ASSESSMENT OF BUDGETARYPERFORMANCE
(CASE STUDY WOLKITE TOWNFINANCE IN GURAGHE ZONE)

A RESEARCH PAPER SUBMITED IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR BA
DEGREE IN ACCOUNTING

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AUGUST2021
WOLKITE ETHIOPIA

ACKNOWLEDGEMENT

First of all my deepest thanks goes to the almighty of God for let me to stay in life to this day and enables me to complete my academic life. I also would like to express my deepest gratitude to my advisor NESRIYA .K (Msc) for her enthusiastic support from the preparation until the final discussion of this paper with frequent follow up with receiving in detail, main body of the paper and forwarding constructive suggestion.

I am greatly thanks for my family they had been assisted my schooling life and to give advice how can I goes with my planning activity to finish my academic schooling in this university.

Finally I would like to acknowledge all individual and institutions that have helped me materially and morally during the preparation of this paper.

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LIST OF ACRONYMS

FCC facilitating communication and coordination

MFOP managing financial and operational performance

SRST simple random sampling techniques

BFED bureau of finance and economic development

SNNPR'S south nation nationality of people representative

JIT just in time

TQM total quality manager

CSA central statistical agency

MFPE ministry of finance and political executive

ABSTRACT

The establishment of effective budgetary performance is important for every organization in order to achieve its objectives and future plan of action. This research is conducted to the assessment of budgetary performance in Gurage zone Wolkite town finance organization.

The objective of the study is to assess the budgetary performance and identify any problems which affect its effective implementation of budget in general.

In collecting data the researcher used both primary and secondary source of data. The primary data collected from questionnaire and through interview. The secondary source of data collected from reference books, internet and also used the four year budget report of the organization.

The sample used for this research where simple random sampling techniques[SRST].

The data analysis would be carried out based on tabulation and percentage method and interpreted accordingly.

During the study major limitations like shortage of finance, lack of sufficient written materials from the organization& shortage of time.

Finally summary, conclusion and recommendation on alternative sources usage are forwarded to combat the possible solution.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

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

Budgetary performance of the organization against many problem such as budget deficit, unequal distribution of budget, etc. Hence, there should be an inviting effort to minimize budget deficit (Chandra 1998 in page 205). This study attempts to give a good answer for why budgetary performance are assess on the organization and why budgetary performance are needed to the organization.

The study focus on the assessment of budgetary performance in the organization. Each year there is an inventory valuation process which is taken up on regular basis out according to the growth of the organization, it was not fully recorded and not taken the extent as a means of budget utilization.

Most of the time budget deficit should be controlled by finance organizations and by periodical performance of the organizations. But taking this case into account there is a gap created with in the organizational system which affects the goal of the organization.

The study would be focused 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 Wolkite town finance organization & to see the organization if they are earning a good return on budget or not.

If they are good position it is better to keep on, if not to reduce them try to manage it.

Properly managed budgetary performance is good to the organization development. But absence of this the organization would be not fulfill their goals and objectives.

The budget at the right place supports the organizational objectives, customer service, and return of investment, promoting high profit and others objectives. Organization performance is different from one organization to other organization, but all need adequate budgetary performance management, Assessment of budgetary performance would be consistent with the finance organization to utilize the planned budget.

Generally now a day, every business is required budgetary performance, it should be available management tool, express plan for the future year and it states how available resources would be employed and what additional resource would be needed.

1.2 Background of the organization

According to the gurage zone government, welkite is one of 12 towns with electrical power, one of 11 with telephone service and one of nine that have postal service. The SNNPR'S bureau of finance andeconomicdevelopment (BFED), adds that as of 2003 welkite also had abank branch and other financial institution, as well as ahospital.

Based on the 2011 census conducted by the central statisticalagency(CSA),this town hasa total population of 128866,of whom 68298.98 are men and 60567.02 women.

Wolkite town is found in southern part of Ethiopia, which is found in eastern gurage zone.

The town were far 205km around the town (hawassa) and 168km far from the center (Addis Ababa) , the town is three sub city it includes gubre, bekur, and addis.

The area were the best known in natural resource like wabe forest and wabe river. In the forest four are many different kinds of wild animals like Hyna, Fox, Appe, and monkey.

The weather condition of the area becomes woinadega this is suitable for production of different crops.

The population of the area is the best known by facilitating different infrastructure like school, road, water, health service, etc.
The no of population increase from year to year in the organization, this cause migration to different part of Ethiopia.

1.3 Statement of the problem

The organization always prepare annual budget for the current year activities by designed budget proposal and its active implementation of objectives. Budget is one of the techniques used to control the organization activity and it is also quantitative expression for set of time period and a proposed future plan of action by management.

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

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

Every organization doing exceedingly well on the earth rely heavily on budgets ,and budgetary control measures to improve performance, through adequate resource allocation, budget, budgetary control, both at management and operational level looks at the future and lays down what has to be achieved. Most of the times, organizational have performed poorly due to the fact that they lack effective and efficient budgets, and budgetary control system to adequately and judiciously allocate resources to meet organizational goals, and maximize performance.

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 Wolkite town 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.

1What are the factors that affect budgetary performance of the organization?

2 How to assess budget utilization on Wolkite townfinance organization?

3Why budgetary performance is necessary?

4What means the organization use to prepare good budget system?

1.4 Objective of the study

1.4.1 General Objective

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

1.4.2 Specific Objective

The specific objectives of the study are the following

1. To see the organization effectively implement its budget or not
2. To indicate for the finance organization how properly managed budget is important successfully and to exhibit which factors affect the demand for budgetary performance.
3. To know the purpose of budgetary performance in the finance organization
4. To identify ways and means by which the organization budgetary performance improved to best level expectation.

1.5 Significance and scope of the study

1.5.1 Significance of the study

This study would help the organization to have a good budgetary practice and to properly budget the available resources and to effectively implement it. In addition to this study 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 the organization and create awareness to the organization about budget utilization and implementation, which requires improvement. Furthermore, it helps to identify ways and means by which the organization budgetary performance is improved to the best level expectation; in addition to 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.

1.5. 2 Scope of the study

To come up with effective and better study, it was better if the study would be conducted on over all organization performance as compared with other similar organizations performance but due to the financial and other constraints this study conducted only in Wolkite town finance therefore the study is limited to the organization.

1.6Limitation of the study

In doing this research paper, the researcher face the following problems.

- During data collection some respondent are not willing to give information.
- Lack of sufficient materials from the expected organization
- Time and financial constrains

1.7 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

2.1 EMPIRICAL LITERATURE REVIEW

The empirical literature sheds on the efficacy of performance budgeting. Performance budgeting refers to procedures or mechanisms intended to strengthen links between the funds provided to public sector entities and their outcomes and/or outputs through the use of formal performance information in resource allocation decision making. The paper seeks to identify and examine the literature on government wide performance budgeting system-that is systems used by central budget decision maker MFPE(ministry of finance and poletical executive) to link the funding they provide to those agencies, performance. Performance budgeting principles are, however, applied not only on agovernment wide basis, but also infunding systems applied to specific categories of government service.

In their study, (nickson and mears 2012) examined the relationship between budgetary control and performance of state ministries in boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

2.2Theoretical review

2.2.1Meaning of Budget

According toCherington budget is defined as follows

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

2.2 .2 Characteristics of budget

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

- A budget is primary planning and control device
- A budget is prepared in monetary term and/or quantitative term
- A budget is prepared for defined future period
- It shows planed income and expenditure and also the capital to the employed
- Purpose of budget is to implement the policies formulated by management for attaining the given objective

(Source MN. ARORA, 8thedn, P 13)

2.3 Effect of budget control

Budgets are major future of management control system. In general they can:-

- Provide performance criteria
- Compel planning including the implementation of plan
- Promote communication and coordination within the organization

- Effect behavioral and organizational processes.

2.4 The Master Budget

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

Three steps lead up to the completed master budget

1. Periodic budget are prepared
2. For casted income statements prepared
3. Forecasted balance sheet is prepared
   (SOURCE NEEDLES, ANDERSON, CALDWELL, P. 805)

2.5 Budget Implementation

Budget implementation is the responsibility of the budget directory. Communication and support determine the success of budget implementation process proper communication of expectation and targets to all key people in the company is essential. All employees involved in the operations of the business must know what is expected of them and they must receive directions on how to achieve their goals. Equally important top management must support the budgeting processes and encourage implementation of the budget. The processes will succeed only if middle, and lower level managers can see that top management truly is interested in the outcome and willing to reward people for meeting the budget goals.

Budgets must be classified and then charged to the different general ledger account the projected financial statement are the end product of the budgeting process

At this point, management must decide whether to accept the proposed master budget, as well as the planned operated results , or ask the budget director to change the plans and do part of the budget over again.
(SOURCE NEEDLES, ANDIRSON, CALDWELL, P.812)

2.6 BUDGET RELATIVE TO TIME

Development of an annual budget is only one segment of the ongoing planning process of business, for the planning process to be more successful, there must be long range goals, intermediate objective and short term plan of action according to Cherrington P141

2.6.1 Long range goal: Identify the direction of a company over a 5 year to 10 year the goal are stated in general term but deal with specification in which the company intended to be successful

2.6.2 Short term plan: Is budget or annual forecast, identify the activity to be accomplishing during the coming year.

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

2.7 The structure of budget

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

2.7.1 Operational budget: which reflect the result of operating decision of the firm

2.7.2Financial budget: which reflect the financial decision of the firm .

The operating budget consists, sale budget, production budget, Ending inventory budget cash receipts budget, direct material budget, factory overhead budget, selling and Administrative expense budget(SAEB). (Source Schaum's P.70)

2.7.3 Sales budget

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

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

2.8 CASH BUDGET

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

2.8.1 The receipt section:- Which gives the beginning cash balance, cash collection from customers and others.

2.8.2 The disbursement section: which should all cash payment made or listed by purpose

2.8.3 The cash surplus or deficit section: This simply shows the difference between cash receipts and cash disbursement action.

2.8.4 The financial section: Which provide a detailed account of the borrowing and repayment expected during the budgeted period (Source SchamsP.75)

Estimate of cash at particular point of time may be made with the help of the following:-

1. **Budgeted Balance sheets cash budget**: the cash budget may be prepared inline of capital budget with the help of budgeted balance sheet. This cash budget is essential for static type.
2. **Fund flow type of cash budget**: It does not show as to how the expected cash deficits arising
3. **Cash account type or receipts and payment type of cash budget**: Fund flow type analysis is better balance sheet type of approach

(Source Hrishikesh Chakraborty&SrijitChakraborty, P. 672)

2.9 The budget process

The budget process is as important into day's globally completive operation environment as in traditional environments. In fact budget becomes even more important when just in time (JIT) or total quality manager (TQM) technique are a plied and when computer and other electronic operation and data accumulation device are used. In these new operating setting actual operating data are made available quickly, and budgets must be updated continuously to accommodate management's need for performance evaluation. The basic principles of budgeting do not change in these environments, only the speed and timing with which they are applied (Source: Needles, Anderson, Caldwell P798)

2.10 The Need for Budgetary Control

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

2.10.1To aid in establishing procedures for preparing a company's planned revenue and costs

2.10.2To aid in coordinating and Communicating those plans to various levels of management

2.10.3To formulate a basis for revenue and cost control

A business does not benefit from budgetary control by operating haphazardly the company must first set quantitative goals, define the role of individuals and establish operating targets or detail operating budget.

A period budget is a forecast of operating results for segment or function or a company for a specific period of time, it is quantitative expression of planned activity and requires timely information and careful coordination.

(Source Needles, Anderson, Caldwell,P.800)

2.11 THE BASIC OBJECTIVE OF BUDGETARY CONTROL

1) It laydown define targets of production and sales with corresponding allowable expenses. Which can be exceed only with prior approval
2) 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.
3) 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
4) 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.
5) 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.
6) It provide objective basis of judgment executives(JE) 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.

   (Source, HRISHIKESH CHAKRABORTY & SRIJIT CHAKRABORTY, P. 584)

2.12 Purpose of budgeting system

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

Budgeting systems have five primary objectives

- Planning

  The most obvious purpose of a budget is to quantify a plan of action, the budgeting process forces the individual who constitute an organization to plan a head
- Facilitating Communication and Coordination (FCC)

  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 (MFOP)

  A budget is a plan and plans are subjected to change. Nevertheless, budget serves as a useful bench mark with which actual results can be compared
- Evaluating performance and providing incentives

  Comparing actual results with budgeted results also helps managers to evaluate the performance of individuals, departments, divisions or entire companies, since budget are used to evaluate performance, they can also be sued to provide incentive for people to perform well.

  Different types of budget serve different purposes. A master budget, or a profit plan, is comprehensive set of budgets covering all phase of an organizations operation for a specified period of time.

  (Source Hilton, Maher, Selto, P.625)

2.13 Basic Principles of budgeting

The preparation of an organizations budget is important to its success for three reasons, first, preparing a budget forces management to look ahead & plan both long range and short range goals and events. Second the entire management team must work together to move and carryout the plans. Third, by comparing the budget with actual results and it is possible to review performance of all levels of management.

1. Long range goals principles

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

2. Shortrange goals and strategies principle

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

3. Human responsibilities and interaction principle

First the section of a budget director (and staff, if necessary) Avery important to an effective budgeting system. These person must be able to communicate well with the people both above and below in the organization hierarchy 2nd we have mentioned that all participants should be identified and informed of there responsibilities, the identification process begins with high level managers. Full communication throughout the budgetary process is our final interaction principles. In particular, the budget must be communicated clearly to the participants each one of these people playing a part in developing the budget and implementation effective budgeting then require participative budgeting,

which means that all level of personnel task part in the budgeting process in meaning full active way.

(Source, Needle, Anderson, Caldwell P804)

4. Budget housekeeping principles

Which means that three guidelines should be followed, first arealistic approach must be taken by the participants. Second deadlines must be meet. Third the organization must use the flexible procedures for implementing the budget. Realisms a two way Street. Top management must first suggest attainable targets and goals, there each manager must provide realistic information and not place departmental goals a head of the goal of the whole organization.

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

Our final principle of budget housekeeping call for flexibility. Budget should always be treated as guide and not as absolute truths, budget are important guide to the action of management.

5. Budget follow-up principle

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

(Source Needle, Anderson, Caldwell,P.805

CHAPTE THREE

METHODOLOGY

3.1Research Design

For a research to be carried out successfully, it requires suitable research design. This is a plan adopted by a researcher before data collection commences so as to achieve the research objective in avalid way. The essence of research design is to translate research problem into data for analysis so as to provide relevant answer to research questions at a minimum cost. The study reveals that research design choice is guided by a careful analysis of statement of the problem, research question, and analyzing the relevant literature.

Research design is an outline of research study which indicates what the researcher will do from writing the objectives and its operational implications to the final analysis of data. A research design is the arrangement of conditions for data collection and analysis of data in a manner that aim to combine relevance to research purpose with economy in research procedure (Kothari, 2004).

This study employed a descriptive research design. The choice of this research design is the need to assess and describe the existed phenomenon of assessment of budgetary performance at the time of this study.

According to Aggarwal (2008) descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. The advantage of this type of research design is that it is easy to understand as recommended by (Kothari, 2004).

3.2Research Approach

This study used a qualitative research approach. This approach was used to collect and analyze data on the items related to assessment of budgetary performance through questionnaire and interview

3.3 Source of data

To collect the necessary data I studied used both primary and secondary source of data.

3.1.1 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

3.1.2 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.

3.4 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 56 employees. Out of the total, the researcher would study only twenty eight (28) or fifty (50%) randomly selected employees taking this in to account on factors it is found necessary to use personal judgment.

3.5 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 was 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		12th Complete		Total	
	No	%	No	%	No	%	No	%
Male	9	32.143%	2	7.143%	-	-	11	39.29%
Female	11	39.286%	5	17.857%	1	3.57%	17	60.71%
Total	20	71.43%	7	25%	1	3.57%	28	100%

(Source: Data collected through questionnaires)

From the above table, the respondent answer indicates that 7(25%) of the respondent are diploma holders, 20(71.43%) are degree holders and also1(3.57%) of the respondent are 12th complete. In addition to this the respondent response indicates that most of the employees are female that is 17(60.71%) of the total population and the rest 11(39.29%) of the respondent are male.

Table 4.2 Respondents response for know how about budgetary performance

Type of response	No of respondent	Percentage (%)
Yes	28	100%

Source: data collected through questionnaires)

From the above table we can observe that all respondents 28(100%) of the organization are know about the budgetary performance

Table 4.3 Employees participation during budget preparation

Types of response	No of respondent	Percentage (%)
Yes	4	14.29%
No	24	85.71%
Total	28	100

(Source: data collected through questionnaires)

The above table indicates that 24(85.71%) of the respondents response are the employees not participated during budget preparation. The rest 4(14.29%) of the respondent response yes, this indicate more than half of the respondents are not participated during budget preparation.

From interview the response of the finance manager indicates participatory budget are important instrument for overall organization activity. In many constraints it is difficult to participate all employee during budget preparation like overload of work and sickness of employees.

Table 4.4 Respondent response factor affecting the organization budgetary Performance

Budgetary performance affecting factors	Noof respondent	Percentage (%)
In appropriate budget allocation	14	50%
The organization manager	6	21.43%
Employees of the organization	6	21.43%
Shortage of fund	2	7.14%
Total	28	100%

(Source: data collected from questionnaires)

From the above table, out of the total (28) respondents 14(50%) of the respondent response that the major factor affecting the organization budgetary performance is in appropriate budget allocation, 6(21.43%) of the respondents answered indicates that factor affecting the organization budgetary performance is the organization manager and also 6(21.43%) of the respondent response indicate that employees affecting the budgetary performance of the organization. The rest 2(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 3rdfactors is low coordination of employees and manager, this problem is created due to unwillingness of employee doing their activity.

Table 4-5 does the organization implement its budget effectively

Types of response	No of respondent	Percentage (%)
Yes	16	57.14%
May be yes	8	28.57%
No	4	14.29%
Total	28	100%

Source data collected through questionnaire

From the above table, we can understand that 16(57.14%) of the respondent says yes, which means the organization implement its budget effectively. 8(28.57%) of the respondent response that may be yes & the rest 4(14. 29%) of the respondent says the organization no implement its budget effectively.

Table 4.6 Respondent response budgetary allocation is mostly Allocated by

Responsible body to allocate budget	No of respondent	Percentage (%)
The organization manager	4	14.29%
Finance department	24	85.71%
Total	28	100%

(Source: data collected through questionnaire)

From the above table, 24(85.29%) of the respondent response indicate that the responsible body to allocate budget is finance department and the rest 4(14.29%) of the respondent response shows that budget is allocated by the organization manager.

Table 4.7 respondent response for budget deficit occur within the organization

Types of response	Noof respondent	Percentage(%)
Yes	18	64.29%
No	10	35.71%
Total	28	100%

(Source: Data collected from questionnaire)

From the above table we can understand that out of the total (28)respondents 18(64.29%) of the respondent response say that budget deficit occurwithin the organization. Similarly out of 28 respondents 10(35.71%) of the respondent response says budget deficit not occurwithin the organization.

Table 4-8 respondent response about the organization used its capacity to reduce budget deficit

Types of response	No of respondent	Percentage (%)
Yes	16	57.14%
No	12	42.86%
Total	28	100%

(Source questionnaire collected from the employees)

The above table indicates that 16(57.14%) of the respondent response that the organization used its capacity to reduce budget deficit.On the other hand 12(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 4.9 Respondent response in which method the organization uses to know the amount of utilized budget.

Method (techniques)	No of respondent	Percentage (%)
By recording revenue and expense	14	50%
By planned accordingly	10	35.71%
By recording inventory valuation	4	14.29%
Total	28	100%

(source data get from questionnaire)

From the above table we can understand that 14(50%) of the respondent response indicates the organization know the amount of utilized budget by recording of revenue and expense amount. 10(35.71%) of the respondent says the amount of utilized budget known by using planned accordingly & the rest 4(14.29%) of the total sample are agree by recording of inventory valuation

Types of budget within 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 4-10 System or techniques used by the organization to reduce budget deficit.

Budget deficit reducing techniques	No of respondent	Percentage
Adopt good budget system	12	42.86%
Effective manager	8	28.56%
Active participation of employee	4	14.29%
Effective allocation of budget	4	14.29%
Total	28	100%

(Source data collected through questionnaire)

From the above table out of the total number(28) respondent 12(42.86%) of the respondents response budget deficit is reduce by using or adopting good budget system within the organization.8(28.56%) of the respondent response indicates that budget deficit reduced by introducing effective manager with in the organization. 4(14.29%) of the respondent response budget deficit reduced by active participation of all employees at their specific job and the rest 4(14.29%) of the response indicates the organization budget deficit reduced by using effective allocation of budget.

Respondent response to reduce the organization budgetary performance problem by using the following way.

- 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 employee 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 with in the organization.
  - For formulating or implementing the future plans of the organization.
  - For managing financial and operational performance of the organization.
  - It acts as ordinarymachinery between different functional groups.

Table 4.11 The planned and actual budget of the four year report of the Organization

Year	Planned budget	Actual budget	Variance (favorable)	%
2009	167,044,149.00	147,108,099.47	19,936,043.53	88%
2010	181,234,243.08	163,234,243.08	18,190,492.92	90%
2011	225,878,248	215,423,348.13	10,454,899.87	95.4%
2012	240,574663	239,675,501.69	899,161.31	99.6%

(Source: The organization budget report from 2009- 2012)

From the above table we can understand that the organization budget actually used 88% in 2009 and 2010, 90% in 2011, 95.4% and 99.6% in 2012.

In the year 2009, 2010, 2011, and 2012 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 (un controllable factor) such as change in market condition and increase in general and administrative expense.

CHAPTER FIVE

SUMMERY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings and conclusion

- The assessment of budgetary performancein an organization is to identify how about budget utilization within the organization. Hence, it is necessary to carry out study in the area of budget to promote good assessment methods which could be vital in improving the performance of budget in an organization(Wolkite town finance)
- The organization use in appropriate budget allocation. When the budgets are not planned accordingly cause budget deficit.
- Since budget is the financial plan of the organization for the period of year and it enable to predicting financial result and the contents of the financial statement over the year. There for effective implementation of budget should enable to achieve the desire objectives and goals of the organization.
- Even if the organization effectively implemented its budget, variance were observed when compared actual results with budgeted estimates and the reason for occurrence was increase general and administrative expense and market change.
- When 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 16(57.14%) of response indicates that the organization effectively implement its budget. Whereas 8(28.57%) of the respondent response were not surly the organization implement its budget effectively & the rest of the respondent which is 4(14.29%) are not the organization effectively implemented its budget, from this it can conclude that the organization implemented its budget effectively.

- The organizations adopt poor communication and coordination of managers and employees, this gap create in appropriate budget allocation and employee does not participate on their specific job. To conclude from the above point, the assessment of

good budgetary performance requires effective budget utilization and communication in order to accomplish the organization financial activity and objectives.

- 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 2009, 2010, 2011 & 2012, the organization has shown more improvement in budget year of 2011 and 2012. 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 enables 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 in order to achieve or facilitate there goals and objectives.
- Use active coordination system: which helps the organization from the top managers to the low level managers [operational level manager] should be coordinate and communicate properly.
- Active participation of all employees to their specific job is important for the organization by minimizing budget problems.
- Variances were created within the organization due to effective and ineffective implementation of budget. There for the organization use effective implementation of budget in order to achieve favorable variance.
- Responsibility and assignment of authority are essential for preparing good budgeting.The organization should give employees authority and responsibilities in order to prepare good budget system
- For providing a better reporting of budget performance, use or increase the organization professional employees.

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Appendix

WOLKITEUNVIERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING

Interview Questions

For finance head

Dear respondent:- This questionnaire is designed to help in examining and assessing the budgetary performance of the organization in Wolkite town finance. So you are kindly requested to give the right response you think, since it contributes 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 occur 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

Appendix

WOLKITEUNVIERSITY

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 Wolkite town finance. So you are kindly requested to give the right response you think, since it contributes 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 Age

A, 25-30 B, 31-36 C, 37-40 D, 41-45 E, above 46

2 Sex Male □

Female □

3 Education level

12 complete □

Diploma □

Degree □

Others □

4 Your year of service in the organization

Less than one year

1-4 years

4-7 years

Above 7 years

5 tell me your educational status

A, degree and above

B, college

C, secondary and certificate

D, primary

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?

3.1 Employees □ 3.3 In appropriate budget allocation □

3.2 Shortage of fund □ 3.4 The manager of the organization □

4. Does the organization effectively implement its budget?

4.1 Yes □ 4.3 May be yes □

4.2 No □

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. Who approves the final decision on budget proposal

Board of directors [trustee]

Top management

budget holder

Finance manager/FD

Other specify

12. Which system used the organization inorderto 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

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

_____

_____

_____

14. What are the main objectives to implement budget by the organization?

_____

_____

_____