

ASSESSMENT OF BUDGETARY PERFORMANCE (CASE STUDY EZHA
WEREDA FINANCE IN GURAGHE ZONE)



Wolkite University

We Strive for Wisdom!

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

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DECLARATION

The research entitled “assessment of budgetary performance (case study Ezha woreda finance in Gurage zone)” by individual is approved for bachelor of degree in accounting and finance.

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Abstract

In this study, the effectiveness of budgetary performance in EZHA WEREDA IN GURAGHE ZONE finance organization would be assessed in detail. The organization overall performance may depend on both properly designed my research and its active implementation. The effectiveness of the budgetary performance system of the organization were be assess with the light of getting possible solution after less of effective budgetary performance system coordination and communication. To conduct this study primary and secondary data would be collected and analyzed accordingly. The primary data were collected from questionnaire and through interview. The secondary source of data were collected from reference books, internet and also used the four-year budget report of the organization. The samples used for this research would be simple random sampling techniques the objective of the study is to assess the budgetary performance and identify any problems which affect its effective implementation of budgetary performance in general. The responsible manager is aware of principle of effective budgeting system, effective estimating, projecting, time coverage for future budgeting cycle coordination and communication, developing clear budgeting guide line and etc.

Acronym

BPP Budgetary participation and performance

OC Organizational commitment

POI Perception of innovation

TQM Total quality Management

Table of Contents

DECLARATION	I
ACKNOWLEDGEMENT	II
Abstract	iii
Acronym	iv
List of Table:	viii
Table 4.2: Analysis of Flexible vs. fixed budget 18.....	viii
CHAPTER ONE	1
1. Introduction.....	1
1.1. Background of the organization	1
1.2. Back ground of the study	1
1.2 Statement of the problem.....	2
1.3 Research question	3
1.4. Objective of the Study.....	3
1.4.1. General Objective	3
1.4.2. Specific Objectives	4
1.5. Significance of the study	4
1.6. Scope of the study	4
1.7. Limitation of the study	4
1.8. Organization of the paper	5
Introduction.....	6
2. 1 Theoretical Literature review	6
Procedure	7

2. Facilitating Communication and Coordination	8
3. Allocating Resource	8
4. Controlling	8
5. Evaluating Performance and Providing Incentive	8
2.2. The need of budgetary	8
2.2.1 The basic objective of budgetary control.....	8
2.3 Type of budget	9
2.3.1 Basic Principle of Budget	9
1) Long Range Goal Principle.....	10
2) Short Range and strategies principle	10
3) Human responsibility and interaction principle.....	10
a. Budget follow up principled.....	10
2.4. Budget and budget cycle	11
Coordination and communication.....	11
Budget or financial plan	11
Budget and budgeting participation	12
Advantages of budgeting cash	12
Advantage of budget	13
Applicability of Budgeting and Budgetary Control	13
2.5 EMPIRICAL LITERATURE REVIEW	13
2.6 Research knowledge Gap	14
CHAPTE THREE METHODOLOGY	15
3.1 Source of data.....	15
3.2 research approach	15

3.3	Target population	15
3.4	Sampling techniques.....	15
3.5	Data gathering Tools	16
3.6	Method of Data analysis.....	16
4.2.	Flexible vs. Fixed budget	17
	Types of budget with the finance organization	22
	CHAPTER FIVE.....	25
	SUMMERYOF FINDING, CONCLUSION AND RECOMMENDATION	25
5.1	Summary of findings and conclusion	25
5.2	Recommendation.....	26
	REFERENCE.....	27
	Appendix1 WOLKITE UNVIERSITY	28
	Interview Questions	28
	THANKS YOU IN ADVANCE FOR YOUR COOPERATIONS	28
	Appendix2.....	29
	DEPARTMENT OF ACCOUNTING	29
	THANKS YOU IN ADVANCE FOR YOUR COOPERATIONS.....	31

List of Table:

Table 4.2: Analysis of Flexible vs. fixed budget 18

Table 4.3 Respondents response for know how about budgetary performance.....	18
Table 4.4 Employees participation during budget preparation	18
Table 4.5 Respondent response factor affecting the organization budgetary	19
Performance	19
Table 4-6 Does, the organization implement its budget effectively	20
Table 4.7 Respondent response budgetary allocation is mostly	20
Allocate	20
Table 4.8 respondent response for budget deficit occurred within the	20
Organization.....	20
Table 4-9 respondent response about the organization used its capacity to.....	21
Reduced budget deficit	21
Table 4.10 Respondent response, which method the organization uses to know the amount of utilized budget.....	22
Table 4-11 System or techniques used by the organization to reduce budget Deficit	22
Table 4.12 the planned and actual budget of the four year report of the	23
Organization.....	23

CHAPTER ONE

1. Introduction

1.1. Background of the organization

Ezha woreda is found in southern part of Ethiopia, which is found in eastern Gurage zone. The woreda were far 40km around the town (wolkite) and 190km far from the center (Addis Ababa) Traditionally, three broad categories of resources were identified by economists such as natural resources, human resources, and capital resources. Natural resources are the resources of the earth derived from the physical environment which are not made by people but can be used by them. In the forest there are many different kinds of wild animals like Hyena, Fox, and Ape etc. Currently activity of the organization is making decision write evolution of budget for each sector found in the Ezha it checks the organization financial and property account record and implementation neither they are implementing on the rule and regulation of the organization or not. If also collected revenue of the organizing at proper time from different sources. These woreda populations increase from time to time so you must facilitate different infrastructure like school, road health service etc.

1.2. Back ground of the study

Every organization have be some types of planes that in relation is called budget provide measurement of finance result organization expect from its plan activity budgetary performance of the organization against many problems. Budget is the means of coordination and implementation purpose among the various unit of the organization since budgeting means established objective are to be accomplished. Which provides a standard for comparison with results actually achieved (Brown and Haward 8th edition)

Budgetary performance of the organization against many problems such as: budget deficit, unequal distribution of budget, etc. Hence, there should be inviting effort to minimize budget deficit Also, budget play very grate in motivation because of its goal setting properties and goals setting is related to performance as individual set higher performance goals and actual performance level generally increase. If the budget is used properly it coarser as performance goals and there for can be significant doctor in motivation. 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.(Chandra, 2017; in page 200)

Most of the time budget detection should be controlled by finance organization and periodical performance but taking this case into account there a page cared with organizational system which hinder its fulfillment frame organization opining view it is important to balance inventory again demand of capital budget and or liner budget considering avoid ability of budget at right place support. The organization objective: customer service production profit and return of investment. This is true in wholes. Retailer education is organization. But all need adequate budgetary performance management. Budgetary performance should be consistent with the finance organization utility the planned budget accordingly.

The study would be focus to show the solution of budgetary performance, deficit and how to assess or utilize the budget to the organization. The objective of the study is to assess the budgetary performance in Ezha wereda in Gurage finance organization & to see the organization if they are earning a good return on budget or not.

1.2 Statement of the problem

The organizational overall performance depends on both properly designed budget proposal and its active implementation.

The organization always prepare annual budget for current year activity. To determine the organization survival also; budget is quantitative braining used to control activities and its implementation Budget is quantitative expression for the seat of time period and proposed future plane of action by management.

The purpose for budgetary performance would be guide for the time period chose for the budget. To implement this planning & budgetary control are prepare for materials need material purchase & desired inventory level. The organization must plan the amount of budget that would be on hand at the begging of the period. The budget is mostly prepared & allocated by higher official and periodical performances are also evaluated by them for the organization.

The budget provides the details of the various sources through which the money flows to the government and also the details of the various types of the expenses spent by the government. Thus, it needs much consideration; especially in the area of its utilization and control process. However, there is a problem related to the process of budget utilization and control process; which hinders the achievement of the desired goals.

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 Ezha wereda finance in Gurage zone. The study is primary focus on the organization, in order to give the final solution and suggestion to the problems.

The researcher raised the following question that would be answered in this course of study.

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

1.3 Research question

The concern these studies to examine the budgetary performance in the particular area of EZHA WEREDA IN GURAGE ZONE finance organization. This are why organization have would be many problems related to budgetary performance so bossed on this study the following basic question may get answer.

1. Are they using the budget as planning controlling mechanism?
2. How to assess budget utilization on the Ezha finance organization?
3. What is the factor affect budgetary performed?
4. As it has impact on planning and controlling purpose are, they performer this budget as per standard?

Generally, cash budgetary performance problem of EZHA WEREDA IN GURAGE ZONE ECONOMIC & finance bureau may solve through this study.

1.4. Objective of the Study

1.4.1. General Objective

The main & general objective of my research paper is to examine & assessment of factor affecting budgetary performance & to know their effectiveness and weakness of Ezha wereda acquire a possible solution to the problem identify.

1.4.2. Specific Objectives

The specific objectives of the study are the following

- . To see the organization effectively implement its budget or not.
- To indicate for the finance organization how properly managed budget is important successfully and to exhibit which factors affect the demand for budgetary performance.
- To know the 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 be helping the organization to have a good budgetary practice and to properly budget the available resources and to effectively implement in Gurage zone Ezha wereda finance. In addition to this study would be used 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 factor affecting budgetary performance in Gurage zone Ezha wereda of finance 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 the above the following play a great role to avoid the problem of budgetary performance for the future of Gurage zone finance organization in Ezha wereda.

Initiate the employees to undertake a great measure over the problems concerning budgetary performance.

1.6. Scope of the study

To come up with effective and better study, it would be better if the study would be conducted on over all organization performance but due to the financial and other constraints this study conducted only in Ezha wereda finance therefore the study is limited to the organization

1.7. Limitation of the study

Since the studies have conducted within a short period of time shortage of time is the major limitation of the study. This constraint in forced me to collect data from smaller sample size in

addition to this financially allocated amount was not enough to carry out. This study properly. Also the following problem were faced me in conducting my research paper and collecting data.

- Lack of respondent knowledge about financial activity.
- Lack of sufficient material from the expected organization as well as published materials.
- Shortage of stationery
- Lack of experience doing research.
- During data collection some respondent are not willing to give information.

1.8. Organization of the paper

This paper includes five chapters. The first chapter present the introduction part which reflecting the background, statement of the problem objective of the study, significance of the study, scope of the study, limitation 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 with data analysis and interpretation and the fifth chapter consists of summary, conclusion & recommendation.

Chapter two

Literature review

Introduction

The word budget is derived from the old French” baguette” meaning a small bag in which the chancellor carried to the parliament, the statement which will contained in the bag. The practice of budget will b

e originated in 1217 in England as a means of asserting parliamentary control over the crown. During this time, the parliaments would 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. (Mohammed Woliye, 2014, p.5)

2. 1 Theoretical Literature review

A budget is as primly plane or specific management action is needed to make its reliability. A budget is planning decrement created before anticipated transaction occurs. The primary objectively budget is to forecast future financial & non-financing transaction and events. The second objective is to developed information that accurate and meaning full to receipts as possible. To an accomplished these objective budgets should present information in an ordinary Matter, Forms of budget vary from organization to organization(Anderson page 225).

Budget is preparation is also excellent echelle with which to work with all supervised personnel by requesting their input and suggestion, once developed budget provide operating target for managers and their staff, at the end the price budget help managers to performance located and provide solution problem area. The budget analysis should be regular and ongoing part of managers. In fact, budget becomes even more important when or Total quality Management (TQM) concept and technique are applied and establishing on effective. Budget processes is the key to success full business venture without full color donating budget system.Budget system budget are synonym with managing activity of an organization. The term organization is important because budget used in non-profit or organization as well as profit-oriented business. All type of organization rely plan to help and accomplished their objective. All types of organization have mangers whose responsibility is determined by top managers or board of director so budget is used to plan and assess. This area of responsibility and to measure

managers' performance, budget preparation on half managers focused on the next month or the entire coming month. (Anderson page 225)

Budget is a powerful management tool which is used to accomplish four major objectives

The budget provides the details of the various sources through which the money flows to the government and also the details of the various types of the expenses they are spent by the government. It is a useful tool to plan and control the fiscal affairs of the government. We may say, a budget shows the details of the planned expenditures of the government program and the expected sources for the year. (Grade 11 economics student text book, p.240)

1. Planning
2. Coordinating
3. motivating
4. Controlling

The budget is a planning tool that represents the expected result of operation for the coming year and that is a way of formulating and expressing in the dollar term the objectives of an organization and the operation plan for achieving these objectives. The budget is a coordinating tool that is summarized in the form of a financial statement for an organization and thus it is together the financial marketing and production. All activities of the department and division will make up the organization. Budget can function as a device not only for planning and co-ordination but also for control. Budgetary control is the use of a comprehensive system of budgeting to aid measurement in carrying out its functions of planning, co-ordination and control operations. Therefore, a budgetary control is one of the important tools of control. (Habtamu Getachew, 2014, p.3)

Procedure

The procedure used to develop a budget constitutes a budget system. This budget system has five primary procedures.

1. Planning
2. Facilitate communication & coordination
3. Allocating resource
4. Controlling
5. Evaluating performance & provide incentive.

1 Planning

The most obvious purpose of a budget is to quantify a plan of action for the budget process for the individual who makes up the organization to plan ahead

Planning is setting a goal and developing strategies to achieve these goals. Budget shows how resources will be developed to implement strategy (Horengan page 177)

2. Facilitating Communication and Coordination

For any organization to be effective each manager throughout the organization must be aware of plan made other manager. The budget process pulls to get here plane of each managerial organization (Hilton).

Coordination in balancing all of production and department and business function is the best way for the company to meet its goals.

Communications gating those goals to be understand and accepted by employees (Horengen 178)

3. Allocating Resource

Generally, any organization resource is limited and budget are provided means of allocating resource among competing uses (Hiltone)

4. Controlling

Never the less budget serves as use full be ancho market with which actual result can be compared(Hillition)

5. Evaluating Performance and Providing Incentive

The 1st thing to be budgeted in revenue budget,this because the production level and inventory level and any cost are depending on forecasted level of unites sales or revenue. Then production inventory, Costs of goods sold and income statement would be budgeted respectively (Horngern page 183)

2.2. The need of budgetary

- 1.To aid establishing procedure for preparing campiness planned revenue and costs
- 2 .To aid coordinating and communicating this plane to various level management.
3. To formulate the bases for effective revenue and cost central.

2.2.1 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 provides 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. (Ekholm & Wallin, 2000; Libby & Lindsay, 2010)

2.3 Type of budget

1. Budgeted financial statement: the budget show how the organization financial statement will appear in specified time. If the operation procedure according to plan includes budgeted income statement budgeted balance sheet and budgeted cash flow.
2. Capital budget is plane for acquisition capital assets such as building and equipment.
3. Rolling budget: - are continually up dated by periodically adding anew incremental time period completed. They also called revolving or non-continuing budget.

2.3.1 Basic Principle of Budget

Preparation of organization budget important to it success three, reason

1. Preparing budget for management to look head and plane both long range and short rage goals and event.

2. The entire management team must work together to move and carry out plan.
3. By comparing the budget with actual result and it is possible to review performance of all level of management.

1) Long Range Goal Principle

Annual operating plan cannot be made unless those preparing the budget to know the direction that top management expect for the organization long Range goal project covering give five-to-ten-year period must be set by top management (<httpswww.fgfoa.org>)

2) Short Ran go ate and strategies principle

One management has set the short-Ran goal the controller or budge director take change preparing budget these a person designs a complete set of budget development plans and time with dead line for all level parts of the year operating play.

3) Human responsibility and interaction principle.

First the section of budget director and staff it necessary very important to an effective budget system. This person must be able to communicate with people both above and below in the organization hierarchy. Second, we have mention that all participants should be identified and informed of this responsibility, full budget communication in our final process in transaction principle In particular budget must be communicated clearly to the participant each one. This people playing, as part in developing the budget and implementing effective budget then require participative budget(ANDERSON 229).

a. Budget follow up principled

Since the budget consists of projections and estimate it is important that it be checked and corrected continuously it is more sense to correct and error then to work with guide budget following and data feedback are part of control. Aspect of budgeting cost organizational or departmental expectation can also be unrealistic. Such problem is detected when performance report compares actual result with budgeted result. This report is back bone of the responsibility accounting system. The budget cycle completed after sanction to problem are identified from. The performance report and data are restricted to become target or goals of the next budgeting cycle and lesson (Cangiano, M., T. Curristine and M. Lazare (2013),

This budget used by common accounting company for planning and controlling what they have to do and what the done to satisfy.

Their customer and successes in market place budget provide a measure of the financial result what companies expect from its planned activities.

2.4. Budget and budget cycle

We manage organization through the following budgeting steps

1. Planning and performance of organization as a whole as well as planning the performance its sub unit division. Management at all level a green what expect (Norgrane 176).
2. Providing set of reference set of specific expect skill against which actual result can be completed.
3. Planning organization in alight of feedback and change condition manger spends in big part of their time in preparing budget & nasalization budges (Hilliton).

Coordination and communication

Coordination Balancing and Bleaching all factor of production or service in all departments and business function in the best way for the company meet its goal. Budget also takes up a lot of management time. Top management want love level management tow participate in the budget process because low level has voluble knowledge about. The day to data specifies running the business participation crate greater commitment and responsibility towards. The budget is among low level managers (Horgran).

Budget or financial plan

Company annual plan is called budget. The budget is asset of perform written statement management expectation. Regarding seals expense production volume and various financial transaction of firm for coming period, simply put budget is set of Performa statement about companies financial and operation. A budget is tool both planning and control at the banging of the period. If service has control device to help management to measure the firm's performance against. The plant to ensure future performance may be improved (shooms).

The extent to which the various manager uses their performance reports depends on many factors some behavioral and some technical. One important factor in the extent to which the performance report serves the management decision making a need of use.

Communication is as table management problem and it is facilitated by performance report if the deferent need experiences of the users are taken in to the account.

Budget is deltaic place expressed in qualitative term that specifies how organizations will a quire and use resource during particular period of time and use resource during particular period of time the procedure used to develop budget constitute a budgeting system. Budgeting system have five primary purpose planning. Facilitating, commutation and coordination locating resource, managing financial and irrational performance and provide incentive.

There is perhaps on other area of management where the behavior is more important than budgeting. The idea of participate budgeting to involve employees throughout an organization in the budgetary process.

Budget and budgeting participation

Budget and budgeting process are used to identify the most efficient allocation of corporate resource and to provide planning and control mechanism over funds flow. Corporate manager uses several types of budget in planning and exiting the firm's operations. Financial manager combines these budgets in order to estimate their corporation.

Financial manger combines these budgets in order to estimate the corporations fund flows, profitability, and financial conduction over a given, planning period. Cash budget for cast of a firm each inflows and outflow over a designated planning period. The budget helps to identify a period of cash surplus as well as periods during which additional financing will be needed. Thus, budget helps the financial manager to measure the amount and duration of each shortage and to prepare repayment schedules if cash shortages are to be financed with borrowed funds.

Advantages of budgeting cash

- It serves as an integrative analytical tool for the corporation. The individual components that produce cash budget inflows and outflows are brought together and their overall impact on corporate cash flow can be estimated.
- Cash budget estimates the occurrence, amount and duration, cost and repayment schedules for any needed financing.
- Cash budgetary forecasts the occurrence, amount and duration of cash levels over and above the minimum desired end of month cash balances (In book: Corporate Budget Management (Micael Grand of 2007))

Advantage of budget

- Compares strategic planning and implementations of plans
- Provides a framework for judging performance
- Motivate managers and employees
- Promotes coordination and communication among sub units within the company.
- Provides success the company's goal objective

Applicability of Budgeting and Budgetary Control

Budgeting can be applied to virtually every situation. It does not matter whether work in the public or private sector of the economy. We may work for profit making business or in a non-profit making business. In order for a business to remain competitive and to progressive or even in some case to service more information is about the economic environment in which they operate. Information about needed on day to day. Effectively communicated is the lifeblood of any organization it is the basis on which management must make a decision.

2.5 EMPIRICAL LITERATURE REVIEW

Yahya N. (2008) explores on the effect of budgetary participation and performance (BPP) relationship in a public sector organization in a developing country, Malaysia. The study also attempts to examine whether organizational commitment and perception of innovation mediate the BPP relationship. The results suggest that budgetary participation has a direct relationship with managerial performance. Thus the public sector, even bureaucratic and mechanistic organizations should encourage budgetary participation as it is evidenced to have an effect on performance. The results also suggest that budgetary participation indirectly affects managerial performance through the mediating variable of organizational commitment (OC). However, the results do not support managers' perception of innovation (POI) as a mediating variable in the Budgetary participation and managerial performance relationship, although budgetary participation is positively related POI. It is an interesting finding that in a public sector organization, at least in a mechanistic organization like the Ministry of defense, further initiatives may be required, such as reward schemes, in order for POI to have an effect on performance. Melek, (2007) did a study on the impact of budget participation on managerial performance via organizational commitment. He conducted a study on the top 500 firms in Turkey the results of this study provided a number of contributions to management accounting

literature by improving understanding of budget participation and organizational commitment affecting managerial performance. First, according to regression analysis results, this study suggested that the effects of budget participation and organizational commitment by itself on managerial performance are positive and significant second this study found out that the managerial performance scores will be 23 found to increase when the interaction score between budget participation and organizational commitment increase. That is to say high interaction between budget participation and organizational commitment provides appropriate condition, for high managerial performance. However, the results indicated that while improving high organizational commitment feeling of subordinates in firms can lead to increase in their performance, low organizational commitment feeling of subordinates can lead to decreasing in their performance. Similarly, the study supported the hypothesis that interaction score between budget participation and organizational commitment varies according to low and high managerial performance. As this while high interaction between budget participation and organizational commitment is associated with high managerial performance, low interaction score between budget participation and organizational commitment is associated with low managerial performance.

2.6 Research knowledge Gap

The research concentrated on the Assessment of the Government budgetary performance and control system of budget in Gurage zone in Ezha wereda Finance organization office. The researcher also observed in the review of literature that there are no studies conducted mainly to identify the problems related to assessment of government budgetary through effective control by using efficient budget use this research thus bridges an evident knowledge gap as there is no document to the best of researcher knowledge that reports any study on the cause that may hinder the procedure and utilization of budgeting in the zone finance organization.

CHAPTE THREE

METHODOLOGY

3.1 Source of data

To collect the necessary data the study team used both primary and secondary source of data.

1.1.1 **Primary data:-** Would gather from employees of the organization by

Distributing, questionnaire and interview through related parties

Questionnaire: - contain both open-end and close-end questions

Interview: - by directly communicate with the finance manager

1.1.2 Secondary source of data: which are collected or obtained from review of selected materials which are related to the assessment of budgetary performance, like reference book, magazines, used internet and the organization budget report document

3.2 research approach

The Primary data were be, collected using two methods: questionnaire and interview.

The questionnaire will develop to gather information from sample respondents of employees. The questionnaire includes quantitative and qualitative data.

Interview questions was be organized to conduct interview with the key informant officials use to seek information about the practices of budgetary performance and control. The researcher use, in face-to-face approach with the sample senior managers, operate this allows being flexibility and generation of rich information about the issue under taken study.

3.3 Target population

The total populations of Gurage Zone finance organization office in Ezha wereda budget collation have 28 from the total population the researcher would be select 14 employees as sample size. From those 14 respondents would be select from finance department 6 respondents from revenue and cost budget department and 8 respondents from budget planning department's will be selected..

3.4 Sampling techniques

The sample selection carried out by a research, so that it is reliable as to the representation of the total population, who are believed high civil servants to the finance organization.

The research, therefore, focus on the employee of the organization by using simple random sampling techniques to acquire the necessary information and to make clear investigation for the current research. The total population of the study are would include 28 employees. Out of the total, the researcher would study only fourteen (14) or fifty (50%) randomly selected employees taking this in to account on factors it is found necessary to use personal judgment. popn

3.5 Data gathering Tools

To collect the necessary data the researcher was used only primary sources of data. The primary data include questionnaire and interview. The researcher was used primary source of data collection method through questionnaire and by conducting interview. Hence in order to make respondents, free in giving their idea feeling and suggestions pertaining to the factors that assess' government budgetary control and utilization taking the case of Ezha weredafinance and organization office. A questionnaire possessing a number of questions with open and close ended type of question that is relevant as to the subject of the study designed. Feel easily, on the

3.6 Method of Data analysis

In this study the data has been analyzed and interpreted using different methods, the method include tabulation and percentage. Tabulation used to arrange data in a table or other summary format to facilitate the process of comparison of various data analysis.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This part deals with the major findings of the study. For data analysis and interpretation purpose the relevant information were gathered from questionnaires distributed to the employees of the organization and face to face interview with finance manager and also the four year budget report from the organization

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

Table 4.1 Demographic characteristic of respondent and their educational qualification

Sex	Educational level							
	Degree		Diploma		12 th Complete		Total	
	No	%	No	%	No	%	No	%
Male	1	7.14%	3	21.4%	1	7.14%	5	35.7%
Female	2	14.3%	5	35.7%	2	14.3%	9	64.3%
Total	3	21.43%	8	57.14%	3	21.4%	14	100%

(Source: Data collected through questionnaires)

From the above table, the respondent answer indicates that 8(57.14%) of the respondent are diploma holders, 3(21.43%) are degree holders and also3(21.43%) of the respondent are 12th complete. In addition to this the respondent response indicates that most of the employees are female that is 9(64.3%) of the total population and the rest 5(35.7%) of the respondent are male.

4.2. Flexible vs. Fixed budget

A flexible budget is a budget that is developed by using revenue or costs amounts, it is adjusted (Flexible) to the actual level of the output achieved or expected to be achieved during the budget period. Whereas fixed budget that is based on one level of output and cannot be adjusted or shifted after it finalized. Based on from the two opposing budget types, the researcher wants to investigate which one more applicable in the organization. To get appropriate answer for this question which is take 14 sample respondents from employees of the Ezha weredafinance organization.

Table 4.2: Analysis of Flexible vs. fixed budget

Respondents	Response flexible	Fixed	Percent (%)
A. Flexible	18		90%
B. Fixed		2	10%
Total	18		100%

(Source: Data Collected from questionnaires)

From the analysis of the above table we can understand that what looks like the respondents reply to questions are the majority of the respondent says the bank uses flexible budget due to the reality of the advantages. The response which is the above table shows 18(90%) was flexible budget used the finance origination in in Ezha wereda and the remaining 2(10%) said that the bank uses fixed budget. The reason flexible budget was chosen by the finance origination was

1. Flexible budget can adoptable to any given set of operational conditions.
2. It is also more realistic
3. Practical activity was achieved.
4. Useful than fixed one.

Table 4.3 Respondents response for know how about budgetary performance

Type of response	No of respondent	Percentage (%)
Yes	14	100%

(Source: data collected through questionnaires)

From the above table we can observe that all respondents 14(100%) of the organization are known about the budgetary performance

Table 4.4 Employees participation during budget preparation

Types of response	No of respondent	Percentage (%)
Yes	10	71.43%
No	4	28.57%
Total	14	100

(Source: data collected through questionnaires)

The above table indicates that 10(71.43%) of the respondents response are the employees participated during budget preparation. The rest 4(28.57%) of the respondent response no, this indicate more than half of the respondents are participated during budget preparation.

From interview the response of the finance manager indicates participatory budget are important instrument for overall organization activity. Because, of any employee to be reduced some problem of budget preparation for example theft of collation of any budget in one or more than two person loss.

Table 4.5 Respondent response factor affecting the organization budgetary Performance

Budgetary performance affecting factors	No of respondent	Percentage (%)
In appropriate budget allocation	7	50%
The organization manager	3	21.43%
Employees of the organization	3	21.43%
Shortage of fund	1	7.14%
Total	14	100%

(Source: data collected from questionnaires)

From the above table, out of the total (14) respondents 7(50%) of the respondent response that the major factor affecting the organization budgetary performance is in appropriate budget allocation, 3(21.43%) of the respondents answered indicates that factor affecting the organization budgetary performance is the organization manager and also 3(21.43%) of the respondent response indicate that employees affecting the budgetary performance of the organization. The rest 1(7.14%) of the respondent says that budgetary performances is affected by shortage of fund. From interview the 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 2nd factor which affect the organization budgetary performance is employees, employees affect budgetary performance due

to not participated at specific job. The 3rd factors is low coordination of employees and manager, this problem is created due to unwillingness of employee doing their activity.

Table 4-6 Does, the organization implement its budget effectively

Types of response	No of respondent	Percentage (%)
Yes	8	57.14%
May be yes	4	28.57%
No	2	14.29%
Total	14	100%

Source data collected through questionnaire

From the above table, we can understand that 8(57.14%) of the respondent says yes, which means the organization implement its budget effectively. 4(28.57%) of the respondent response that may be yes & the rest 2(14.29%) of the respondent says the organization no implement its budget effectively.

Table 4.7 Respondent response budgetary allocation is mostly Allocate.

Responsible body to allocate budget	No of respondent	Percentage (%)
The organization manager	4	28.57%
Finance department	10	71.43%
Total	14	100%

(Source: data collected through questionnaire)

From the above table, 10(71.43%) of the respondent response indicate that the responsible body to allocate budget is finance department and the rest 4(28.57%) of the respondent response shows that budget is allocated by the organization manager.

Table 4.8 respondent response for budget deficit occurred within the Organization

Types of response	No of respondent	Percentage (%)
Yes	9	64.29%
No	5	35.71%
Total	14	100%

(Source: Data collected from questionnaire)

From the above table we can understand that out of the total (14)respondents 9(64.29%) of the respondent response say that budget deficit occurred within the organization. Similarly out of 14 respondents 5(35.71%) of the respondent response says budget deficit not occurred within the organization.

Table 4-9 respondent response about the organization used its capacity to Reduced budget deficit

Types of response	No of respondent	Percentage (%)
Yes	8	57.14%
No	6	42.86%
Total	14	100%

(Source questionnaire collected from the employees)

The above table indicates that 8(57.14%) of the respondent response that the organization used its capacity to reduce budget deficit. On the other hand 6(42.86%) 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 occure within the organization during spending exceeds revenue. The organization uses various mechanisms to reduce budget deficit like:-

- Transfer some amount of fund account excessive budget to other which has shortage
- Reducing expense by coordinating different tasks
- By active implementation of budget

Table 4.10 Respondent response, which method the organization uses to know the amount of utilized budget.

Method (techniques)	No of respondent	Percentage (%)
By recording revenue and expense	7	50%
By planned accordingly	5	35.71%
By recording inventory valuation	2	14.29%
Total	14	100%

(Source data get from questionnaire)

From the above table we can understand that 7(50%) of the respondent response indicates the organization know the amount of utilized budget by recording of revenue and expense amount. 5(35.71%) of the respondent says the amount of utilized budget known by using planned accordingly & the rest 2(14.29%) of the total sample are agree by recording of inventory valuation

Types of budget with the finance organization

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 4-11 System or techniques used by the organization to reduce budget Deficit.

Budget deficit reducing techniques	No of respondent	Percentage
Adopt good budget system	6	42.86%
Effective manager	4	28.56%
Active participation of employee	2	14.29%
Effective allocation of budget	2	14.29%
Total	14	100%

(Source data collected through questionnaire)

From the above table out of the total (14) respondent 6(42.86%) of the respondents response budget deficit is reduce by using or adopting good budget system within the organization. 4(28.56%) of the respondent response indicates that budget deficit reduced by introducing effective manager within the organization. 2(14.29%) of the respondent response budget deficit

reduced by active participation of all employees at their specific job and the rest 2(14.29%) of the response indicates the organization budget deficit reduced by using effective allocation of budget.

Respondent; response to be reduced the organization budgetary performance problem by using the following way.

- Adapt good or well budget system within the organization.
- 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 employees during budget preparation.
- Introducing professional or effective manager.
- 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 within the organization.
- For formulating or implementing the future plans of the organization.
- For managing financial and operational performance of the organization.
- It acts as ordinary machinery between different functional groups.

Table 4.12 The planned and actual budget of the four year report of the Organization

Year	Planned budget	Actual budget	Variance (favorable)	%
2017	9,747,496.60	7,310,622.45	2,436,847.15	75%
2018	11,421,519.72	8,566,139.79	2,855,379.97	75%
2019	11,020,076.67	9,036,462.87	1,983,613.80	82%
2020	12,446,282.81	10,579,340.39	1,866,942.42	85%

(Source: The organization budget report from 2017- 2020)

From the above table we can understand that the organization budget actually used 75% in 2017, 75% in 2018, 82% in 2019 and 85% in 2020.

In the year 2017 and 2018 budget utilization remain constant that is 75%, this two year data shows that the organization not take any corrective action to improve good budget utilization. But in the remaining two consecutive years that is 2019 and 2020 the budget utilization of the organization shows improvement, this lead to the performance of the organization increase.

The variance observed in the organization were favorable for the four consecutive years, this is due to the amount of planned budget is greater than actual budget.

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.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings and conclusion

- 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 (Ezha wired finance)
- The organization use in appropriate budget allocation. When the budget is 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 he budget was prepared it can be fixed or flexible. However, he organization prepare flexible budget is a preferable one from the organization point of view
- Most of the respondent which is 8(57.14%) of response indicates that the organization effectively implement its budget. Whereas 4(28.57%) of the respondent response were not surly the organization implement its budget effectively & the rest of the respondent which is 2(14.29%) are not the organization effectively implemented its budget, from this it can conclude that the organization implemented its budget effectively.
- The organization, adopt poor communication and coordination of managers and employees, this gap create in appropriate budget allocation and employee does not participate on the 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.
- Regarding the impacts of variance weather it was favorable or unfavorable on the performance of the organization seemed as:-
 - Most of the variance observed was favorable.

- Its impact was not serious rather it motivates to employees of the organization to work hard.
- When we compare the budget year of 2017, 2018, 2019 & 2020, the organization has shown more improvement in budget year of 2019 and 2020. From this point we can concluded that the organization budget utilization is increase from year to year.

5.2 Recommendation.

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

- The organization, enable to modify the budgeting system to improve management decisions and facilitates attainment of the firms 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 inorder 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; were created within the organization due to effective and ineffective implementation of budget. There for the organization use effective implementation of budget inorder to achieve favorable variance.
- Responsibility and assignment of authority are essential for preparing good budgeting. The organization should give employees authority and responsibilities inorder to prepare good budget system
- For providing a better reporting of budget performance, use or increase the organization professional employees.

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Appendix1
WOLKITE UNVIERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Interview Questions

For finance head

Dear respondent:-This questionnaire is designed to help in examining and assessing the budgetary performance of the organization in Ezha wereda finance. So you are kindly requested to give the right response you think, since it is contribute a lot for the success available for the study.

1. Participation of employee during budget preparation is important or not? Why?
2. What type of budget flexible or fixed used the finance organization?
3. Why budget deficit occur? In what way control it?
4. Is variance occurred within the organization? What is the cause for the occurrence of variance?
5. What is the reason behind employees affect budgetary performance?

THANKS YOU IN ADVANCE FOR YOUR COOPERATIONS

Appendix2
WOLKITE UNVIERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING

Questionnaire

Dear respondent:-This questionnaire is designed to help in examining and assessing the budgetary performance of the organization in Ezha wereda finance. So you are kindly requested to give the right response you think, since it is contribute a lot for the success available for the study.

NB.:- There is no need of writing your name

Make a thick mark (█)in box which you think an appropriate response

I. Personal profile

- 1.1 Sex Male
Female

1.2 Education level

- 12 complete
Diploma
Degree
Others

II. General question

1. Do you have known about budgetary performance?

- 1.1 Yes 1.2 No

2. Do you participate during budget preparation?

- 2.1 Yes 2.2 No

If no why? _____

3. What is the major factor affecting the budgetary performance of the organization?

- 1.1 Employees 3.3 In appropriate budget allocation
1.2 Shortage of fund 3.4 The manager of the organization

4. Does the organization effectively implement its budget?

- 4.1 Yes
- 4.2 No
- 4.3 May be yes

5. Budgetary allocation is mostly allocated by?

- 5.1 The organization manager
- 5.2 the finance department
- 5.3 The market department
- 5.4 Others

6. Is budget deficit occur in the organization

- 6.1 Yes
- 6.2 No

7. On basis of question No 6 if yes why? _____

8. Do you think the organization used its capacity to reduce budget deficit

- 8.1 Yes
- 8.2 No

9. From question no 8 if yes in what way? _____

10. In which method use the organization in order to know appropriate Utilization of budget amount

- 10.1 By recording revenue and expense
- 10.2 By recording inventory valuation
- 10.3 By planned accordingly
- 10.4 By other ways

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

- 11.1 Adopt good budget system
- 11.2 Use effective manager
- 11.3 Effective allocation of budget
- 11.4 Active participation of all employees

12. To reduce the organization budgetary performance problem what means the organization accomplishes?

13. What are the; main objective to implement budget by the organization?

THANKS YOU IN ADVANCE FOR YOUR COOPERATIONS