The major difference between budget and the financial statement is the data used to develop each, financial statement are based in actual result of past operations, whereas budget are based on planned operations for a future time period, because of this budget is a performa statements. (Cherington P.140).

The word budget is originated from “The old French baguette, meaning a small bag or pouch” This term was first used in England to describe the summons leather bag in which the chancellor carried to the parliament, the statement which was contained in the bag. The practice of budgets was also originated in England as means of asserting parliamentary control over the crown. During this time parliament was aware of the fact that the financial control should be under its own hands or control but not under the crown. Hence forth parliament secured the power of controlling the financial matters of the country (Alan pizzey 1973).

Budgeting is a quantitative expression for a given time period of a proposed future plan of accomplishment. It covers both financial and non-financial expression of the plans and acts as an outline for an entity to follow in the future period. Budgets are one of the regularly used devices for planning and controlling resources by organizations. Budgeting procedures direct managers towards proactive looking and enables it to be a position force the problems and take measures to eliminate or reduce their severity. A budget can cover both financial and non-financial aspects of these plan and acts as a blue print for the corporation to follow in the coming period of time budgeting is a process for preparation of budget which determines the target for budgets and it includes preparation of plans, implementations and evaluation. Budget performance measures can overcome two key limitations of past performance as a basis for judging actual results, the first the past results in corporate past miscues and substandard performance and the second is the

future may be expected to be very different from the past. Performance feedback must be sufficient rapid those employees can adjust their performance in timely base. Rapid feedback should allow employees to take compensatory actions to try to get over all period performance in line with budget (Hilton, Mahar, selto, 2002).

Budget implementation is the responsibility of the budget directory. Communication and support determine the success of budget implementation process proper communication of expectation and targets to all key people in the company is essential. All employees involved in the operations of the business must know what is expected of them and they must receive directions on how to achieve their goals. Equally important top management must support the budgeting processes and encourage implementation of the budget. The processes will succeed only if middle, and lower level managers can see that top management truly is interested in the outcome and willing to reward people for meeting the budget goals. Budgets must be classified and then charged to the different general ledger account the projected financial statement are the end product of the budgeting process. At this point, management must decide whether to accept the proposed master budget, as well as the planned operated results , or ask the budget director to change the plans and do part of the budget over again (Needles, Anderson & Caldweel 1994 Financial and Managerial Accounting third edition P804).

First the section of a budget director (and staff, if necessary) a very important to an effective budgeting system. These person must be able to communicate well with the people both above and below in the organization hierarchy 2<sup>nd</sup> we have mentioned that all participants should be identified and informed of their responsibilities, the identification process begins with high level managers. Full communication throughout the budgetary process is our final interaction principles. In particular, the budget must be communicated clearly to the participants each one of these people playing a part in developing the budget and implementation effective budgeting then require participative budgeting, which means that all level of personnel task part in the budgeting process in meaning full active way (Source, Needle, Anderson, Caldwell P804).

Most people associate the word budget primarily with limitation on spending. For example, government often approves a spending budget and the maintenance expenditure within the limits prescribed by the budget. Most baseness organization also use budgeters

but the most important function of budget is for planning performance evaluation and communication. Budgets provide a comprehensive financial over view of planned company operation. Managers use budget as a benchmark a measure of expected or desired performance against with they compare actual performance. Finally, budget provides on important two ways communication channel budgets cover strategies and expectation downward from the upper level of the organization and communicate capabilities and opportunity upward from the lower level of the organization (T.horngren, 2001, p.40) . The main purpose of the researcher were to assess causes and consequences of deficit of budgets, to assess what is the purpose of budgetary performance in the finance office, to assess the means or methods of organization use to prepare good budget, and to exhibit which factors affect the demand for budgetary performance. In addition to this, the researcher also assess either annual budget performance of the office is good or not.

## **1.2 Statement of the problem**

Budget is the formal expression of the plan and objective of management to the organization which covers all phases of operations for a specific period of time.

Good budgetary performance can be a vehicle for addressing of objectives and goals in the most careful way. But in preparing budget many problems were take place and consequence creates a great impact on the performance of the organization. The problems are using inappropriate budget preparation procedures & not well utilization of budget for each department within the organization.

The problem of budgeting is not only in preparation stage but also on implementation. The concern of this study is to examine the assessments of budgetary performance in particular area Wolkite finance in Eza Woreda. The study is primary focus on the organization, in order to give the final solution and suggestion to the problems.

According to Preme Hand (1989) budgeting without planning could to be a plan of action and plans without realistic detection of budgetary restraints have little chance of implementation. Thus any appropriate plan can be meaningless and the result my become paradox unless it is reflected in the budget. Therefore, budget and plans are concerned with policy analysis and allocation of resources. The difference is that, in planning the economic aspects dominate, whereas, in budgeting more attention is paid for financial

aspects. Budget is a predetermined statement of management policy during a given period, which provides a standard for comparison with results actually achieved (Brown and Haward 8<sup>th</sup> edition).

This study attempts to give a good answer for why budgetary performance are assess on the organization and why budgetary performance are needed to the organization. The study focus on the assessment of budgetary performance in the organization. But taking this case into account there is a gap created with in the organizational system which affects the goal of the organization. These gaps are inappropriate uses of budgets, preparations and implementations ( Assefa Akililu,2011)

In this study the researcher' gapwere focused to solve the problems of budgetary performance, deficit and how to assess or utilize the budget in the organization.

### **1.3 Research questions.**

The researcher was raising the following question that will be answer in this course of study.

- What are the factors that affect budgetary performance of the office?
- How to assess budget utilization on Wolkite town finance office?
- Why budgetary performance is necessary?
- What means the organization use to prepare good budget system?

### **1.4 Objective of the study**

#### **1.4.1 General Objective of the study**

The general objective of the study is the assessment of budgetary performance in case study of Wolkite town finance organization in Eza woreda.

#### **1.4.2 Specific Objective of the study**

The specific objective of the study is the following

- To assess what is major factors that affecting budgetary performances of the organizations.
- To assess whether the organization is effectively implement its budget or not.
- To assess purpose of budgetary performance in the finance organization
- To identify ways and means by which the organization budgetary performance improved to best level expectation.

### **1.5 Significance of the study**

This study would help the organization to have a good budgetary practice and to properly budget the available resources and to effectively implement it. In addition to this study was use to provide ground line information for the organization about its budgetary performance, which is very help full for the organization advancement to provide a better service.

The study helps to examine about the factors affecting budgetary performance in the organization and create awareness to the organization about budget utilization and implementation, which requires improvement. Furthermore, it helps to identify ways and means by which the organization budgetary performance is improved to the best level expectation; in addition to above, the following play a great role to avoid the problem of budgetary performance for the future society.

In general, for the researcher it is an opportunity of relating academic knowledge with that of what is practiced with real world. For the administrator give a way it would raise the employee's awareness towards assess budgetary performance and show them the role they have to play.

### **1.6 Scope of the study**

To come up with effective and better study, it is better if the study will be conduct on over all organization performance as compared with other similar organizations performance but due to the lack of finance, shortage of time this study conducts only in Wolkite town finance to assess budgetary performance.

### **1.7 Organization of the study**

This research paper contains five chapters. The first chapter deals about introduction part which reflecting the background, statement of the problem objective of the study, significance of the study, scope of the study, and organization of the paper. The second chapter deals with literature review. The third chapter deals with methodology of the study. The fourth chapter deals about data analysis and interpretations and the final chapter deals about summary, Conclusions and recommendations about the topic.

### **1.8 Limitation of the study**

limitation are those beyond the control of the researcher that may place restriction on the conclusion of the study and their application for other situations as well as probing area for future study to be conduct to current study.

In General term limitations are what hinder the perfection of the study. As result like most studied the finding of this research may have been limited by some factors. Some of which are, during data collection some respondents are not willing to give information,there was less cooperation and unwillingness to fill questionnaires, Lack of awareness of some employees, lack of sufficient materials from the expected organization, time and financial constraints.

## CHAPTER TWO

### 2. LITRATURE REVIEW

#### 2.1 Theoretical review

There is no consensus on the definition the term Budget (Alan Pizzey 1973). Budget is an expression of a firms plan conversing all phases of operations in financial form for a definite period of time in future. Budget spells out the policies, plans, goals and objectives laid down in advance by top management for the organization and for each sub- division of the same. It predicts income for a given period as well as estimates costs and expenses, with the objective of earning a desired profit. It forces management to give early consideration to what they plan to do in the future period. Budgeting involves as a great range of interests and concerns. It is difficult to conceive any public policy that can be carried out without money, and hence without becoming subject to budgetary process. All countries, whether developed or developing would be engaged budgeting and operate on a budget recognizes its invaluable aid in planning and form waiting economic policy as well as check on its execution. Budget is used not only by government but also used by private firms, business and various organizations, because it enables them to achieve their goals. Nevertheless, budget had not been developed uniformity among countries and the approaches to budgetary procedures are not the same in all countries (Man Mohan, page: 957).

Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time showing the planned income to the generated and expenditure to be incurred during the period and the capital to be employed to attain a given objective'. It is detailed plan expressed in quantities terms that specifies how resources will be acquired and used during a specified period of time (Rounald W. Hilton, 1979).

According to Cherington budget is defined as follows Budget is an itemized estimate of the operating result of enterprise for a future time period. Forms of budget vary from organization to organization. Budget is eventually summarized in to the form of normal financial statements. The major difference between budget and the financial statement is the data used to develop each, financial statement are based in actual result of past

operations, whereas budget are based on planned operations for a future time period, because of this budget is a performance statements(Cherington P.140).

## **2.2 Characteristics of budget**

Budget has many characteristics, According to MN. ARORA budget have the following characteristics

- ✓ A budget is primary planning and control device
- ✓ A budget is prepared in monetary term and/or quantitative term
- ✓ A budget is prepared for defined future period
- ✓ It shows planed income and expenditure and also the capital to the employed
- ✓ Purpose of budget is to implement the policies formulated by management for attaining the given objective ( MN.ARORA, 8<sup>th</sup> editionn, P 13).

## **2.3 Effect of budget control**

Budget is major future of management control system. In general they can:-

- ✓ Provide performance criteria
- ✓ Compel planning including the implementation of plan
- ✓ Promote communication and coordination within the organization
- ✓ Effect behavioral and organizational processes.

## **2.4 The Master Budget**

There are several approaches of budgeting of which the following three are among the common ones to be mentioned. The first one is incremental budgeting approach. Here, the existing budget is taken as starting point (or base) for developing the next budget .This may be the easier but not necessarily the best. The second approach is Zero based approach (budgeting). This approach puts much less emphasis on the past budget and focuses on what must be done to achieve specific objectives. The third one is program budgeting / master budgeting program. It is plan oriented and consists of three stages that include developing alternative for the future, analyzing what the outcome of the alternative program might be, and relating the programs and policies on the future costs and benefits, and lastly the actual performance of the chosen program must evaluated. Therefore, master budgeting is a means that government expenditures are managed

through the comparative attempt of the program proposals of all government agencies (Fressant J. Iydon, 1978; Ensert G. Miller, 1978).

According to David N. Hyman (1969) clarifies the benefit of master budgeting as, it possesses potential to permit budget managers to compromise issues that are not immediately unaware when the agency budgets are viewed in isolation.

A master budget is a set of period budgets that have been consolidated into forecasted financial statements for the entire company. Each period supplies the projected costs and revenues for a part of the company. When combined these budget show all anticipated transaction of the company for a future accounting period. There are three steps lead up to the completed master budget

1. Periodic budget are prepared
2. For casted income statements prepared
3. Forecasted balance sheet is prepared (Needles, Anderson & Caldweel, 1994: P 805).

## **2.5 Budget Implementation**

Budget implementation is the responsibility of the budget directory. Communication and support determine the success of budget implementation process proper communication of expectation and targets to all key people in the company is essential. All employees involved in the operations of the business must know what is expected of them and they must receive directions on how to achieve their goals. Equally important top management must support the budgeting processes and encourage implementation of the budget. The processes will succeed only if middle, and lower level managers can see that top management truly is interested in the outcome and willing to reward people for meeting the budget goals. Budgets must be classified and then charged to the different general ledger account the projected financial statement are the end product of the budgeting process. At this point, management must decide whether to accept the proposed master budget, as well as the planned operated results or ask the budget director to change the plans and do part of the budget over again (Needles, Anderson & Caldweel 1994, P.812)

## **2.6 Budget Relative to Time**

Development of an annual budget is only one segment of the ongoing planning process of business, for the planning process to be more successful, there must be long range goals, intermediate objective and short term plan of action (Cherington P.140).

### **2.6.1 Long range goal**

It identify the direction of a company over a 5 year to 10 year the goal are stated in general term but deal with specification in which the company intended to be successful ([http:// smallbuisness.chron.com](http://smallbuisness.chron.com)).

### **2.6.2 Short term plan**

Short term plan is a plan with planning horizon of five years or less. Itis a budget or annual forecast; identify the activity to be accomplishing during the coming year ([http:// smallbuisness.chron.com](http://smallbuisness.chron.com)).

### **2.6.3 Intermediate Objective**

Identifies the specific stages that will lead to accomplishing the long term goals, they provide a link between short term plan and long term objective.

## **2.7 The structure of budget**

Budget is classified broadly into two categories these are operational budget and financial budget

### **2.7.1 Operational budget**

Operational budget is the annual budget of an activity stated in terms Of budget classification code, functional or sub functional categories and costs accounts. It contains estimates of the total value of resources required for the performance of the Operations including reimbursable work or service for others (<http://en.m.wikipedia.Org>).

### **2.7.2 Financial budget**

It reflects the financial decision of the firm. The operating budget consists, sale budget, production budget, ending inventory budget cash receipts budget, direct material budget, factory overhead budget, selling and Administrative expense budget (Schism's 2<sup>nd</sup> edition P.70)

### **2.7.3 Sales budget**

The starting point of any master budget is the sales revenue budget based on forecasted sale of goods or services sales forecasting: is the process of predicting sale of services of

goods. Various procedures are used in sale forecasting and final forecast usually combines information from many different sources. Many firms have top management-level market research staff whose job is to coordinate the company's sale forecasting efforts (Hilton, Maher & Selto, P.627).

## **2.8 Cash budget**

Cash budget is prepared in order to forecast the firm's future financial need. It is also a tool for cash planning and control, because the cash budget detail is the expected cash receipt and disbursement for a designed time period, it helps to avoid the problem of either having idle cash on hand or suffering a cash shortage, However, if a cash shortage is expected, the cash budget includes weather shortages temporary or permanent, i.e. weather short term or long term borrowing need. Cash budget typically consists of the following four major sections.

### **2.8.1 The receipt section**

Which gives the beginning cash balance, cash collection from customers and others.

Cash receipts are the collection of money, typically from a customer, which increases (debits) the cash balance recognized on a company's sheet. Simply put, a cash receipt is recognized when an entity receives cash from any external source, such as a customer, an investor, or a bank. Typically, this cash is recognized when money is received from a customer to offset the accounts receivable balance generated when the sale transaction occurred.

### **2.8.3 The disbursement section**

Cash disbursements, also called cash payments, in accounting refer to payments made by a company during a specified period, such as quarter or year. It includes payments made by cash, but also by cash equivalents like checks or electronic fund transfers. Each entry on the cash disbursements page should include the date, amount, payment method and purpose of the transaction.

### **2.8.4 The cash surplus or deficit section**

The cash surplus or deficit sectionCash surplus or deficit is revenue (including grants) minus expense, minus net acquisition of nonfinancial assets. In the 1986 GFS manual nonfinancial assets were included under revenue and expenditure in gross terms. This cash surplus or deficit is closest to the earlier overall budget balance (still missing is

lending minus repayments, which are now a financing item under net acquisition of financial assets).

This simply shows the difference b/n cash receipts and cash disbursement action.

### **2.8.5 The financial section**

It provides a detailed account of the borrowing and repayment expected during the budgeted period. Estimate of cash at particular point of time may be made with the help of the following (Schams P.75),

- ✓ The receipt section: - Which gives the beginning cash balance, cash collection from customers and others.
- ✓ The disbursement section: which should all cash payment made or listed by purpose
- ✓ The cash surplus or deficit section: It simply shows the difference b/n cash receipts and cash disbursement action.
- ✓ The financial section: It provides a detailed account of the borrowing and repayment expected during the budgeted period.

## **2.9 The budget process**

The budget process is as important into day's globally complete operation environment as in traditional environments. In fact budget becomes even more important when just in time (JIT) or total quality manager (TQM) technique are applied and when computer and other electronic operation and data accumulation device are used. In these new operating setting actual operating data are made available quickly, and budgets must be updated continuously to accommodate management's need for performance evaluation. The basic principles of budgeting do not change in these environments, only the speed and timing with which they are applied (Needles, Anderson and Caldwell 1994 P:798).

## **2.10 The Need for Budgetary Control**

Budgetary controls the process of developing plan for company's expected operations and controlling operations to help carry out those plans. The basic objective of budgetary control is the following:

1. To aid in establishing procedures for preparing a company's planned revenue and costs

2. To aid in coordinating and Communicating those plans to various levels of management

3. To formulate a basis for revenue and cost control

A business does not benefit from budgetary control by operating haphazardly the company must first set quantitative goals, define the role of individuals and establish operating targets or detail operating budget. A period budget is a forecast of operating results for segment or function or a company for a specific period of time; it is quantitative expression of planned activity and requires timely information and careful coordination (Needles, Anderson & Caldweel, 1994,:P.800)

### **2.11 The basic objective of budgetary control**

- ✓ It lies down define targets of production and sales with corresponding allowable expenses. Which can be exceed only with prior approval
- ✓ It provides definite and precise guidance regarding sales, production and finance. Types and quantities to sold and expense allowable for sale are clearly indicated. As regards production, definite instructions regarding types, quantities materials, labor and other allowable expense are available similarly, from the point of view of finance; guidance is available with respect to working capital and capital expenditure to be incurred.
- ✓ It acts as coordinating machinery between different functional heads. Otherwise, there might be production without chance of sales, or there may be commitment for supply when chance of production would be meager, or production might be held up for want of certain materials, or for certain grades of labor
- ✓ This is helpful in controlling production by limiting chance of wastage. Similarly, it keeps in control cost and expense by limiting the allowable expenses where decentralized functioning of is essential.
- ✓ An aid to management in policy matters, from working of one budget management may change future plans and programs by eliminating proper line and by concentrating on more profitable illness or area. Budgetary control thus continually helps management in modification and revision of policy and the revised policy shall be the basis of the next plan and budget.

- ✓ It provide objective basis of judgment executives rather than pure guess these providing them with an opportunity to strive for some calculated better result
- ✓ Budgetary control is the system of management control in which all the operations sale purchases, production etc are for case in advance and the results, when known, are compared with the planned targets (Hrinshikesh Chakraborty and Srijit Chakraborty, 1997, P. 584).

## **2.12 Purpose of budgeting system**

A budget is a detailed plan, expressed in quantitative terms, that specifies how an organization will acquire and use resources during a particular period of time. Budgeting systems have five primary objectives

- ✓ Planning :The most obvious purpose of a budget is to quantify a plan of action, the budgeting process forces the individual who constitute an organization to plan a head
- ✓ Facilitating Communication and Coordination: For any organization to be effective, each manger throughout the organization must be aware of plan made by other managers. In order to plan reservation and ticket sale effectively for facilitating communication and coordination is one example.
- ✓ Allocating resources: Generally an organization resource is limited and budgets provide one means of allocating resources among competing users.
- ✓ Managing Financial and Operational performance: A budget is a plan and plans are subjected to change. Nevertheless, a budget serves as a useful bench mark with which actual results can be compared
- ✓ Evaluating performance and providing incentives: Comparing actual results with budgeted results also helps managers to evaluate the performance of individuals, departments, divisions or entire companies, since budget are used to evaluate performance, they can also be sued to provide incentive for people to perform well.
- ✓ Different types of budget serve different purposes. A master budget, or a profit plan, is comprehensive set of budgets covering all phase of an organizations operation for a specified period of time (Hilton, Mahar, Salto, 2002 P:625)

## **2.13 Basic Principles of budgeting**

The preparation of an organizations budget is important to its success for three reasons, first, preparing a budget forces management to look ahead & plan both long range and

short range goals and events. Second the entire management team must work together to move and carryout the plans. Third, by comparing the budget with actual results and it is possible to review performance of all levels of management.

### **1. Long range goals principles**

Annual operating plans cannot be made unless those preparing the budget known the direction that top management expects for the organization long range goals, projections covering a five to ten years period, must be set by top management (Needles, Anderson & Caldweel, 1994, :802)

### **2. Short range goals and strategies principle**

One management has set the short-range goals the controller or budget director takes charge of preparing budget. These person designs a complete set of budget development plans & time with deadlines for all levels and parts of the year's operating plan (Needles, Anderson & Caldweel, 1994, P:804)

### **3. Human responsibilities and interaction principle**

First the section of a budget director (and staff, if necessary) a very important to an effective budgeting system. These person must be able to communicate well with the people both above and below in the organization hierarchy 2<sup>nd</sup> we have mentioned that all participants should be identified and informed of their responsibilities, the identification process begins with high level managers. Full communication throughout the budgetary process is our final interaction principles. In particular, the budget must be communicated clearly to the participants each one of these people playing a part in developing the budget and implementation effective budgeting then require participative budgeting, which means that all level of personnel task part in the budgeting process in meaning full active way (Needles, Anderson & Caldweel, 1994, P:804)

### **4. Budget housekeeping principles**

Which means that three guidelines should be followed, first a realistic approach must be taken by the participants. Second deadlines must be meeting. Third the organization must use the flexible procedures for implementing the budget. Realisms a two-way street. Top management must first suggest attainable targets and goals; there each manager must provide realistic information and not place departmental goals a head of the goal of the whole organization. Deadlines are important because budget preparation depend on the

timely cooperation of many people if one or two people ignore a dead line for submitting information, the budget might not be ready on time, management should communicate the important of time table to all participant & should review time submission of budget data as part of each manger performance evaluation.

Our final principle of budget housekeeping calls for flexibility. Budget should always be treated as guide and not as absolute truths, budget are important guide to the action of management (Glenna Awtsha 1976).

### **5. Budget follow-up principle**

Since the budget consist of projections and estimates, it is important that it be checked and corrected continuously. It more sense to correct and error than to work with an incorrect guide. Budget follow up and data feedback are part of the control aspects of budgeting cost organization and departmental expectations can also be unrealistic. Such problems are detected when performance reports compare actual results with budgeted results (Needles, Anderson & Caldweel, 1994, P;805).

## **2.14 Empirical study**

### **2.14.1 Historical Development of Ethiopian Budget**

Ethiopian starts the practice of government budget early at the regimes of Hailesilase. However, at the beginning, it was not structured in such a way as to permit efficient financial administration, but through time period continuous modification of the budget system was made before it attained its present status. The budgetary system varied in diffident regimes based on the administrative structure each government followed. In centralized system, resource allocation and financial administration is the major responsibility of central government. The budget would be formulated and resources allocated by the central government. The entire spending process was also under a closer supervision of executive bodies at central government. In a decentralized governmental structure on the other hand, the responsibility of financial administration is developed in to autonomous and semi-autonomous governmental unit like ministry offices, regional and local governments. Ethiopians budgeting systems reach to this current situation, after a number of modifications. This modification was approved by the constitution of the country (proclamation No.1/1995, 57/1996 and 17/1997).

Budgeting take a lot of management time top managements want lower level managers have valuable knowledge about the day to day aspects of running the business. Participation also creates greater commitment and responsibility toward the budget among lower level managers. The widespread prevalence of budgets indicates that the advantages of budgeting systems outweigh their costs (Chaples and J.Horngren, 2003).

### **2.14.2 Historical Development of Modern Government Budget**

Historical the practice of budgeting generally originated in the central government of Great Britain at the year of 1217. However an entirely new approach to government budget was initiated during the year 1930's economic depression in the advanced capitalist countries. During that period, new possibilities of using financial measures to regulate the level of employment one economic activity were recognized (Hiness, JJ and Edward R.J, 1954).

The historical development of modern budgeting suggests two significant generalizations concerning the distribution of budgetary responsibility. The budget system developed as an instrument for democratic control over the executive. The power of the purse comes to raise in the legislature in order arbitrary tax payments in his subjects. The budget is an expression of ultimate legislative authority. The pattern of responsibility which characterizes the budgetary process may be examined from a number of stand points.

- ✓ As a legal institution, the budget is an expression of the constitution and statutes of a government.
- ✓ Viewed in terms of organization
- ✓ As a matter of procedure, the budget is the product of a time sequence of decisions made in an organization as context (Jesse Burkhead, 2001).

The researcher role from empirical evidence was the organization always prepare annual budget for the current year activities by designed budget proposal and its active implementation of objectives. Budget is one of the techniques used to control the organization activity and it is also quantitative expression for set of time period and a proposed future plan of action by management. Budget is the formal expression of the plan and objective of management to the organization which covers all phases of operations for a specific period of time. Good budgetary performance can be a vehicle for

addressing of objectives and goals in the most careful way. But in preparing budget many problems were take place and consequence creates a great impact on the performance of the organization. TheProblems are using inappropriate budget preparation procedures & not well utilization of budget for each department within the organization.

Based onthe aboveempirical studies the researcher gap isto assess the problems related to budgetary performance, deficit and how to assess or utilize the budget in Wolkite town finance office.The problem of budgeting is not only in preparation stage but also on implementation. So the researcher were also assess what types of implementation systems was used by the organizationmangers, employees and how the shortages of budgets occurs in an organizations and if there is shortages of budgets in an workplace in what way they get extra budgets from the indicated bodies.

### **2.15 conceptual frame work of the study**

Budget is an itemized estimate of the operating result of enterprise for a future time period. Forms of budget vary from organization to organization. Budget is eventually summarized in to the form of normal financial statements. The major difference between budget and the financial statement is the data used to develop each, financial statement are based in actual result of past operations, whereas budget are based on planned operations for a future time period, because of this budget is a performance statements (Cherington P.140).

Seven types of practice wereconsideredin this study for analysis of assessments of budget performance in Wolkitetown finance office. This are the organization effectively implementation of budgetperformances, the budget effectively used by an organizations, factor affecting the organization budgetary Performances, budget allocation,budget deficit occur within the organizationand techniques used by the organization to reduce budget deficit. These variables are compressive, appropriate and most representative and found used to beusefulin understanding and assessing budgets issues based on the practiceencountered in Wolkitetown finance office.

## **CHAPTE THREE**

### **3. RESEARCH DESIGN AND METODOLOGY**

In this chapter, detailed methodology, showing that the research design target population, sampling technique, sample size, type and source of data and data collection methods was presented respectively.

#### **3.1 Research design**

Research design refers to the way the study is designed, that is, the method used to carry out a research (Denscombe, 1998).

The researcher in this study were used both qualitative and quantitative research design to assess budgetary performance in Wolkite town office. Because of the following reasons. Qualitative research process uses smaller sample size than other research method. This fact that smaller sample size equates lower research cost, its process is that always open ended, it incorporates the human experience, it is not rigid and it offers predictive quality. According to McMillan and Schumacher (1993, p. 479) qualitative research is defined as “primarily an inductive process of organizing data into categories and identifying patterns (relationships) among categories.” This is more advantages for the researcher.

Quantitative research deals in numbers, logic and an objective stance and it focuses on numeric. So the researcher used by this design to analyze, interpret and summarize the research based the data collected from the population.

The study wastaken 4-5 months. It compulsory for researcher went to the area to collect information required to answer the research questions.

#### **3.2 Types and sources of data**

The researcher were collect Primary data through interview and questionnaire prepared for employee of the office. Secondary data was collected from book, magazine, Internet and from the written materials.

#### **3.3 Target population**

This research was conduct to assess budgetary performance in Wolkite town finance office. In the Wolkite town finance office there are 37 employees (Wolkite town finance office 2017).

#### **3.4 Sampling techniques**

Sampling is the process of choosing sample from a large population which used to make generalized statement. (Leedey, 1998).

In this study the researcher was used Purposive or judgmental techniques because the researcher` selects only 16 employees based on their experience and ability of works.

### **3.5 Sample size**

In Wolkite town budget finance office there are 37 employees. The researcher used a non-probability of Purposive or judgmental techniques to selected sixteen (16) employees out of total employees for the research purpose.

### **3.6 Methods of data collection**

The researcher was collect data by using both open ended and closed ended questioner and unstructured interview. The researcher in this study prepares a set of research questions required answers from respondents with a response including both ``yes` `or ``No`` and general questions which cannot be answered with ``yes`` or ``no`` or static responses.

### **3.7 Methods of data analysis and interpretation**

The collect data will tabulated, organized analyzed and interpreted to draw sound conclusion and valid generalization. And to do these the researcher will use both qualitative and quantitative methods of data analysis. Quantitative data analysis will use in order to discover inherent facts and explore new facts.

Qualitative data analysis was used to provide depth and detail answers to researcher questions through direct quotation and full description to explore new facts or to re-interpret already known existing fact.

### **3.8 Ethical considerations**

Before starting interview, the researcher introduce himselfe with the candidate and need to be clear about what they need from candidate. Then the interviewer confidential asks about the back ground, skills and types of works in sectors of the interviewee. It gives interviewee a chance high light key aspect of her / him skill and back ground. It gives for the researcher a chance to assess how concise a candidate can be.

During the interview the researcher approach must be polite, friendly and sincerely to collect accurate and relevant data for further research purpose. The researcher give to chance the candidate to describe what they are experiencing in their working sectors

regarding about budget performance in their voice. Then the researcher analyze such survey questions by himselve is an excellent opportunity to empathize with their audience, gather essential insights and make the right decision about field of study area. All the process of data collection made in such a way that through maintaining the socio-cultural values, cultures, customs and norms of the respective community as a whole that the socio-cultural value and norms of respective community as whole it was maintained. Additionally in data collection process, according to the respondent's response, the collected data would properly record and interpreted to give full information about the research.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND INTERPRETATION

This section focuses on interpretation and analysis of data collected from primary and secondary sources. The primary data was collected through the use of questionnaires from 16 respondents that work in Wolkite budget and economic development finance office employers and interview from top level manager. The questionnaires were distributed based on purposive (judgmental) sampling technique. The collected data has been edited and compiled and the results are presented using both qualitative and quantitative data analysis method and then the collected data was analyzed by using tables. Therefore, these analyses are interpreted based 16 respondents of the survey as follows.

Finally, the collected data was organized and arranged in appropriate manner that was be readable and understandable to the reader by using different analysis and interpretation techniques like percentage and table.

**Table 4.1 level of education of employees**

Level of education	No of education status of respondents	Percentage (%)
Certificate	4	25%
Diploma	3	18.75%
Degree	9	56.25%
Master	-	-
Total	16	100 %

**(Source: survey results, 2025)**

The above table 4.1 shows that educational levels of the budget finance office employees in Wolkite town. As show above 4(25%) of the respondents are certificate holders, 3(18.75%) of them are diploma holders and the remaining 9(56.25%) are degree holders. This shows that the most employees are degree holders and it indicates that for better performance qualification work the level of education is necessary.

**Table 4.2 Work experience of the employees**

Year	No of employee	Percentage (%)
Less than	2	12.5%
One –three year	3	18.75%
Three-six year	5	31.25%
More than six year	6	37.5%
Total	16	100%

**(Source: survey results, 2025)**

As indicated from the above table 4.2, the employee year of service on their profession and their year of service in the bureaus, 2(12.5%) of employee has less than one year work experience, 3(18.75%) of employee has one-three year, 5(31.25%) of employee has three-six years work experience, and the remaining 6(37.5%) of employee has more than six year work experience. The above results shows that there are more experienced employees in Wolkite budget and economic development office. As employees experience increase, their ability of performance, willingness and awareness toward to effectively implementation is also increase.

**Table 4.3 Does the organization effectively implement its budget?**

Types of response	No of respondent	Percentage (%)
Yes	14	87.5%
No	2	12.5%
Total	16	100%

**(Source: survey results, 2025)**

From the above table, the researcher understand that 14(87.5%) of the respondents responded yes, which means the organization implement its budget effectively. 2(12.5 %) of the respondent responded that the organization doesn'timplement its budget effectively. The researcher point of view from the gathered information regarding the organizations implementation performance is good and advisable if its implementation is continuous in such way and better for futures.

**Table 4.4 Do you think your organization use the budget effectively?**

Types of response	No of respondent	Percentage (%)
Yes	12	75%
No	4	25%
Total	16	100%

**(Source: survey results, 2025)**

From the above table, we can understand that 12(75%) of the respondent says yes, which means the organization implement its budget effectively. 4(25%) of the respondent response of the respondent says the organization no implement its budget effectively.

**Table 4.5 Respondents response factor affecting the organization budgetary Performance**

Budgetary performance affecting factors	No of respondent	Percentage (%)
In appropriate budget allocation	9	56.25%
The organization manager	2	12.5%
Employees of the organization	3	18.75%
Shortage of fund	2	12.5%
Total	16	100%

**(Source: survey results, 2025)**

From the above table, out of the total (16) respondents 9(56.25%) of the respondent response that the major factor affecting the organization budgetary performance is in appropriate budget allocation, 2(12.5%) of the respondents answered indicates that factor affecting the organization budgetary performance is the organization manager and also 3(18.75%) of the respondent response indicate that employees affecting the budgetary performance of the organization. The rest 2(12.5%) of the respondent says that budgetary performances is affected by shortage of fund. From table (4.3) it indicates that budgetary performance more affected by inappropriate budget allocation.

From the interview of manager response, indicates that the employees are affect the budgetary performance of the organization by low involvement during budget preparation, doesn't participate in their specific job accordingly & recording of revenue and expense is not recorded accurately. Due to this reason the organization budgetary

performance is affected. In general the manager responses the major factor which affect the organization budgetary performance are the following.

Inappropriate budget allocation:- this means that during budget preparation time the allocation of budget for each department is not fairly balanced with its activity, the 2<sup>nd</sup> factor which affect the organization budgetary performance is employees, employees affect budgetary performance due to not participated at specific job. The 3<sup>rd</sup> factor is low coordination of employees and manager, this problem is created due to un willingness of employee doing their activity.

**Table 4.6 Respondents response budgetary allocation is mostly allocated by**

Responsible body to allocate budget	No of respondent	Percentage (%)
The organization manager	5	31.25%
Finance department	11	68.75%
Total	16	100%

(Source: survey results, 2025)

From the above table, 11(68.75%) of the respondent response indicate that the responsible body to allocate budget is finance department and the rest 5(31.25%) of the respondent response shows that budget is allocated by the organization manager.

**Table 4.7 respondent response for budget deficit occur within the organization**

Types of response	No of respondent	Percentage (%)
Yes	9	56.25%
No	7	43.75%
Total	16	100%

(Source: survey results, 2025)

From the above table we can understand that out of the total (16) respondents 9(56.25%) of the respondent response say that budget deficit occurs within the organization. Similarly out of 16 respondents 7(43.75%) of the respondent response says budget deficit not occurred within the organization. This indicates there is a deficit of budget in organization. The researcher concluded regarding to budget deficit occurring within the organization, it is better for the future to plane more budgets in order to make it balance with the planned working process.

**Table 4.8 respondent response about the organization used its capacity to reduce budget deficit**

Types of response	No of respondent	Percentage (%)
Yes	10	62.5%
No	6	37.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

**(Source: survey results, 2025)**

The above table indicates that 10(62.5%) of the respondent response that the organization used its capacity to reduce budget deficit. On the other hand 6(37.5%) of the respondent response the organization does not used its capacity to reduce budget deficit.

According to the respondent response the organization used its capacity to reduce the problem of budget deficit are the following:

- ✓ By giving short period orientation to all employees about budget utilization and effect of budget deficit.
- ✓ By transferring some amount of fund from excess budget to shortage budget
- ✓ By promoting proper communication of employees and the manager of the organization
- ✓ By promoting appropriate allocation of budget to respective department
- ✓ By utilizing good budget system within the organization

According to the finance manager response budget deficit occurred within the organization during spending exceeds revenue. The organization uses various mechanisms to reduce budget deficit like:-

**Table 4.9 Respondent response in which method the organization uses to know the amount of utilized budget**

Method (techniques)	No of respondent	Percentage (%)
By recording revenue and expense	7	43.75%
By planned accordingly	5	31.25%
By recording inventory valuation	4	25%
<b>Total</b>	<b>16</b>	<b>100%</b>

**(Source: survey results, 2025)**

From the above table we can understand that 7(43.75) of the respondent response indicates the organization know the amount of utilized budget by recording of revenue and expense amount. 5(31.25%) of the respondent says the amount of utilized budget known by using planned accordingly & the rest 4(25%) of the total sample are agree by recording of inventory valuation. Most of the time the finance organization prepare budget for 1 year or less than one year period, but in different case of activities they conduct it may be vary form organization to organization. According to the finance head the type of budget system preferable during several year of experience are flexible budget.

**Table 4.10 System or techniques used by the organization to reduce budget deficit**

Budget deficit reducing techniques	No of respondent	Percentage (%)
Adopt good budget system	6	37.5%
Effective manager	4	25%
Active participation of employee	4	25%
Effective allocation of budget	2	12.5%
Total	16	100%

**(Source: survey results, 2025)**

From the above table out of the total (16) respondent 6(37.5%) of the respondents response budget deficit is reduce by using or adopting good budget system within the organization. 4(25%) of the respondent response indicates that budget deficit reduced by introducing effective manager with in the organization. 4(25%) of the respondent response budget deficit reduced by active participation of all employees at their specific job and the rest 2(12.5%) of the response indicates the organization budget deficit reduced by using effective allocation of budget. Respondent response to reduce the organization budgetary performance problem by using the following way.

- ✓ The allocation or distribution of budget allocated by appropriately or correctly way.
- ✓ Active reporting of recording data by employee to respective body.
- ✓ Active participation of all employee during budget preparation.
- ✓ Giving orientation to employees of the organization about budget preparation and its related problems.

According to the respondent response the main objective to implement budget by the organization were fulfilling the following purpose.

- ✓ To attaining or achieving the organization goals.
- ✓ To facilitate communication and coordination with in the organization.
- ✓ For formulating or implementing the future plan of the organization.
- ✓ For managing financial and operational performance of the organization.
- ✓ It acts as coordinary machinery between different functional groups.

According to the finance head response the variance is occurred within the organization because of unforeseen circumstance and externality (un controllable factor) such as change in market condition and increase in general and administrative expense.

## CHAPTER FIVE

### 5. SUMMERY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

- ✓ The assessment of budgetary performance in an organization is to identify how about budget utilization within the organization. Hence, it is necessary to carry out study in the area of budget to promote good assessment methods which could be vital in improving the performance of budget in an organization(Wolkite town finance office)
- ✓ The organization use in appropriate budget allocation. When the budgets are not planned accordingly cause budget deficit.
- ✓ Since budget is the financial plan of the organization for the period of year and it enable to predicting financial result and the contents of the financial statement over the year. There for effective implementation of budget should enable to achieve the desire objectives and goals of the organization.
- ✓ Even if the organization effectively implemented its budget, variance were observed when compared actual results with budgeted estimates and the reason for occurrence was increase general and administrative expense and market change.
- ✓ When the budget was prepared it can be fixed or flexible. However, the organization prepare flexible budget is a preferable one from the organization point of view.

According to the respondent response the main objective to implement budget by the organization were fulfilling the following purpose.

- ✓ To attaining or achieving the organization goals.
- ✓ To facilitate communication and coordination with in the organization.
- ✓ For formulating or implementing the futureplan of the organization.
- ✓ For managing financial and operational performance of the organization.

According to the finance head response the variance is occurred within the organization because of unforeseen circumstance and externality (uncontrollable factor) such as change in market condition and increase in general and administrative expense.

## 5.2 Conclusions

Based the data collected from respondents to assess budget performance in Wolkite town finance officethe following points can be concluded.

- Most of the respondent response indicates that the organization effectively implement its budget. If the organization continues in a manner it is better and advisable for future.
- In Wolkitetown finance office there are more experienced workers compared with others. This helps the organizationsperformance to achievethe organization financial activity and objectives.
- The systems or techniques used by organizations to reduce budget deficit is also good.
- Recording revenue and expenses, planning and recording inventory valuation arethe methods used by the organizations to know amount of utilized budget.
- The organization adopts poor communication and coordination of managers and employees, this gap create in appropriate budget allocation and employee does not participate on their specific job. To conclude from the above point, the assessment of good budgetary performance requires effective budget utilization and communication in order to accomplish the organization financial activity and objectives.

## 5.3 Recommendations

Based on the data findings and conclusions made the following recommendations are forwarded.

- ✓ The organization enables to modify the budgeting system to improve management decisions and facilitates attainment of the firm's objectives. The management on its part should widen the areas of decision making by using reliable good budget system.
- ✓ Even if, the organization effectively implemented its budget but 42.86% of its employees did not believe surely the effective implementation of budget. Since effective implementation of budget is not simple matter, it is advisable to clear

and open communication among employees and department for better performance.

- ✓ The finance organization use appropriate allocation of budget to performing the financial activities of the organization.
- ✓ The organization must adopt a good budgeting system in order to achieve or facilitate there goals and objectives.
- ✓ Use active coordination system: which helps the organization from the top managers to the low level managers should be coordinate and communicate properly.
- ✓ Active participation of all employees to their specific job is important for the organization by minimizing budget problems.
- ✓ Variance was created within the organization due to effective and ineffective implementation of budget. There for the organization use effective implementation of budget in order to achieve favorable variance.
- ✓ Responsibility and assignment of authority are essential for preparing good budgeting. The organization should give employees authority and responsibilities in order to prepare good budget system
- ✓ For providing a better reporting of budget performance, use or increase the organization professional employees.

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# APPENDIX

## WOLKITE UNVIERSITY

### COLLAGE OF BUSINESS AND ECONOMICS

#### DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire development to collect data on employees of Wolkite budget and economic development finance office.

**Dear respondent:**

This questionnaire is intended to obtain relevant information on budget in Wolkite town finance office which is used for academic purpose. The questionnaire is to collect relevant data which is uses for assessment of budgetary performance (a case study of Wolkite town finance office). There for, kindly request you to give as reliable information. Because the quality of research will be depend on the information you provide.

**Instruction:**

- ☒ Please use (√) mark in appropriate box to indicate the response.
- ☒ Please write a short and precise response for open ended question.

**NB.:-** Do not write your name

***Thank you for your willingness to response!***

1. Personal information

2. Level of education

Less than 12 grade	<input type="checkbox"/>	Certificate	<input type="checkbox"/>
Diploma	<input type="checkbox"/>	first degree	<input type="checkbox"/>
Post graduate degree (Master and above)	<input type="checkbox"/>		

3. Age:18-25  26 -33  41   
42-49  ove 50

4. . Work experience

Less than one year	<input type="checkbox"/>	one- three year	<input type="checkbox"/>
Three- six year	<input type="checkbox"/>	More than six year	<input type="checkbox"/>

**QUESTIONARIIES**

5. . Does the organization effectively implement its budget?
- A. Yes
- B. No
6. Do you think your organization use the budget effectively?
- A. Yes
- B. No
7. . What is the major factor affecting the budgetary performance of the organization?
- A. Employees
- B. In appropriate budget allocation
- C. Shortage of fund
- D. The manager of the organization
8. Budgetary allocation is mostly allocated by whom?
- A. The organization manager
- B. The finance department
- C. The market department
9. Is budget deficit occurring in the organization?
- A. Yes
- B. No
10. On basis of question No 6 if yes why?

**INTERVIEW QUESTION FOR MANAGERS**

1. Do you think the organization used its capacity to reduce budget deficit
- a. Yes
- b. No
2. From question no 1 if yes in what way?

3. In which method use the organization in order to know appropriate utilization of budget amount?

A. By recording revenue and expense

B. By recording inventory valuation

C. By planned accordingly  D. By other ways

4. Which system used the organization in order to reduce budget deficit?

A. Adopt good budget system

B. Use effective manager

C. Effective allocation of budget

D. Active participation of all employees

