



Wolkite University

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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

ASSESSMENT OF BUDGET DISTRIBUTION AND ITS UTILIZATION

IN WOLKITE UNIVERSITY STUDENT REFERRAL HOSPITAL

***A SENIOR ESSAY SUBMITTED TO DEPARTMENT OF ACCOUNTING
AND FINANCE, COLLEGE OF BUSINESS AND ECONOMICS WOLKITE
UNIVERSITY FOR THE PARTIAL FULFILLMENT OF
REQUIREMENTS OF BA DEGREE IN ACCOUNTING AND FINANCE***

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Declaration

I hereby declare that the research work entitled to assessment of budget distribution and its utilization system in wolkite student referral hospital finance office submitted in partial fulfillment of requirement of Bachelor of Art of accounting and finance (BA). I worked independently with support of my advisor.

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_____ **Date** _____ **Date**

Approved by;

Examiner

Name _____

Signature _____

Date _____



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First, the researcher likes to thank the almighty God for helping us in every aspect of life and worry, lasting merely and wisdom or knowledge to do this paper. Next to God, the researcher likes to express our deepest gratitude and appreciation for genuine cooperation to our family and relatives for financial supporting throughout our academic life.

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Moreover, I would to say thanks those respondents.

Abstract

The study is an investigation of assessment of budget distribution and its utilization system in wolkite student referral hospital finance office. The general objective of the study is to assess the budget distribution and its utilization system of wolkite student referral hospital finance office. The study was included both quantitative and qualitative types of data and the data collected from the employees of the office. The source of data used for this paper was secondary and primary data. The primary data was collected through questionnaire and interview and the secondary data was collected through organizational manuals due to the low number of employees the researchers uses census survey. After collecting the necessary data, it is organized and interpreted by percentage and tables. Based on the analysis interpretation the conclusion is made the conclusion shows that most of the office employees are female, there is a problem on budget preparation, and there is no strong internal control of budget. Therefore, the researchers recommended that the office should improve the budgetary control mechanisms performing such activities segregation of duty, division of tasks for each employee and by synergy are a means to strengthen the budgetary control. Finally, the researchers give recommendation assumes to be useful for wolkite student referral hospital finance office by identifying the problem.

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List of Acronyms

M&E _ Monitoring and Evaluation

PBS _ Program Budgeting System

CIPFA _ Chartered Institute for Public Finance and Accounting

CHAPTER ONE

INTRODUCTION

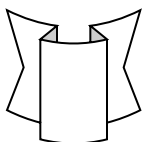
1.1. Background of the Study

There is no universally accepted definition of budget, however, scholar defined as budgeting indifferent ways and meanings. Anthropologists have round records of budgeting activities dating back to early Babylonian (a Siddiquee et al., 2006). There were budgeting activities in china, Greece, and Rome in practice of modern budgeting back to the beginning modern government at the drawn of the industrial revolution which, like accountancy protection, originated in the industrial 1953 (companies experienced growth in technology, improvement in communication and transportation and exportation of expanding Worldwide market. A budget a comprehensive and details quantitative expression of management plan in out lining and utilizing economic resource of an organization for specified period of time plan refers to future goal that is set to be achieved by organization (Berger and Udell 2016)

A budget is regally approved plan of finical operation embodying the organization of expenditure for specified purpose to be made during the budget period and the proposed means of financial them (Paul and Taylor, 2006). Most growth theories imply that industrialization is a carrier of Economic growth. Nonetheless, for developing country such as Sudan, Somalia, Kenya, whose Economy in predominantly agrarian the emphasis on budget should not be stressed by under Mining the role of other sectors in the economy rather complementary balance has to be established between the sectors of the economy to reach the relative benefit of budget. Budgeting is the most budgeting used accounting tool for planning and controlling an organization and planning managers an able to anticipate and correct potential problem before they happen (Tracy,2009). Managers then can focus on exploiting opportunities in stated of fighting fires (Journal of Ethiopia law PP 369-3110).

Budget is the quantitative expression of a plan of action and an aid to the coordination and implementation of the plan. For budgeting and utilization processes to be effective and economic, they must base on well-argued and elaborated plans and program (Schick, 2017). Contemporary studies show that governments that have effective fiscal rules have stronger budget discipline.

For effective use of resources and to gain an understanding of how public fund have been utilized, and how they contribute to government policies, it is important to monitor the results of

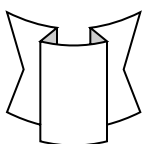


expenditure. This has led to the establishment of government monitoring and evaluation (M&E) systems. A common feature of such systems involves the Ministry of Finance keeping spending agencies in check by requesting reports on financial and non-financial performance. Evaluation is also referred to as the results of government spending, and can be measured at the levels of outputs. It is important for governments to define and keep track of indicators to consider what they are trying to achieve with their policies and how far they are progressing. For this reason, there is a strong link between budget monitoring (understanding how public resources are being utilized) and performance-based budgeting (Rebecca et al. 2011).

To sum up, this paper attempts to explore how the public budget is being prepared and utilized effectively. Having assessed these issues, the paper would provide viable recommendations for decision makers regarding strategies to take advantage of existing and emerging opportunities for improved budget preparation and utilization. This would contribute towards improved and sustained future budget preparation and utilization in the in Wolkite student Referral Hospital by giving some suggestion on the budget preparation and utilization. Government spends the budgeted fund for different sectors such as health, education and other sectors to satisfy the need of society.

1.2. Statement of the Problem

Literature has supported the claim that budgeting is a means for facilitating and enabling the process by which resources are acquired, allocated among subunits and consumed in the achievement of organizational objectives. Effective implementation of budgets enables a firm to effectively and efficiently utilize its resources (Rebecca et al, 2011). According to (Gachithi 2010) did a research to investigate the challenges facing budget implementation in Public institutions, a case study of the University of Nairobi. The researcher found that the universities budget preparation procedures are not efficient especially because lower level staff do not take ownership. (Mawathe 2008) did a research to investigate the challenges of budget implementation in the Banking Sector Industry in Kenya. The research conclusion was that there were enormous challenges in budget implementation in the sector. (Muthinji 2009) also did the research on budget implementation in public sector, a case study of Commission of Higher Education. The study found that the budget implementation and controls was a big challenge within public sector.



Yemisrach and Mulugeta, (2012) did a research to assess the challenges and opportunities of implementing program budgeting systems (PBS) in two selected Federal Ministries in Ethiopia. The finding demonstrated that quite impressive progresses has been registered in revising the program budget manual and training modules, significant program budget training, and piloting of Program budget at federal level and gradual improvements on the budget submission formats. Equally important, however, there are challenges that deserve serious attention.

Currently, the Ethiopian government gives much emphasis on effective utilization of public money. Generally, there is lack of literature focusing on challenges of budgeting in public sectors in Ethiopia. Furthermore, most of the literatures are from developed countries such as America, japan...etc. that use advanced technology and whose working environment is different from that of Ethiopia. Thus, this research tries to evaluate the budget distribution and its utilization and to be assessed the above mention problems in wolkite student referral hospital.

1.4. Research Questions

1. How to check the budget surplus and budget deficit of wolkite student referral hospital?
2. Identify the budget distribution and its utilization from starting budget period to completing budget period in the finance department?
3. What are the procedures of budget distribution in wolkite student referral hospital?
4. What are the possible suggestions and recommendations of the budget distribution and its utilization in wolkite student referral hospital?

1.3. Objective of the Study

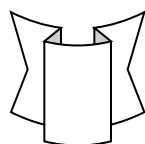
1.3.1. General Objective of the Study

The general objective of this study is to analyze the effectiveness of budget distribution and its utilization in wolkite student referral hospital.

1.3.2. Specific Objectives of the Study

Beyond the above general objective, the specific objectives are

1. To analyze budget surplus or budget deficit of wolkite student referral hospital.



2. To identify the budget distribution and its utilization from starting budget period to completing budget period in the fiancé department.
3. To access the procedures of budget distribution in wolkite student referral hospital.
4. To identify the possible suggestions and recommendation of budget distribution and its utilization of wolkite student referral hospital.

.5. Significance of the Study

This study would help wolkite student referral hospital to have a good budgetary practice and utilization and to use the available resources properly and to effectively implement budget. Moreover, the study would be important to provide ground line information for this organization about its budgetary performance, which is very help full for its advancement to provide a better service

The study would also help to examine about the factor affecting budgetary performance in the wolkite student referral hospital to give recommendation about budget utilization and implementation, in the areas that requires improvement. In addition, this study would help to reduce the problem of budget distribution and its utilization to work in a team and communicate the hospital employers in the detail budget data and necessary information before distribution of budget and its utilization.

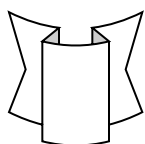
Furthermore; it helps to identify ways and means by which the Hospitals budgetary performance is improved to the best level expectation. In addition to the above, the following play a great role to avoid the problem of budgetary performance for the future society; Initiate the employees to undertake a great measure over the problems concerning budgetary performance.

1.6. Scope of the study

This study would focus on assessing budget preparation and utilization in wolkite student referral hospital from 2021 to 2023. The researcher selected this time horizon by considering such factors like recent data would give better and reliable information to assess the wolkite student referral hospital current period performance.

1.7. Organization of Study

The organization of the study would have five chapters. The first chapter would contain the introduction part, the second chapter comprises literature review part, the third chapter contains research methodology, the fourth chapter contains data analysis and interpretation part, and lastly the fifth chapter contains conclusion, summary and recommendation.



CHAPTER TWO

2.1. INTRODUCTION

Budget Adoptability Government in democratic society seeks to adopt their policies to the preferences of society, granting that in the process they exert substantial pressure up on the nature of thus preferences. Given the lack of precise, clearly defined preferences schedules, society through government must be the level of various activities and the exact amount to be spent in each activity. The basic power expenditure rest with the legislative body as the representative of the voters, but of necessity, the chive executive and the administration exercise great influence both in guidance legislative action and implementing polices within the frame work of the broad guidelines established by the legislative. The government in practice primarily the executive and the administrative organization select to be used to attain the goals of society (John F. Due Friedlander's 2006

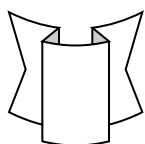
2.2 Theoretical Literature Review

2.2.1. Meaning of Budget

According to Cherington (2009) budget is defined, as Budget is an itemized estimate of the operating result of enterprise for a future 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 the financial statement are based in actual result of past operations, whereas budget is based on planned operations for a future time period, because of this budget is a performance statement.

2.3.2. Budget and budgeting cycle

A budget is the quantitative expression of proposal plan of action by managers or management for future time and is an aid to the coordination and implementation of the plan. A budget can cover both financial and non-financial aspects as a blue print out the organization to follow in the upcoming period. Budget covering financial aspect quantity management expectations regarding future income, cash flow and financial position, just as individual financial statement are prepared covering part periods. Therefore, they can be prepared covering future periods for example a budget income statement a budget statement of cash flow, a budget balance sheet. Uncertainly these financial budgets can be non-financial budgets for, say units manufactured sold head counts and number of new products being introduced to the market. (H. Garison, 2005)

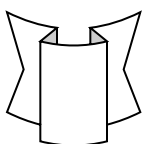


2.3.3. Characteristics of Budget

The following features characterized on annual budget. It estimates the profit potential of the business unit. It is stated in monetary term despite the monetary amounts may be backed up by non-monetary amount (example; unit sold or produced). It generally covers a period of one year except in business that are strong influenced by seasonal factors where there may be two budget per year; a fall budget and a spring budget.

Table 2.1. Characteristics of an effective budget

Term	Characteristics
Accountability progress	Detailed control should be established which have the goal of insuring that policy detectives were carried out by manager of contracts and all concerned parties.
Comprehensiveness	Include all uses of governments financial resources.
Constraints	Contains limitation on the amount of money that need be dominant
Cooperation	Budget should exist in harmony with the other decision process and should not be dominant.
Honesty	Contains un-biased projection.
Judgments	Encourage participants to seek the most effective at the least cost.
Legitimacy	The budget process should reserve the important decision to legally appropriate authorities.
Perception	Consider both near and long term.
Responsiveness	The budget must adapt policies that much public preferences.

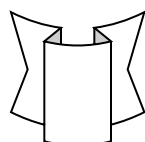


Time lines	A budget should complete regular tasks when expected.
Transparency	The budget and budget procedures should be understood by participants and outside stockholders.

Source: (Meyers, Roy T, 1996)

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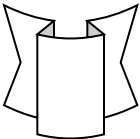
Time lines	A budget should complete regular tasks when expected.
Transparency	The budget and budget procedures should be understood by participants and outside stockholders.

Source: (Meyers, Roy T, 2010)

Table 2.2- Characteristics of budget that adversely affect budget performance.

Term	Characteristics
Extra-budgetary fund	Extra-budgetary fund does not force tradeoff between competing priorities. Extra-budgetary fund generally circumvents central controls, there by violating the comprehensiveness standard.
Earmarked funds (earmarking)	Earmarked funds are dedicated to particular uses or purposes. Agencies with Earmarked funds may have little or no incentive to economize. Earmarking may impede the government's ability to be flexible in managing its budget or in allocating resources.
Unpredictability	In accurate budget estimates, arbitrary budget cuts, and non-timely fund disbursement would substantially budget Unpredictability.
Unreliable information	In accurate and unreliable information would conspire against enhancing budget performance.

Source; (Meyers, T, 2010)



2.1.4. Purpose of budgeting system

A budget is a detailed plan, expressed in quantitative terms, that specifies how an organization would acquire and use resources during a particular period. The objective of budgeting and budget is to control the organizations approved projects and verify the annual budget to the extent of approval, and to examine carefully the evaluation and utilization of this budget. A properly prepared budget provides government and other with several benefits. The primary purpose of budget is to present and describe the financial ramification of plan for the future. The budgeting process requires individual to consider future courses of action and the resources needed to accomplish various activities. (Harper, 2000).

2.1.5. Functions of a budget

Budgets can fulfill one or more of the following functions:

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.

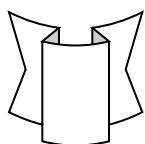
Managing Financial and Operational performance

A budget is a plan and plans are subjected to change. Nevertheless, a budget serves as a useful benchmark 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 organization's operation for a specified



period of time.

Mapping A budget can be used to detail the road to be traveled in fulfillment of an organizational objective. It details all the steps to be taken, and therefore can act as a check on the overall viability of the organization's objectives.

Instructing A budget is often just as much a form of executive order as an organizational plan since it lays out the requirements of the organization – it may therefore be regarded as a managerial instruction.

Authorizing As well as an instruction, the budget is an authorization to take action within the specified limits. In that respect, the budget performs a delegating function.

Decision-making A well-designed budget can be a useful tool in evaluating the consequences of proposed changes in actions, since it should be possible to track the effect of any change throughout the organization. (Harper, 1995)

2.1.6 Incremental budgeting

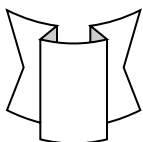
The previous year's budget for a department or division is carried forward for the next annual budget. It is adjusting for known factors such as new legislative requirements, additional resources, service developments, anticipated price and wage inflation and so on. It is known as incremental budgeting because the process is mainly concerned with the incremental (or marginal) adjustments to the current budgeted allowance (CIPFA, 2009). According to the Chartered Institute for Public Finance and Accounting (CIPFA), a key characteristic of the approach is that budget preparation is a process of negotiation and compromise. Incremental budgeting is therefore based on a fundamentally different view of decision making than more rational approaches.

Advantages of incremental budgeting

Easily understood (as it is retrospective), makes marginal changes and secures, Agreement through negotiation., Administratively straightforward (and therefore cheap), Allows policy makers to concentrate of the key areas of change, particularly useful where outputs are difficult to define/quantify; and Stable and, therefore, changes are gradual

Disadvantages of incremental budgeting

Backward looking focus more on previous budget than future operational requirements and



objectives. Does not allow for overall performance overview, does not help managers identify budgetary slack, often underpinned by data or service provision, which is no longer relevant or is inconsistent with new priorities, Encourages systemic inertia and empire building. Tends to be reactive rather than proactive.

2.1.6.1 Zero-Based Budgeting

Zero-based budgeting unlike the incremental approach starts from the basis that no budget lines should be carried forward from one period to the next simply because they occurred previously. Instead, everything that is included in the budget must be considered and justified.

According to CIPFA, zero-based budgeting in its purest form involves the preparation of operating budgets on the assumption that the organization is starting out afresh in the new planning period it as is the life of the organization exists as a series of fixed-term contracts.

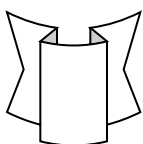
The approach relies upon the involvement of all executive managers. It requires the organization's objectives to be clearly stated as with any budget process but also considers and assesses different ways of delivering those objectives before the budget is allocated. It is therefore less how should I deliver this service with the money available and more here's what I have to achieve different options for achieving it and the budget required for each of those options (CIPFA, 2009).

Advantages of zero-based budgeting

Allows questioning of the inherited position and challenge to the status-quotative involves operational managers rather than handling them down budget from above, can be adaptive to changes in circumstances and priorities; and Can lead to better resource allocation.

Disadvantages of zero-based budgeting

More time consuming than incremental budgeting (i.e. it may become overly bureaucratic and produce excessive paperwork),Need for specialized skills/training, Difficulties can arise in the identification of suitable performance measures and decision/privatization criteria (if there is insufficient information in some area ranking them could be problematic),The specification of a minimum level of service provision (if below the current level) may demotivate managers Questioning of the inherited position can be seen as threatening to



organizations and their people (so careful management of the people element is essential); and difficult to cost and estimate resource requirements for options different from the current practice (giving rise to greater uncertainty) (CIPFA ,2006)

2.1.6.2 Planning Programming budgeting system

This system is primarily associated with corporate management, identifies alternative policies, the implications of their adoption, and provides for their control. The key difference from traditional approaches is that it relates cost estimates to programs

using a crosscutting method rather than attributing costs on a traditional departmental basis.

The US federal government half a century ago first used this approach. In the UK, the Ministry of Defense and a number of English local authorities also experimented with the system. However, according to CIPFA, from 1970s it became apparent that the model was flawed with the following criticisms:

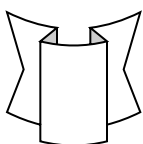
- It is costly and time consuming.
- It is difficult to identify and quantify objectives in the public sector.
- It can depoliticize the budget process by taking decisions away from elected representatives.
- Outcomes from activities can be difficult to measure (for example the populations increased wellbeing from reducing crime) as they may be intangible.
- Also, there are difficulties with developing budgeting systems on a program basis because departments contribute to more than one program at a time: (CIPFA ,2009)

2.1.6.3 Performance based budgeting

The main aim of this approach is to connect performance information with the allocation and management of resources. Performance-based budgets need to contain information on the following elements:

- ✓ Inputs (measured in monetary terms).
- ✓ Output (units of output).
- ✓ Efficiency/productivity data (cost per activity).
- ✓ Effectiveness information (level of goal achievement).

Similar to zero-based budgeting, the performance-based approach should begin at a policy level



with the organization developing goals and explicit policy objectives. Managers then must develop relevant performance measures, which would track the achievement of these objectives. These performance objectives are then integrated with budget preparation to allow for the alignment of spending plans with performance reporting at the time the budget process is initiated. At the end of each budget period, performance-based audits can be completed, which measure the results of programs' using the same performance measures produced in the budgeting process. In this way, the approach seeks to avoid the problems associated with trying to establish baselines after the event, which gives rise to difficulties in the measurement of delivery of efficiency savings, for example.

A fundamental question arises though. To what extent is performance information available secondly, is that performance information used at each stage of the budget decision-making process (i.e. preparation, approval, execution and audit evaluation)? Research in the United States where the approach was pioneered found that many states reported performance measures alongside their budget, but this is not the same thing as using the information in decision-making. (CIPFA, 2009)

The Planning/ Budgeting process involves four stages.

These are:

Objective Determination Stage

The first stage is setting the Objectives which are defined as the broad and long- range desired state or position in the future.

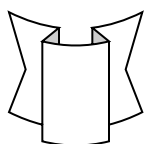
They are motivational or directional in nature and are expressed in Qualitative terms.

Goal Determination Stage

The second stage is specifying the goals. The term goal represents targets, specific in quantitative terms to be achieved in a specific period. The timing of introducing new products, purchase of new plant and machinery and expected rate of return are examples of time and quantity-oriented goals. Strategy Formulation Stage The next step involves laying down the strategies. Strategies denote specific methods or courses of action to achieve the goals, for Instance, promotion of sales through price reduction or aggressive advertisement and so on.

Strategy Formulation Stage

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of action to achieve the goals, for instance, promotion of sales through price reduction or aggressive advertisement and so on.

2.1.8. Types of Budget

☞ Sales Budget

Sales budget is a functional budget. The products wise as well as regional break up of sales estimates are incorporated in the sales budget. The sales budget begins with the previous year actual and incorporates the likely changes.

☞ Production Budget

The production budget is prepared based on the sales estimate incorporated in the sales budget. The adjustments with respect to the opening and closing stock positions that are policy decisions of the business are then made to prepare the production budget.

☞ Purchase Budget

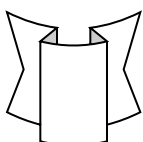
The purchase budget is another functional budget that estimates the purchase requirement of materials utilized in the production process. The purchase budget is based on the production budget and the standard material consumption requirement for the production estimates.

☞ Expenditure Budgets

Expenditure budgets may be drafted as fixed / flexible budgets. A fixed budget is one that is prepared keeping in mind one level of activity. It is defined as one, which is designed to remain unchanged irrespective of the level of activity attained. In contrast, flexible budget is one, which is designed to change in relation to the level of activity attained. Flexible budgets are prepared where the nature of business is such that it is difficult to predict the demand/sale of goods.

☞ Cash Budget

A cash budget consolidates all the cash inflows and outflows for the business. The cash budget is also a functional budget. The cash budget helps the business to plan the project purchases as well as to provide for the loan requirements. The cash budgets also help in defining the repayment plans for short and long-term loans of the business. The cash budget is based upon the business policy of holding certain amounts cash. This is the desired opening cash balance for the business. Accordingly, the cash budget forecasts the loan requirements or short-term



investments that are to be made with excess cash at any specific time.

☞ **Master Budget**

The overall or master budget summarizes the other functional budgets. Consolidating the functional budgets, an income and expenditure budget and budgeted balance sheet are prepared. The master budget is usually a one-year budget expressing the expected asset position and capital and liability positions for the projected year.

2.1.9. Determinants of Effectiveness

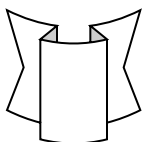
There are several determinants to effective budget implementation of budgets among organizations. These included adequate availability of financial resources, competent human resource, and participation of both staff and other stakeholders in the budgeting process, proper planning, evaluation, monitoring and control of the budget process and staff motivation (Srinivasan, 2005).

Adequate Availability of Financial Resources

Adequate availability of financial resources is one of the determinants of effectiveness. To achieve an effective budget, the organization must ensure that it have adequate access to financial resources in order to finance its projects and to carry out its activities. The management team should plan and come up with a budget before implementing projects (Dunk, 2001). The organization must allocate adequate financial resources and other structures that facilitate effective implementation of projects and other organizational for example adequate allocation for funds to facilitate effective budget implementation. These resources should be both financial and physical resources (Hancock, 2009).

Competence of Human Resource

Competence of human resource is another determinant of effectiveness. To successfully execute its activities the organization should ensure that it has competent human resource with knowledge and skills on efficient and effective means of budgetary control processes and procedures (Hancock, 2009). The organization should be well equipped with knowledgeable and skilled employees who are well conversant with budgetary control measures to effectively implement the budgetary control processes and allocation. Employees play an integral role in the process of planning, monitoring control and evaluation processes of budget implementation this highly contributes to monitoring budget expenditures and accountability in the use of the



budget (Silva and Jayamaha, 2012).

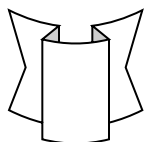
Participation of both Staff and other Stakeholders

All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organization should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets and responsibilities throughout the organization. Carried out properly, this can have considerable benefits in promoting co-operation at all levels. Participation assures full co-operation and commitment for making budgets successful. Participation also makes budgets realistic and workable to ensure that the process of implementing the budget is successful, the management and the employees should work together to ensure that the interests of all stakeholders are fully represented when making key decisions involving budgetary allocations in key projects (Simiyu, 2002).

Proper Planning

In order to carry out budgetary control, it is necessary to formulate a fully co-ordinate detailed plan in both financial and quantitative terms for a forthcoming period. The duration of the period is usually one year. The plan needs to be in line with the long-term development strategy of the organization, although in the shorter term of a budget year, conditions may prevail which could dilute this aim. For example, a depressed economy could lead to a temporary departure from the long-term plans. Therefore, before formulating the budgets, the policy to be pursued during the forthcoming trading period needs to be established (Dunk et al. 2001).

Once budgets are operating throughout an organization, it is important that feedback is made available to the managers responsible for its operation. This is often done by means of monthly budget reports. These reports contain comparisons between the budget and the actual position and throw up differences that are known technically as variances. The budget plans must be properly co-ordinate in order to eliminate bottlenecks. Individual budgets should be co-ordinate with one another to ensure that the implementation process is conducted effectively in order to save time and costs (Garison 2005.) To facilitate proper planning, the management team should define the patterns of expenditure and revenue over the life of the project or the activity that the organization is undertaking. A predetermined budget of possible costs that was incurred carrying



out the activities planned in a project should be made. Realistic planning of finances is a key to the implementation of a project or program (Joshi and Abdulla, 1996).

Evaluation

Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009)

The process of developing an evaluation plan in cooperation with an evaluation work group of stakeholders would foster collaboration and a sense of shared purpose this highly contributes towards achieving an effective budgetary control (Simiyu, 2002).

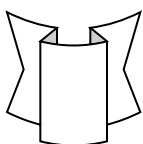
Monitoring and Control of Budget Process

Monitoring and control of budget process is a determinant of effectiveness, once the budgets have been implemented, they need to be monitored and controlled to ensure effectiveness in aligning budgets over a defined period of time (Horngren et al. 2005).

A professional and transparent approach to budget planning would help convince investors, development banks and national or international donors to make financial resources available if the organization implements proper monitoring and control of budget process. This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to take appropriate actions where necessary (Otley, D.T., & Pollanen, R.M, 2000).

Staff Motivation

By setting challenging but realistic targets, well-designed budgets can play a significant part in motivating managers. The targets must be clear and achievable, and the manager should participate in setting his or her own budget. The budget gives senior management a means of judging the performance of their teams. It must be remembered; however, that adherence to the budget alone cannot measure all aspects of a managers' performance. For an effective budget implementation, the budget plan should be clearer and more accurate, the financial resources should be readily available and enough. Stakeholders should be involved in the budget process; the staff actively involved in the budget should be motivated to facilitate successful



implementation of the budget process (Hansen et al, 2003).

2.2. Empirical Literature Review

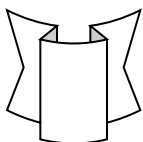
Contingency-based research proposes that there is no single approach to budgeting suitable for all businesses and organizations. Instead, the suitability of a particular approach is argued to be contingent upon the characteristics of an organization that is; its size, strategy, culture and the environment in which it operates to best link the core functions of budgeting (King et al.2010).

Contingency theory is part of behavioral theory which claims that there is no best way to organize a corporation or to make decisions and that an organizational style that is effective in some situations may not be successful in others. For many years traditional budgeting approach has been used extensively by many organizations, but with regard to being efficient, it is generally considered that traditional budgeting process is very bureaucratic. Significant concerns regarding the apparent ineffectiveness of traditional budgets include: they are seen as rigid commitment, restrict staff creativity and prevent them from responding to customers, strengthen departmental barriers while hindering flexibility and that they emphasize cost minimization rather than the maximizing of value (Hope & Fraser, 1997). In addition, traditional methods rely on past information which can have negative knock on effects.

An example is the incremental budgeting tool, where previous year's budget is slightly adjusted for the New Year without any analysis into areas which are over/under performing.

An alternative option for incremental budgeting is Better Budgeting. Better budgeting entails five techniques that can be used to overcome some of the limitations of traditional methods (Neely et al. 2003). Activity based budgeting involves planning using value adding activities, following a similar concept to ABC and ABM. In supporting this view Hansen et al. (2006) resources and capital allocation decisions are consistent with ABM analysis, which involves structuring organization activities so that they better meet customers and external need.

Zero base budgeting forces managers to justify their budgets every year to try and prevent dysfunctional behavior and budget games. Furthermore Hansen et al. (2006) this approach requires extensive and in-depth analysis. Although ZBB has been used successfully in industries and government, it is time consuming and costly. Thirdly, a Value based technique encourages a focus on creating shareholder wealth and linkages with strategy. Profit methods consider



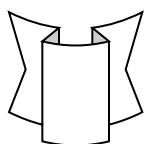
both short and long-term projections whilst ensuring sufficient cash is generated.

Finally, rolling budgets create frequent budgets to provide more accurate forecasts. Thus, every month or quarter a separate budget is prepared, which means that the budget tends to be more realistic and a legitimate measure for evaluating performance (Garrison et al, 2003). A major problem with better budgeting techniques is that they can actually take more management time to

be used effectively, which is likely to cause greater dissatisfaction with the processes. Turyakina (2004) pointed that, budgets play a highly important role in performance evaluation. Attaining corporate objectives is per amount to success. Performance of any organization is often evaluated by measuring success in meeting the budget objectives. When budget is successfully implemented and executed will enable realization of company objectives and once this has been done the organization is said to have achieved at performance level. Thus, efficient budget management is important for smooth performance of any organization.

According to Schick, et al, (2006) budget utilization is the phase where resources are used to implement policies incorporated in the budget. Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging than planning how to spend it. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget. As per Allen and Tommasi (2001), successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides, to this, the budget system should assure effective expenditure control. In addition to a realistic budget to begin with, a good budget utilization system should have complete budgetary/appropriation accounting system.

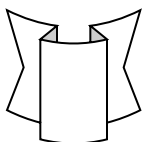
It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget (Schick, A, 2007). (Gachithi 2010) did a research to investigate the challenges facing budget implementation in Public institutions, a case study of the University of Nairobi. The researcher found that the universities budget preparation procedures are not efficient especially because lower level staff do not take ownership. (Mawathe 2008) did a research to investigate the challenges of budget



implementation in the Banking Sector Industry in Kenya. The research conclusion was that there were enormous challenges in budget implementation in the sector. (Muthinji 2009) also did the research on budget implementation in public sector, a case study of Commission of Higher Education. The study found that the budget implementation and controls was a big challenge within public sector.

2.3. Knowledge Gap

Literature has supported the claim that budgeting is a means of facilitating and enabling the process by which resources are acquired, allocated among sub-units and consumed in the achievement of organizational objectives. Effective implementation of budget enables a firm to effectively and efficiently utilize its resources. Even if budgeting is not a new phenomenon in developed countries, most studies related with budgeting are conducted in those countries. There is lack of literature focusing on challenges of budgeting in developing countries like Ethiopia in general and wolkite student referral hospital in particular conducting this study in Ethiopian environment would bridge this knowledge gap.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

The study would be conducted on the assessment of budget distribution and its utilization in wolkite student referral hospital. For this purpose, I would use descriptive survey study. This is because of the main objective of the study is to identify and describe the major problems regarding budget control and utilization.

3.2.Sources of Data

Both primary &secondary source of data where be used for this research.

3.2.1. Primary Source of Data

The primary data would be collected from budget officer and employees of budget department the wolkite student referral hospital through questionnaires and interview.

3.2.2. Secondary Source of Data

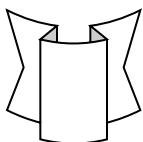
The secondary data would be collected from written documents mainly from audited financial statements the Hospital and budget manual.

3.3. Target Population

The study budget distribution and its utilization system in wolkite student referral hospital finance office. To attain this objective of the study, the researcher has used both primary and secondary data. The data used in this study is predominantly from secondary source. However, the researcher has used primary data to support secondary data analysis. Out of total 100 employees budget distribution and its utilization system in wolkite student referral hospital, the researcher has taken 50 employees as a sample size to simple random about total population, which is 50% of total populations

3.4. Method of Data Collection

To collect the appropriate data the researcher used suitable technique through distribution of



questions to the selected respondents and through questionnaire and interview data collection instruments. Furthermore, the data would be collected by reviewing recent literatures and previous year studies regarding budget.

3.5. Sampling size

The total population of 100 numbers of employees, but the researchers' is selecting 50 employees by using scientific formula of Tayro Yamen (1967:886), to determine the sample size.

$$n = \frac{N}{1 + N(e)^2} \text{ Where,}$$

n = the sample size

N = total population

e = the level of precision

N=100, n= 50 and the researchers is deciding the confidence level of the study to be at 90% consequently the level of precision (e) is ±10%.

$$n = 100 / (1 + 100(0.1)^2), n=50$$

Sources; wolkite student Referral Hospital

3.6. Sampling technique

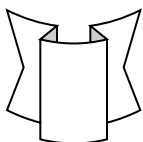
The Sample will be selected by stratified random sampling technique, where the entire population *will be* dividing in to subgroup (strata). The reason, the researchers used this sampling technique is to give equal chance of in the stratum.

Proportionate allocation formula: $n_j = \frac{n}{N} N_j$ Where,

- ✓ n_j is sample size of the jth stratum
- ✓ N_j is population size of the jth stratum
- ✓ n = is the total sample size
- N = is the total population size

Table 1: Sample Technique

Strata	Total no of employees	proportionate allocation formula	Sample from each stratum
Purchasing department	20	20(50/100)	10



Economist department	16	16(50/100)	8
Finance and accounting department	20	20(50/100)	10
Other Administration department	8	8(50/100)	4
Management staff	36	36(50/100)	18
Total	100		50

Source: wolkite student referral hospital.

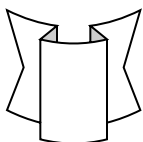
3.7. Method of Data Analysis and Interpretation

After collecting the data in the form of qualitative and quantitative techniques, it would be analyzed. The qualitative data would be collected through interview and analyzed in the form of statement and discussion and the quantitative data would be collected in the form of distributing question. The analyzed data would be interpreted by using table and percentage.

3.8. Ethical Considerations

Research, as a scientific process and activity, will get its own basic ethical conducts that shouldn't be compromising at all levels. For instance, any source that is quoting and use as essential part of the study will be cite. That means, acknowledging the authors of books and articles is necessary. Moreover, the data will be gathering from the appropriate and relevant sources. Therefore, with respect to the current study, the researcher will respect and comply with existing ethical principles to make the research credible and acceptable by the academic communities and users of the result.

The confidentiality of participants' (managers, union leaders and employees) maintained in that their names; addresses, signature and their roles in company will not appear and fill in the questionnaire. In addition, respondents will be fully volunteered to participate in the study and their rights/privacy will respect. The researcher will present the findings of the study without any distortion of the reality.



CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

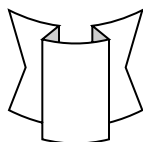
This chapter deals with the presentation and discussion of findings. This analysis is to assess budget distribution and its utilization in wolkite student referral hospital. To make this analysis the researchers has conducted questionnaire and interview for primary sources and use manuals for secondary sources. This part deals data analysis and interpretation or discussion, which obtains from the organization through primary and secondary source of data. The tool of primary data was collected through questionnaire and interview.

4.2 Response rate

The researcher was distributing questionnaires to the employees of wolkite student referral hospital finance office worked in budget department and all the respondents return the questionnaire after filling properly. There is no default of uncollectable of questionnaire all of the respondents were fill the questionnaires. For the interview the researchers' selects only one person who is the director of budget department she also answers the interview questions properly. So, in this regard, the response rate is 100%.

Table 4.1 personal characteristics of the respondents

No	Items and alternatives		Respondent	
	Item	Alternatives	Frequency	In %
	Sex	Male	30	60%
		Female	20	40%
		Total	50	100%
	Age	Less than 25	-	-
		26-35	20	40%
		36-45	15	30%
		Above 46	15	30%
		Total	50	100%



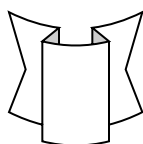
Educational level	10-12	-	-
	Certificate	5	10%
	Diploma	9	18%
	Degree	10	20%
	Master and above	26	52%
	Total	50	100%
Experience	Below 1 year	2	4%
	1-6 years	25	50%
	7-11 years	20	40%
	Above 11 years	3	6%
	Total	50	100%

Source; from the result of survey

As shown in the above tables 4.1 30(60%) of the total respondents are male and the remaining 20(40%) of them are female. In this regard, I can understand that most of the office employees are females so in wolkite student referral hospital encouragement of female is lower. As shown in the above table 4.1 regarding the age of respondent's age is one of the demographic characteristics variable that indicates as young and adult. From the above table, the researcher obtains that the age of respondents in the office. There are no respondents with age of less than 25 years, from the age of 26-35 is 20(40%) of the total respondents, from the age 36-45 years were 15(30%) and the other 15(30%) respondents were age of 46 years. Simply the researcher understands from the above table regarding the age of respondents most of the office employees were young. As shown in the above table 4.1 regarding the educational level of respondents. It is known that education is the key for the development of one country. If highly educated people are there in the country it is know how their growth in the country. As indicated in the above table 10(20%) of the office employee's educational standard 1st degree, 5(10) % certificate, 9(18%) of diploma 26(52%) master and above. As it can be understanding from the above table most of the employee are 1st degree holders. As shown in the above table 4.1 regarding the experience of respondents. 2(4%) experience below 1 year, 25(50%) of respondents have the experience of 1-6 years, 20(40%) of respondents have the experience of 7-11 years and 3(6%) respondents that have the experience of above 46 years. Therefore, from the total respondent's experience almost the most respondents experience is 1-6 years that is 25(50%).

4.3 Analysis and interpretation of organizational data

Table 4.2 weather the office prepare budget or not



No	Items and Alternative		Respondents	
	Items	Alternative	Frequency	In %
1	Do you prepare budget	Yes	35	70%
		No	15	30%
	-	-	-	-
Total			50	100%

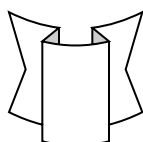
Source; Result of our survey

As shown in the above table 4.2 70%) of the total respondents said the office prepare budget from the interview the budget director says that the office prepares budget for a long period of time and there is a good implementation of the given budget and 15 (30%) of the respondents said that no prepares budget. From this the researchers understands that the office prepares budget.

Table 4.3: type's budget

No	Items and alternative		Respondents	
	Items	Alternative	Frequency	In %
1	What type of budget prepare?	Current budget	25	50%
		Capital budget	6	12%
		Both	10	20%
		Others	9	18%
	Total		50	100%

From the analysis of the above table I can understand that what looks like the respondents reply to the questionnaires. From the respondents 20% says that the office uses both capital and current budget, 12% of the respondents says the office uses capital budget, 50% of the respondents says that current budget and 18% of the respondent said that other types of budget.



From this response of the respondents the researchers understand that wolkite student referral hospital mostly uses current budget are prepared.

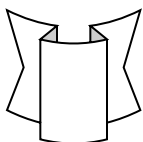
Table 4.4: who is responsible to prepare budget

No	Items and Alternative		Respondents	
	Items	Alternative	Frequency	In %
1	Who is responsible to prepared budget?	Budget department	-	-
		Finance department	10	20%
		Each sector bureaus	40	80%
		All together	-	-
	Total		50	100%

Source; result of our survey

Budget preparation needs deep knowledge about budget importance, implementation and control. So, from the above table 4.4 regarding the budget preparation responsibility 11% of the respondents say that budget is prepared by finance department and 89% of the respondent is each sector bureau prepared. From this the researchers understands that in wolkite student Referral Hospital finance office the responsibility of budget preparation is to each sector bureaus. Table 4.5 budget preparation problems

No	Items and alternative		Respondents	
	Items	Alternative	Frequency	In %
1	Do you have faced problems when you prepare budget?	Yes	40	80%
		No	10	20%
		Total	50	100%



2	What are the problems faces at the time of budget preparation?	Lack of perception and Awareness about budget importance	-	-
		Unrealistic estimation of budget	30	60%
		Lack of coordination between departments	20	40%
		Other	-	-
	Total		50	100%

Source; result of our survey

As shown in the above table 4.5 regarding a problem in budget preparation or not.80% of the respondents said that there is a problem on budget preparation and the remaining 20% of the respondents said that no problem. So, the researchers understand that from the office there is a problem on budget preparation.

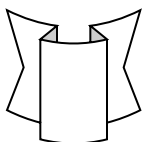
As shown above table 4.5 in the regarding what type of problems is faced from most of the respondents 60% said there is unrealistic estimation of budget and the remaining 40% of the respondents said that there is lack of coordination between departments at the time of budget preparation. From this the researchers understands that the main problem faced at the time of budget preparation is unrealistic estimation of budget.

4.4. Analysis of significant of variance

Table 4.6 is there any variance?

No	Items and alternatives		Respondents	
	Items	Alternatives	Frequency	In%
1	Are there any variances when you compared budgeted with actual?	Yes	50	100%
		No	-	-
		Total	50	100%

Source; from the result of our survey



As shown from the above table, all of the respondents said that there is occurrence of variance when they compared the budgeted with the actual. From this, the researcher concludes that there is a variance in the office.

Table 4.7 the cause of variance

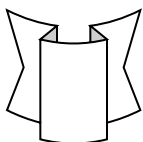
No	Items and alternatives		Respondents	
	Item	Alternative	Frequency	In%
1	What is the main cause of variance between the actual and budgeted amount?	Inability to implement the policy	-	
		Reallocation of funds during budget implementation	40	80%
		Lack of financial discipline	-	-
		Other	10	20%
		Total	50	100%

Source; from the result of our survey

The respondents say that there is the occurrence of variance when they compared the budget with the actual. From the above table 4.7 shows that the respondent response about the above reason for the occurrence of variance is different. 80% of the respondent express the cause variance is reallocation of funds during budget implementation, there is no respondents says that the cause of variance is lack of financial discipline and inability to implement the policy. 20% of the respondent's expresses the cause of variance is due to the variability of tasks that means other. Simply the researcher understands that from the above table 4.6 the main cause of the occurrence of variance is reallocation of funds during budget implementation.

Table 4.8 when did you measured variance

No	Items and alternatives		Respondents	
	Items	Alternatives	Frequency	In%



1	When did you measure when the variance is occurred?	Immediately	-	-
		3 months latter	30	60%
		6 months latter	10	20%
		At the end of the year	10	20%
		Total	50	100%

Source; from the result of survey

From the above table 4.8 I can observe the majority of respondents that is 30(60%) was said that the office measures the variance 3 months later. However, the remaining 10(20%) said that 6 months later and 10(20%) said that at the end of the year. From this the researchers concludes that the office measures the variance 3 months later.

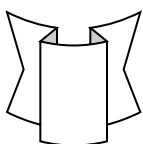
Table 4.9 budget allocation

No	Items and alternative		Respondents	
	Items	Alternative	Frequency	In%
1	How budget is allocated to different operational area?	Based on task	10	20%
		Based on department	30	60%
		By each sector	10	20%
		Other	-	-
		Total	50	100%

Source; from the result of survey

From the above table 4.9 regarding the budget allocation 20% of the respondents says the organization budget is allocated on by each sector, 20% of the respondents says that budget is allocated based on task and 60% of the respondents says budget is distributed based on department. From this the researchers concludes that in wolkite student referral hospital financial office budget is allocated based on department.

Table 4.10 budgetary control mechanism



No	Items and alternative		Respondents	
	Items	Alternative	Frequency	In%
1	What is the budgetary control mechanism in your office?	Administrative control	50	100%
		Legislative control	-	-
		Other	-	-
		Total	50	100%

Source; from the result of our survey

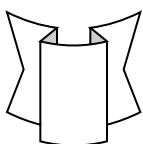
As shown in the above table 4.10; 100% of the respondents say that budget is controlled through administrative control and there are no respondents said the budgetary control mechanism of the office is legislative control and by other. From this, the researchers conclude that the budgetary control techniques of wolkite student referral hospital finance office are administrative control.

Table 4.11 variance of budget

No	Items and alternative		Respondents	
	Items	Alternative	Frequency	In%
1	Is the budget appropriation being over or under-utilized for the fiscal year?	Yes	45	90%
		No	5	10%
		Total	50	100%
2	What is the reason for over or under utilization of budget	Noncompliance of budget manager	10	20%
		Insufficient in budget preparation	30	60%
		Repetitive budget	-	-
		Other	10	20%
		Total	50	100%

Source; from the result of our survey

As shown from the above table 4.11 regarding of budget is under, over utilization 90% of the respondents said that there is under, or over utilization of budget and the remaining 90% of the



respondents said that there is no under or over utilization of budget. From this, the researchers conclude that there is the presence of under or over utilization of budget. From the above table 4.11 regarding of the reason for the occurrence under or over utilization are 20% of the respondents said that the reason for over or under utilization of budget is non-compliance budget managers, 60% of the respondents say that the reason of under or over utilization of budget is insufficient at the time of budget preparation and the remaining 20% of said that the reason for under or over budget utilization by other factor. From this the researchers understand that the main reason for under or over budget utilization in the office is insufficient in budget preparation.

4.5 Interview analysis

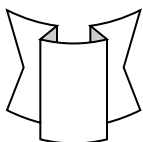
The managers said that regarding about weakness in relation to budget distribution and its utilization are; lack of budget, lack of computerized system, lack of capital city building, lack of infrastructure, nonexistence of accountability, untimely expenditure, inappropriate budget allocation and lack of coordination between budget and finance section. And lack of capacity to utilize the allocated budget in accordance with planned activities. He added that lack of skilled manpower complicated procedures in procurement of items, low commitment of workers and low monitoring and evaluation mechanism are the factors that affect the effective and efficient utilization of budget.

Budget distribution and its utilization of wolkite student Referral Hospital (2019-2021)

In the following section of the discussion, the writers try show the trend of budget variance in wolkite student referral hospital finance office by taking three consecutive year budget and actual data from the reporting of budget expert and expenditure department.

Table 4.12-budget distribution and its utilization wolkite student referral hospital finance office (2021-2023)

Year G.C	Budgeted amount	Actual utilization	Utilized budget	Utilization percentage
2021	950,297,499.5	910,296,789	40,000,710	95.2%



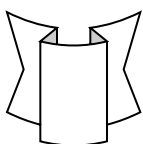
2022	1,110,200,117	1,050,989,111	59,211,006	93.4%
2023	1,268,786,110	1,218,985,085	51,198,975	96.2%

Source; annual report of budgeted and actual utilization of wolkite student referral hospital finance office (2021, 2022, 2023)

As the budget utilization is clearly shown in table 4.12 above the total amount of budget authorized for the wolkite student referral hospital finance office has increased from birr 950,297,499.5 during 2021 to birr 1,110,200,117 in 2022 G, C which indicates a great increase in the amount of budget in the bureau. In addition, it has indicated the plan of work for which the personnel assigned at the referral hospital level is increasing from time to time. On the other hand, the total budget authorized for the zone department increase from year to year. This indicates that there is a great increase in spending salary, wages, allowance payment, construction of building purchasing of office equipment.

When I examine the efficiency of the wolkite student referral hospital departments as a whole in utilizing its budget for the fiscal year 2021 E.C the authorized budget is birr 950,297,499.5 and the actual budget utilized is birr 910,296,789 the difference is 40,000,710 the office utilized 95.2% of the authorized budget which indicates good utilization. When I examine the efficiency of the office in utilizing its budget for the fiscal year 2022 the authorized budget is 1,110,200,117 and the actual budget. This indicates good utilization of actual budget. And when I examine the efficiency of the office for the period 2008 the actual authorized budget is birr 1,268,786,110 and the actual budget utilization is birr 1,218,985.086 and the difference is birr 51,198,975 the zone utilized 96.2% of the authorized budget. Comparing with the above consecutive 3 years this period is excellent utilization of budget since it utilized 96.2% of its authorized budget.

To summarize the budget utilization of wolkite student referral hospital finance office from 2021, 2022 and 2023 G, C; 2018 G, C is a good utilization of budget.



CHAPTER FIVE

SUMMARY OF MAJOR FINDING, CONCLUSION AND RECOMMENDATION

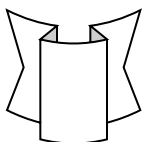
5.1 summary of major finding

The researcher is summarized the result of analyzed and discussion in the following manner. The study mainly concerned or focused on the assessment of budget distribution and its utilization system in wolkite student referral hospital finance office. From the result of data analysis and discussion the socio demographic factor like sex, age, educational status, area of specialization and experience were presented. The result indicated the most of office respondents have females and 1st degree of educational levels.

5.2 Conclusion

Budget is the main critical input for activating tasks. Budget distribution and its utilization system is one of the basic activities to give emphasis on organization.

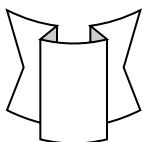
- ✓ The budget department of workers of wolkite student referral hospital is most of females and educational status is almost 1st degree holders.
- ✓ As budget is very necessary for any organization wolkite student referral hospital prepares budget this budget is prepared by finance department. Even though finance department in wolkite student referral hospital prepares budget they have faced many problems like unrealistic estimation of budget.
- ✓ In wolkite student referral hospital when I compare the budgeted with the actual there is the occurrence of variance. The main reason for the occurrence of variance is reallocation of fund during budget implementation and the office measures the variance 3 months later.
- ✓ The budgetary control of the office is administrative control but according to the budget director's response this control is not strong enough.
- ✓ In wolkite student referral hospital finance office there is under or over utilization of budget the main reason for the under or over utilization of budget is insufficient budget preparation and non-compliance of budget managers and also other factors.



5.3 Recommendation

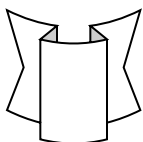
From the above conclusion, the researcher recommended the following activities.

- ✓ wolkite student referral hospital finance office has faced problems of budget shortage so to solve this problem as a researcher I recommend that most of the time the main cause of the shortage of budget is the involvement of Varity of tasks at the time of budget implementation. Therefore, the office performs at the beginning of the fiscal year made a budget for this entire task after that performing these tasks by a schedule is a means to minimize the shortage of budget in the office.
- ✓ In addition to this, wolkite student referral hospital finance office should minimize the variance of budget. This variance is minimized through by lowering the difference between the budgeted amount and the actual outcome of the budget.
- ✓ Budgetary control has a number of mechanisms among the mechanisms compels management to think about the future, promotes coordinatng and communication, motivating employees and improve the allocation of scarce resource are the major mechanisms. So budgetary distribution has these mechanisms in wolkite student referral hospital there is no strong budgetary control as a researchers I recommend that the office should improve the budgetary control mechanism by performing the following activities segregation of duty, division of task for each employees and by synergy (working to together to achieve a common goal) are a means to strengthen the budgetary distribution.
- ✓ Lastly, I appreciate that the positive aspects of the office. Among the positive aspects the office does not was to the budget that means as I saw the report the three years budget utilization is averagely above 94.93%. So, this shows there is excellent utilization of the in the office. From this, I recommended that this like of activities be continue by this way.
- ✓ In general, performing the tasks, which were planned, and budget at the beginning of the budget year is the means for reducing the shortage of budget in one governmental office and the above-mentioned activities are increasing the budgetary distribution of one organization.



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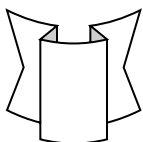
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APPENDIX I
WOLKITE UNIVERSITY STUDENT REFERRAL
FACULTY OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire:

This questionnaire is prepared to gather data which is used to write senior essay entitled in “Assessment of budget distribution and its utilization system in the case of wolkite student referral hospital” in partial fulfillment of requirement for bachelor degree in accounting and finance.

The researcher wants to assure you that every response obtained through this questionnaire are very confidential. Your response would be used solely for the research purpose. So, you are kindly requested honestly.

The researcher appreciates your kind cooperation in advance!!

Notice: no need of writing your name.

Please choose the best alternative from the following.

Part 1: personal information

1) Sex:

A. Male

B. Female

2) Age:

A. less than 25

C. 36-45

B. 26-35

D. above46

3) Educational level

A. diploma

C. master and above

B. degree

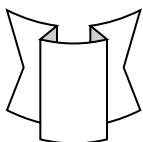
4) Area of specialization

A. accounting

C. management

B. economics

D. Other



5) Experience

A. Below 1-year

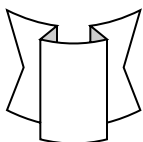
C.7-11 years

B.1-6 years

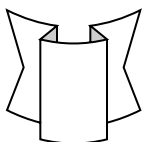
D.Above 11 years

Part 2: questions related to budget distribution and its utilization

1. Do you prepare budget
 - A. yes
 - B. no
2. If your answer in question no-1 is yes what type of budget do you prepare
 - A. capital budget
 - B. current budget
 - C. both
 - D. other
3. who is responsible to prepare budget?
 - A. budget department
 - B. finance department
 - C. each sector bureau
 - D. all together
4. Do you have faced problems when you prepare budget
 - A. yes
 - B. no
5. If your answer in question no-4 is yes what type of problems do you face
 - A. Lack of perception awareness about budget importance
 - B. Unrealistic estimation of budget
 - C. Lack of coordination between department
6. Is there any variance when you compared budgeted with the actual?
 - A. yes
 - B. no
7. What is the main cause of variance between the actual and budgeted amount?
 - A. Inability to implement the policy
 - B. Reallocation of fund during budget implementation
 - C. Lack of financial discipline
 - D. Other



8. When did you measure when the variance is occurred?
- A. Immediately
 - B. 3 months latter
 - C. 6 months latter
 - D. At the end of the year
9. How budget is allocated to different operational area?
- A. based on task
 - B. based on department
 - C. by each sector
 - D. other
10. What are the budgetary control mechanisms in your office?
- A. administrative control
 - B. legislative control
 - C. other
11. Is the budget appropriation being over or underutilized for the fiscal?
- A. yes
 - B. No
12. If your answer in question number 10 is yes what is the reason for over or under utilization of budget
- A. noncompliance of budget manager
 - B. insufficient in budget preparation
 - C. repetitive budget
 - D. other



Part 3:

Interview questions related to budget distribution and its utilization to the manager

1. What are the main weaknesses observed in your office in relation to budget execution, monitoring and controlling, if any?

Lack of facilitating communication and coordination and also lack of evaluating performance and providing incentives.

2. What are the factors that affect the effective and efficient in your office?

Lack of planning, lack of facilitating communication and coordination, limitation of evaluating performance and providing incentives, limitation of managing financial and operational performance ...and so on.

