IN THE PUBLIC SECTORS IN NIGERIA (2004-2008)

A STUDY OF SELECTED TERTIARY INSTITUTIONS IN IMO STATE

BY

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TO

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CERTIFICATION

We hereby certify that this research project was carried out by Mr. Ojiaku, Bernard O. of Department of Financial Management Technology, Federal University of Technology, Owerri, under my supervision.

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DEDICATION

This Research Project is dedicated to the Almighty God for His infinite love, mercy, guidance and protection to my family-my beloved wife-Mrs. Veronica E. Ojiaku, my children-Chimaka, Onyekachi, Chinaemerem, Chileakam, Chibuikem and Chiemena Unawunwa-Ojiaku, my late parents - Mr. Celestine U. Ojiaku, and Mrs. Juliana A. Ojiaku, all of whom stood behind me during these sleepless night.

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The completion of this work is as a result of the help of God and the inputs made by persons too many to mention, but, I must however, mention some individuals for their unique roles in the success of this programme.

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ABSTRACT

In the Public Sector of the Nigeria economy, there are problems in project execution due to non-compliance with budgeting and budgetary control systems. To investigate this, the research is tailored to examine the problems militating against effective budgeting and budgetary control in project execution in Nigeria with particular reference to tertiary institutions in Nigeria, using Imo State as case study. A lot of literature was reviewed.

The methods used are library research and field work for data collection. The types of data collected were secondary and primary data. Primary data were obtained through the use of questionnaire, interview, observation and discussion for primary source, while the Secondary data were obtained from published sources and journals.

The major statistical tool used was the Student T-test for sample proportion. This was tested at 5% level of significance. At the end of analysis, we found that

1) Budget and Budgetary Control System in public sectors in Nigeria, with particular reference to tertiary institutions in Imo State, is not effective.

2) That fund constitutes the major budget limiting factor in project execution in tertiary institutions.

3) Other factors such as inflation, institutional constraints, poor project administration, etc, affect the successful execution of projects in the tertiary institutions.

The study recommended amongst others, that:

There should be application of budgeting and budgetary control principles in project execution.

To ensure completion of budget within the time frame, projects should be adequately and timely funded.

At the preliminary state of a project, such factors as inflation, institutional constraint, project-handling ability etc. should be taken into consideration.

To ensure successfully project administration, technical feasibility, commercial viability and economic desirability of such projects should be tested.

Finally, it is hoped that this study would provide a good framework for the economic planners and administrators in projects appraisal and execution.

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF STUDY

A nation has to grow and develop. The growth and development of a nation is normally predicted on the successful execution of developmental projects. For the projects to be fully executed, they must be adequately planned, budgeted for and funded.

Organizations, both public and private have limited resources. These scarce resources impose limits on the number, extent and scope of the end-results they sometimes set out to achieve or strive to as their target.

Common organizational goals include profit- maximization or the achievement of satisfactory level of performance, continuous growth or ensuring the survival of the organization in the face of necessary investment risk exposure, as well as performing social responsibilities desired by others (Pandey, 1999).

The business world as a whole is quite a dynamic environment, ranging from economic pressures and socio-political demands to the natural forces that organizations must have to contend with. Suffice to say, therefore, that it is incumbent upon today's managers to make projections into the future so as to be able to keep pace with these environmental forces and hence keep the organization afloat.

This invariable places much emphasis on the need for adequate planning and in particular, profit-maximization as one of

the major concerns of the modern organizations, which are again, hardly attainable without efficient and effective planning and control decisions.

It may not be correct for people to assume that plans can only be expressed in monetary terms and values for example, quality of the product might be best shown in engineering terms, or social objectives shown in a plan concerned with employee welfare. But some of the objectives, such as the attainment of a desired growth in assets can be expressed and measured in monetary terms and values.

When a plan is expressed quantitatively (that is in numbers-monetary amounts or quantities) it is known as a budget and the process of converting plans into budgets is known as 'budgeting

Frank Wood & Alvan Sangster (2005) state that "A budget is like a lane on a motorway" You may enjoy being able to switch lanes and at times, you may need to do so but, if you want to reach your destination at a specific time, you need to spend as much of the journey as possible in the lane that is most appropriate for the time you have available.

1.2 STATEMENT OF RESEARCH PROBLEM

In the public sectors of the economy, there are problems in projects execution. These problems arise as a result of budget indiscipline. Estimates used in preparing budgets are not related to specific objectives. Even when such relationship exists, they are neither specified nor quantified.

Furthermore, there is no proper collection and recording of data to determine the specific information needed in relation to the decisions that have to be made during budget preparations. Unfortunately, many managers and administrators view the budgeting process as merely a financial exercise, rather than part of the strategy implementation process, leading to the production of poor and un-co-ordinated budget. The main problem therefore, is the application of budgetary control in projects execution is budgetary administration vis-à-vis project execution. The answer is the proper application of budgeting and budgetary control techniques. It is believed therefore, that budgeting and budgetary control principles are not properly applied in project execution, in the public sectors- tertiary institutions. It is based on the above problems that the need for this study arose.

1.3 RESEARCH OBJECTIVE

As a central objective, the study seeks to review the application of budgeting, and budgetary control techniques in public sectors especially tertiary institutions, with the aim of guaranteeing successful business organizations. But more especially, we intend to achieve the following.

1. To determine how well budgeting and budgetary control principles are applied in project execution by pubic sectors- with particular reference to tertiary institutions in Imo State.

2. To examine the extent to which the application of budgeting and budgetary control has contributed in solving problems in the successful execution of projects.

3. To examine the problems militating against effective budgeting and budgetary control in projects execution, in public sectors.

4. To examine the policy measures put in place for budgeting and budgetary control in projects executions.

5. To determine the extent to which public sectors utilize standard costing principles.

6. To make suggestions and recommendations on how best to apply budgeting and budgetary control techniques in order to accomplish the organizational goals.

RESEARCH QUESTIONS

Having stated the above purpose of the study, we consider the following research questions relevant.

i) To what extent do public sectors actually apply the system of budgeting and budgetary control in the execution of their project?

ii) How real are the supposed problems of public sectors-tertiary institutions in Imo State?

iii) To what extent has the application or non application of budgeting and budgetary control contributed in creating these problems?

iv) To what extent have the principles of budgeting and budgetary control contributed to solving these problems so far?

v) In what ways would Management Accounting assist in the proper application of these principles with a view to solving these problems?

vi) What other alternative measures exist, that can also address these problems?

1.5 THE RESEARCH HYPOTHESES

For purpose of stating our hypothesis mathematically, we decided that the selected tertiary institutions in Imo State would represent at least ninety percent of the tertiary institutions.

The following hypotheses are formulated for investigation:

HO1: At least ninety percent of public sectors – tertiary institutions in Imo State apply the use of Budgeting and Budgetary Control in the execution of projects.

HA1: Less than ninety percent of Public Sectors - tertiary institutions in Imo State apply the use of Budgeting and Budgetary Control.

Ho2: Less than ninety percent of Public Sectors - tertiary Institutions in Imo State which apply Budgeting and Budgetary Control do experience favourable variances in their profit budgets.

HA2: At least ninety percent of public sectors-tertiary institutions is Imo State which apply Budgeting and Budgetary Control do experience favourable variances in their profit budgets.

HA3: At least ninety percent of public sectors-tertiary institutions in Imo State which use system of Budgeting and Budgetary Control use them with Standard Costing

HA3: Less than ninety percent of public sectors-tertiary institution in Imo state which use system of Budgeting and Budgetary Control use them with standard costing.

HA4: Public sectors in Imo State prepare realistic budgets hence there is no significant difference between Budgets and Actuals.

HA4: Public sectors in Imo State do not prepare realistic budgets; hence there is a significant difference between Budgets and Actuals.

1.6 SIGNIFICANCE OF THE STUDY

It is important that after the formulation of a budget, all Supervisors, Divisional Heads, Heads of Departments and Units, Directors, responsible for its actual implementation should appreciate and accept the part allocated to them to play in achieving the desired results.

Therefore, the importance of budgeting and budgetary control in achieving goal congruence in organizations can hardly be over-emphasized.

Again, budgetary control provides the avenue for re-examination of standards and other basis of planning by which policies are translated into numerical terms. Hence, management stands to gain in terms of policy formulations, since such inefficiencies like

raw materials stocks-outs, poor quality products, not meeting profit targets and other targeted objectives etc, are eliminated through budgeting and budgetary control.

In the same vein, the society at large enjoys better quality products, if not better standards of living. Even to the researcher, better insight is gained in this area of study as more researchers are provided in the area, all aimed at improving the performance of the organizations while avoiding business failures.

1.7 SCOPE OF THE STUDY

This study is restricted to the application of Budgeting and Budgetary Control in public sectors-tertiary institutions in Imo State. Budgeting is applied in public sectors as in all the sectors of the economy but considering the dynamic nature of the public sector-tertiary institutions and the completeness of the processes therein, it has presented itself as the most suitable sector for a research work of this kind.

The study covers all kinds of tertiary institutions in the sector.

Imo State as one of the educationalized States has been regarded as ideal for a research of this nature. It is evidenced that there are enough tertiary institutions in Imo State. The scope of this research therefore covers the application of budgeting and budgetary control principles in all tertiary institutions in Imo State of Nigeria.

1.8 LIMITATION OF THE STUDY

The desire to carry out this research elaborately has been reduced to a manageable scope by such factors like data collection, finance and time available for the work.

The research work is limited to and carried out in the Bursary Departments of Federal University of Technology, Owerri, (FUTO), Imo State University (IMSU), Owerri, Alvan Ikoku Federal College of Education (AIFCE), Owerri, Federal Polytechnic, Nekede, Imo State Polytechnic Umuagwo-Ohaji,

1.8.1 DATA COLLECTION

This has acted as a major limitation to this work. Generally, it was very difficult to obtain all necessary information for this research.

Most of the tertiary institutions, which responded to our questionnaire, did not have complete records as required by the researcher, especially the records of latter years. This in effect, constrained the research coverage and reduced the number of years studied.

1.8.2 FINANCE

Availability of funds was another problem encountered in the course of this research work. Though, the work covered only one State, the requirements were quite high. Expenses, such as running photocopies, visiting the various data collection points and producing the report, involved a lot of non-readily- available money. This had some adverse impact on the research work.

1.8.3 TIME FACTORS:

Apart from the researcher having to share his own scare time between competing activities, the time limit on the research work itself was a constraint. In effect, it made the researcher not delve into further details beyond the extent thus covered. The interesting thing, all the same is that fundamental issues have been to a large extent treated.

1.9 DEFINITION OF TERMS

FUNCTION BUDGET: A budget , which relates to a function of the business; and is subsidiary to a master budget

STRATEGIES: Those plans, relatively general and permanent, which changes along the conditions or objectives

BASIC BUDGET: A budget established to cover a long period of time and used as a basis for developing current budgets.

CURRENT BUDGET: A budget established for a short period of time, usually one year or less, which is related to current conditions likely to prevail during the budget period.

BUDGET MANUAL: A written set of instructions and pertinent information that serves as a rule book and reference for the implementation of a budget programme.

LIMITING FACTOR: That which must be considered when drawing up the budget since it is capable of affecting what would be achieved eventually.

BUDGET CENTRE: A cost center of group of cost centers whose, costs are accumulated separately and having one person responsible for controlling its costs.

BUDGET COMMITTEE: A standing committee comprising the top echelon of the organization responsible for the overall policy matters relating to budgeting; resolves budget disputes and ensures attainment of Budget goals.

PROJECT: A project is a discrete package of investment or endeavour, policy measures and institutional and other activities designed to achieve a specific objective or set objectives, within a designated period and involving the commitment of resources.

PROJECT SUCCESS: A project succeeds if it passes four success or test criteria. The time criteria –completed within budget; the effectiveness criteria-completed in accordance with the originally set performance quality standard, and the client's satisfaction criteria-accepted by the intended users or client.

NETWORK PLANNING: Network planning is a project management technique used in planning, scheduling and controlling a project. The network techniques of Critical Path Method, (CPM) and Project Evaluation and Review Technique (PERT); for example, contribute a lot to project success as they foster a great discipline through definition of project scope, time scale/schedule and cost.

MANUFACTURING PROJECTS: Manufacturing projects aim at the production of a piece of equipment or machinery, ship, aircraft, land vehicle or some other types of specially designed hardware.

The finished product might be built purposely for a single customer or the project could be generated and funded from within a company or sector for the design and development of a new product intended for manufacture and sale in quality.

1.10 ORGANIZATION OF THE STUDY

This study (and subsequent report) is covered in one section of five (5) chapters. Chapter one introduces the subject matter and attempts to run an overview of it. It also deals with the basic problems of the research and the relevant questions which are to be answered in the study, its scope and limitations, the background and brief history of the tertiary institutions used as case study were also written. Chapter two delves into the literature to discover what had been said in the past, concerning the subject matter of budgeting and budgetary controls. This covers the historical background of the subjects, the various definitions of budgeting and budgetary controls the relationship between planning, budgeting, controls and standard costing. The chapter also deals with variance analysis and responsibility accounting. Chapter three highlights the methodology adopted in the research. This includes the research design sampling, data collection and analysis, hypotheses testing and validation of questionnaire responses.

Chapter four covers the presentation and analysis of data and the application of statistical tools and decision rules on the hypotheses.

Chapter five is the final chapter, covers the findings of the study, the various discussions, conclusion and recommendation of the study.

1.11 BACKGROUND AND BRIEF HISTORY OF THE TERTIARY INSTITUTIONS OF STUDY:- FEDERAL OF TECHNOLOGY, OWERRI (FUTO), IMO STATE UNIVERSITY (IMSU), OWERRI, ALVAN IKOKU FEDERAL COLLEGE OF EDUCATION (AIFCE), OWERRI, FEDERAL POLYTECHNIC NEKEDE, OWERRI AND IMO STATE POLYTECHNIC, UMUAGWO –OHAJI.

1.11.1 FEDERAL UNIVERSITY OF TECHNOLOGY, OWERRI (FUTO)

1. ESTABLISHMENT AND OBJECTIVES

The Federal University of Technology is among the third generation Universities established in the country in the early 1980s to foster technological skill acquisition and growth of the country offering courses in different disciplines at both undergraduate and postgraduate levels:

This marks the University out as a first of its kind in West Africa as a whole.

The University which started at a temporary site in Owerri metropolis has since moved to its permanent site at Ihiagwu,

about 10 (ten) kilometers away from Owerri on the Owerr-Port-Harcourt Road.

The University is situated at the heartland of the Eastern region of Nigeria and in the Rain Forest roads crisscrossing it from both Port-Harcourt and Aba. It is about 60 kilometers from the Port-Harcourt Airport and 50 kilometers from Aba town.

2. ORGANIZATION OF THE UNIVERSITY

The University is also divided into Academic and Non-academic/administrative sectors.

As at the time of this work, the University has the following under-listed schools.

1. School Agriculture and Agricultural
2. School of Science
3. School of Engineering and Engineering Technology
4. School of Management Technology

Each School has some Department under it. In the School of Management Technology, which is my School, there are three Departments namely;

(a) Department of Transport Management Technology
(b) Department of Project Management Technology, and
(c) Department of Financial Management Technology.

In the non-academic sector, we have

The Audit Department

The Information and Public Centre

The Security Department

The Registry Department

The Bursary Department

The Works Department

The Health Services Department etc.

1.11.2. IMO STATE UNIVERSITY, (IMSU), OWERRI ESTABLISHMENT AND OBJECTIVES

The then Imo State University was established in 1981 through law No. 4, passed by the Imo State House of Assembly, Owerri. This was amended by Edict 27 of 1985 another in 1988 and finally for the relocation by the law No.2 of 1992. Academic activities commenced at the temporary site located at the former Madonna High School, Ihitte, with Professor M.J.C. Echeruo as its first Vice Chancellor.

The decision to establish a State University arose when the absence of a Federal University was greatly felt by the people of Imo State whose major industry is education. The State had so many qualified candidates who could not be admitted by the existing Universities. The Government of Imo State under Chief Sam. Mbakwe sought for and obtained the approval of the Federal Government for the establishment of the Imo State University as a Liberal Studied tertiary institution in the State.

The University was designed as a multi-campus structure with each college to be located in the Senatorial Districts of the then Imo State. The University therefore commenced the multi – campus experiment with its main campus located at Etiti in the Okigwe Senatorial Zone while the Aba campus in Aba Zones housed the College of Business and Legal Studies. The multi-

campus structure was phased out because of logistics. The University was then relocated at Okigwe in one campus.

With the creation of Abia State in 1991 out of the former Imo State, the entire physical facilities and human resources of Imo State University were ceded to Abia State as the land housing the University was belonging to the Uturu Community in Isikwuato Local Government, became the property of Abia State.

Consequently, the government of Chief Evan Enwerem n April 1992 did not waste time in filling the vacuum by re-establishing the University in Owerri. Two options were considered by the government in the re-establishment of the Imo State University at Owerri. The first option was to move at once all the staff and students at the various stages of their programmes in Uturu who want to remain in Imo State University now in Owerri. The second option was to rebuild the University at Owerri over a specified period of time. The second option was adopted after various consultations by government then, and a target period of five(5) years within which to completely re-establish the University at Owerri was considered. Professor T.O.C. Ndubuizu, Deputy Vice Chancellor, University of Nigeria, Nsukka was then appointed the Vice Chancellor with the numerous responsibility of relocating and re-establishing Imo State University.

At Owerri, the University was temporarily accommodated within the campus of Alvan Ikoku College of Education from May to December 1992. the University later moved to its own premises of four building within the Federal University of Technology, Owerri,

at the Lake Nwaebere Campus. At the trans-location of the Federal University to its permanent site, Ihiagwa near Owerri, the Lake Nwaebere Campus of that University was then acquired for Imo State University. The first batch of students was located to the Imo State University by Joint Admissions Matriculation Board (JAMB) in February 1993. The National University Commission also formally approved the re-establishment of the University in 1992 at the Lake Nwaebere campus.

The academic programmes of the University were initially organized in Colleges and Schools. However, as one of the strategies adopted by the Vice-Chancellor, Professor A.G Anwukah and the University Senate to energize the system for improved productivity, the unwieldy collegiate system was replaced by the new faculty structure at the beginning of the 2001/2002 academic session. This is in line with the Law establishing the Imo State University. The transition gave rise to eight Faculties and forty - five Departments with only the College of Medicine and Health Sciences retraining its original status. Consequently, the University has eight Faculties and one College offering undergraduate and Post-graduate degree and Diploma programmes in various disciplines.

For the undergraduate programmes, 24 courses were started in the first year of the university's re-location at Owerri, 1992/93. In the 2001/2002 session, about sixty – three - degree programmes were available to undergraduate students admitted into the University.

In 1995, the Postgraduate Studies programme of the University was inaugurated. The School of Postgraduate Studies admits candidates for Postgraduate Diploma and higher degrees that cut across the eight academic faculties of Agriculture and Veterinary Medicine, Business Administration, Education, Engineering and Environmental Science, Humanities, Law, Sciences and Social Sciences, as well as the College of Medicine and Health Science. Full information on the programmes of the school of Postgraduate Studies was available in the prospects of Imo State University, School of Postgraduate Studies.

In addition, to its regular full time and part-time programmes, the University caters for the needs of the various segments of the Nigeria Public through its Sandwich programme. Institute of Continuing Education Programme (ICEP) and outreach and Consultancy Services (OCS) programmes.

With an initial take-off student population of 420 in the 1992/93 session, the population of students has grown steadily. The number of students undertaking various diploma and degree programmes of the University through its full time, part-time, Sandwich, ICEP and Outreach programme is over fifteen thousand.

The University graduated its first batch of students in the 1996/97 session. In April 2002, the 4th convocation ceremony of the relocated and now re-invigorated Imo State University took place during which 2,309 and 871 graduates were admitted into various first degrees and Postgraduate diploma /degrees respectively.

The University is now one of the best Universities in Nigeria with highly qualitative academic programmes for the training and character formation of our leaders for tomorrow.

The result of the 1999/2000 Accreditation exercise of the National Universities Commissions confirmed the high rating and acceptance of the University by the Nigerian public. The University was ranked 1st among all State Universities in Nigeria and the 10th overall among both State and Federal Universities.

1.11.3 ALVAN IKOKU FEDERAL COLLEGE OF EDUCATION (AIFCE), OWERRI

1 ESTABLISHMENT AND OBJECTIVES

The Alvan Ikoku Federal College of Education (AIFCE), Owerri was established in 1963 as the Advanced Teachers Training College (ATTC) by the government of the then Eastern Region of Nigeria with UNDP/UNESCO technical assistance. In keeping with the report of Ashby Commission, it was charged with the responsibility of producing teachers at the intermediate manpower level.

By Edit No. 11 of May 21, 1973, (with subsequent amendments) the Institution became the Alvan Ikoku College of Education (AICE), Owerri, an autonomous institution with a Governing Council, charged with the responsibility of "teaching, training and research" and enjoined:

(a) To hold forth to all classes and community an encouragement for pursuing a regular and liberal courses of education.

(b) To serve as centre for educational research, especially as applied to local conditions,

(c) To promote research and advancement of Science and learning,

(d) To organize, improve and extend education of a standard, higher than the secondary school level.

The College was empowered to award "the Nigeria Certificate in Education or any other certificates or diploma to students of the College who qualify for such awards". The Edit also provided for a Provost as the Chief Executive of the college.

The College was finally taken over my the Federal Government in 2008 hence it now becomes Alvan Ikoku Federal College of Education, (AIFCE), Owerri.

2. GROWTH AND EXPANSION

With the first twenty five years, the college has expanded both in infrastructural facilities and in students enrolment. The college opened on 5th May, 1963, in the old Shell Camp purchased from the Shell B.P. Company by the Eastern Nigeria Government with an initial in-take of 150 students and a handful of staff. At the end of the Nigerian Civil War (1967-1970), the college opened its present main campus, built with the assistance of the British Government and still retained the Shell Camp.

In 1975, the then Government handed over to the college the Rural Science Centre at Umuahia which had long been used for the training of Agricultural Science teachers at the Teachers' Grade

one level. The erstwhile centre eventually grew into the Umuahia Campus of the College, home of its Department of Agriculture with facilities for the training of NCE and degree students in Animal Science and Crop/Soil Science.

Between 1981 and 1987, the college also operated a campus at Orlu in the premises of the former Bishop Shanahan Training College. However, since the programmes there merely duplicated the NCE programmes at the Owerri Campus, with staff shutting between the two locations, it was felt that, desirable as such expansion might have been in more favourable circumstances, the college could ill-afford it in those austere times. And so, by an order of the State Military Government, that Campus was phased-out. In 1988, Alvan Ikoku Federal College of Education celebrated its silver jubilee a lot of pomp.

3. ACADEMIC PROGRAMMES:

In 1980/81, following the Report of a Visitation Team from the National Universities Commission, the college became one of the eight such institutions upgraded in status by the Federal Government to prepare students for the Bachelor's degree of an affiliate University in various education-related field.

Since then, the Alvan Federal College of Education, Owerri, in continuing affiliation with the University of Nigeria, Nsukka, (which moderates its NCE programmes started preparing students in various courses leading to the B.A. or B.Sc degrees in Education.

In 1986, in responses to the dare need to Science teachers in the State and the country, the college instituted a Special Science programme, an intensive one-year and fully residential programme which enables students to make up deficiencies in Science subjects and English language so that they can qualify for admission into any of the regular NCE Science programme of the college.

A five-year NCE Sandwich Programme was started in July, 1987 with an initial enrolment of over 1500 students.

The College had earlier in 1978 introduced an Extra-Moral Programme in various locations in the state to prepare candidates for the School Certificate, GCE (Ordinary and Advance levels) RSA examinations, as well as the Joint Matriculation Examinations (JME). As many as eighteen, or more different subjects, including practicals where necessary are covered.

In 1992, the college introduced the Pre-NCE Programme and established the International Centre for English Studies (ICES). The Artist-in Residence and Distinguished scholars took off in 1993.

Generally speaking, their academic programmes have undergone series of revisions to reflect not only the philosophy of the college but also the needs of the society.

4. ADMINISTRATION OF THE COLLEGE

Alvan Ikoku Federal College of Education, Owerri, has been blessed with a crop of devoted Chief Executives. The first Principal of the College was Mr. A. J. Brook's (UNESCO Expert). At the end

of the war in 1970, Mr. J.O. Wachukwu who has been Mr. Brook's counterpart, became the Principal. Later in the year, Mr. J.O Wachukwu moved to the Ministry of Education and Mr. J.O Muonye took over as the Principal. When in 1973 the College acquired a new status, the head of the institution became known as Provost, and Professor B.O. Ukeje was appointed the first Provost of the College in January 1978. at the expiration of his appointment in 1978, he was succeeded by Professor S.N. Nwosu who served till 1985. Professor Nicholas Nwagwu was appointed the real Provost and completed his term in 1991. The next Provost was Professor Ernest N. Emenyonu. 1992 to 1994, others were Professor Adiele E. Afigbo 1996 to 1997, Professor L.E. Amadi 1997 to 2000 and Dr. Dan. N. Onwukwe 2000 to 3rd April, 2004, Professor Cletus Ngozi Uwazuruike – 4th April, 2004 to 1st July, 2009 and Barrister Humphrey C. Amadi – Acting Provost, from 2nd July, 2009 to the date of this work.

ORGANIGRAM OF ALVAN IKOKU FEDERAL COLLEGE OF EDUCATION, OWERRI

1.11.4 FEDERAL POLYTECHNIC NEKEDE, OWERRI

1 **ESTABLISHMENT:** The Federal Polytechnic Nekede, Owerri was initially established as the College of Technology, Owerri by Edit No. 16 dated 1st April, 1978, In 1987, it was renamed, the Polytechnic by the Imo State Government. The Institution was taken over by the Federal Government in April 1993 an is now

governed by the Federal Polytechnic Act of perform the following functions:

a) To provide full-time or part –time courses of institution and training

i) In technology, Applied Science, Commerce and Management, and

ii) In such other fields of applied learning relevant to the needs of the development of Nigeria in the areas of Industrial and Agricultural production and distribution and for research in the development and adaptation of techniques as the Council may from time to time determine.

b) To arrange conferences, seminars and study groups relative to the fields of learning specified in paragraph (a) of this sub-section (1):

c) To perform such other functions as in the opinion of the Council may serve to promote the objective of Polytechnic

2. MOTTO: The Motto of the Polytechnic is "Knowledge and Skill for Service".

3. LOCATION: The institution is located in Nekede about five kilometers from the metropolitan capital of Imo State, Owerri. The campus comprises some 138 hectares of land.

4. MODE OF ADMISSION: Admission of students into the Polytechnic for the National Diploma (Morning or regular) programme is through Poly JAMB and for the Higher National Diploma (Morning), the National Diploma (Evening)

programmes are by direct entry based mainly on merit by ranking the entry qualifications of candidates.

Candidates for admission are required to possess the minimum entry requirements as stipulated by the Polytechnic. The Higher National Diploma (HND) (Morning) and National Diploma (ND) (Evening) programmes normally last three years. Students who successfully completed the National Diploma (ND) Programme will be required to have gained at least one year relative post ND working experience in a recognized industry/establishment before they can apply for admission into the Higher National Diploma programme.

The Pre-National Diploma (Pre-ND) programme is designed to last one academic year. On successful completion, and subject to vacancies, students may be allowed to proceed to the approved ND programmes.

1.11.5 IMO STATE POLYTECHNIC, UMUAGWO-OHAJI

1 ESTABLISHMENT OF THE COLLEGE

The Imo State Polytechnic, Umuagwo, formerly named "Imo State College of Agriculture; Umuagwo and was remained known and addressed is Michael Okpara College of Agriculture-(MOCA) and later again Michael Okpara College of Agriculture and Technology (MOCATECH), and finally upgrade to Imo Polytechnic, was established on the 3rd of October, 1978 by Edict No.11 of 1979 (now law) and amended by the Imo state College of

Agriculture (Amendment) Law of 1982, 1985, 1987, and 2008 respectively.

The institution was formerly supervised by the Ministry of Agriculture and Natural Resources, but now by the Ministry of Education, Imo State. The School is located on Kilometer 26, along Owerri-Port-Harcourt Road, between Mgbirichi and Umuagwo Communities, on a 360 lecturers of land donated to Imo State Government by Umuezenwere and Umuogbuanu Villages of Umuagwo Community in Ohaji/Egbema Local Government Area of Imo state.

The institution's current or present name was announced by the Executive Governor of Imo State Chief Ikedi Ohakim in 2008.

2. OBJECTIVES OF THE COLLEGE

Following the upgrading of the institution from a monotechnic to a polytechnic status, the institution is currently providing courses of studies, training and research in all branches of Agriculture, Engineering, Food Science, Management Sciences and Natural and Applied Sciences, leading to the award of National Diploma (ND) and Higher National Diploma (HND).

3. ORGANIZATION OF THE COLLEGE

The College is divided into Academic and Non-academic /Administrative sectors. For academic purposes, the institution is organized into Schools, and each School is under the charge of a Director. In each Schools, there are some academic departments and each Academic department is led or headed by a Senior

lecturer designated as the Head of Department. Currently, the Polytechnic has six (6) Schools, sixteen (16) Departments and fifty-three (53) programmes and also week-end and Evening programes and Pre-ND and Associate constitute in Agriculture program.

CHAPTER TWO

2.0 REVIEW OF LITERATURE

2.1 INTRODUCTION / HISTORICAL BACKGROUND OF BUDGETING

According Frank Wood and Alvan Sangster in their book-Business Accounting (2005) defined the public sector as "all organizations which are not privately owned or operated". They further said that public sector consists of organizations the control of which is in the hands of 'public' as opposed to 'private' owners, and whose objectives involve the provision of services where profit is not a primary objective. The word 'public' as used in the phrase in the hands of the public' is often taken to mean 'government' either Local State or Federal.

Unlike the private sector of the economy, where there is a clear objective and motivation in making profits or a return on capital, the public sector has a multitude of demands and objectives.

The pubic sector is concerned primarily with providing services to the general public which would not otherwise be available or provided adequately within the financial resources of all individual members of the public. Consequently, it exists primarily in order to:

i) Provide services which are beyond the private means of people using those services.

ii) Provide a benefit to everyone within socially acceptable norms.

iii) Achieve certain minimum standards of services, eg. Roads, education, and training schemes.

iv) Substitute central or local planning in place of consumer choice.

v) Ensure a consistent approach to certain practices or procedures

vi) Aid control and economic regulation in keys areas.

These objectives within the public sector are significantly influenced by the central government. The relationship between central control and local democracy is an important political consideration and, while the concept of what the public sector provides is fairly universal, the means of control over the different organizations providing these services can differ.

2.2 TYPES OF PUBLIC SECTOR ORGANIZATIONS

According to Frank Wood & Alvan Sangster (2005), he said that public sector organizations can be classified into five major groups in the UK. Thus

i) Departments of central government

ii) Nationalised industries, public corporations

iii) Local authorities

iv) Health authorities and

v) Bodies set up for a specific purpose. Universities, the Royal Mint, and HM stationary office. Our focus is on one among the last group that is universities or tertiary institutions.

Each type of public sector organization has its own accounting objectives which influence the form and content of its financial statements and accounting arrangements. Some of the underlying factors necessary to achieve those objectives are common to all public sector organizations.

The use of public money, particularly if it is acquired through taxation, demands that the accounts show that the monies have been properly and lawfully used. This requires the publication of sufficient information which can be easily understood by the public.

Central Government services administered through the various government departments which operates then accounting systems on fund basis. The basic system is that all government income, from taxes and other revenues, is paid into a central consolidated fund and the various departments draw off this fund to finance the services which they provide. Any deficit in the consolidated fund is financed from the National loans fund and vice versa.

Management control is needed if organizations are to achieve their objectives. Once the objectives of an organization have been agreed, plans need to be drawn up so that the objectives can be met.

We should not assume that plans can only be expressed in monetary terms and values. For example, quality of product, mighty be shown in engineering terms or social objectives shown in a plan concerned with employee welfare. But some of the objectives, such as the attainment of a desired, or of the attainment of a desired growth in assets can be expressed and measured in monetary terms and values.

When a plan is expressed quantitatively (that is in numbers-monetary amounts or qualities) it is known as a budget and the process of converting plans into budgets is known as 'budgeting. In this research, we are concerned primarily with budgets shown in monetary terms, that is 'financial budgets'.

The word 'BUDGET' which is an English word, is derived from the French word 'BUDETTE" which means a leather bag or rather a large –sized purse which travelers in the early centuries hung on the saddle of their horses. This leather bag contained all their wealth, which they would have to "manage" throughout' the duration of their trip. What this implied is that since most of these travelers were traders (Merchants), it was necessary for them to expend during their journey. Such plan was expected to include what they intend to expend during the trip and what in turn they should receive back as revenue. These were subject to the means of exchange prevailing at that time. Hence, a representation of such plan was usually embodied in unique leather bag.

In keeping with this historical pace and as a mark of continuity, finance ministers in countries like Britain and Holland

still present their yearly financial plan from a characteristic small leather case.

According to Wixion Rufus (1977), in his book-Budgeting control, he said that the origin of Budget dates back to centuries when Greek Merchants in an effort to decide the degree of enthusiasm and interest to be placed on proposed business under-taken, assessed the reputation of their client/customer with the view of estimating what their returns on the proposed transaction would fetch them. The writer continued by saying that Budgeting was extensively applied in United States of America and Canada immediately after the World War 1. He said inter allies: It was not until the early years following world War 1, that the use of budgeting by business firms in the United States and Canada reached a point where it could be considered to have extensive application. Up to that time, he continued, the type of control provided by budgeting was employed for the most part by the various movement units as a means of formulating and carrying out their financial policies in respect to taxation and expenditure.

2.3 BUDGETING CONCEPTS AND DEFINITIONS

One of the most important approaches that has been developed for facilitating effective performance of management process is comprehensive profit planning and control (managerial budgeting).

The planning, co-ordination and control responsibilities of management are fundamentally identical in profit and non-profit

making enterprises or organizations; the broad management process essentially conforms to a common pattern, whatever the type of endeavour. In order to keep pace with the competition among profit making enterprises, modern management has found that it must chart its course and use appropriate techniques to enable co-ordination and control of operations. By following a planning and controlling approach, attainment of eneterprises goals is more likely. As a consequence, the concept of comprehensive profit planning and control has found wide acceptance in recent years in the better-managed public and private sectors.

Generally, some studies show that planning and control of finance is the most important aspect of management. Furthermore, budget is the embodiment of such planning and control.

Thus, various authors have written on the issue of budgeting and its managerial control in one way or other. Each of them has tried to present the subject matter in his own style. The interesting thing is that the concept remains the same. However, the operative word is budget, because budgeting itself is an act, a procedure by which budget comes into existence.

At the society of Management Accountants of Canada has put it. "Budgeting is the process of short term planning which results in an OPERATING BUDGET and the monitoring controls and practice derived there-from". Similarly, Budgetary Control is the planning in

advance of the various functions of a business so that the business as a whole can be controlled.

According to Maloma (1986:156), "Budget is a predetermined statement of management policy during a given period which provides for comparison with the result actually achieved". What emanates from this definition is that a budget is futuristic and so looks forward into the coming period; and that it is a policy statement of management which should have basis for comparison.

Pogue (1986:24) who appears to hold similar views goes on to expatiate.

"A budget is a plan or target in the form of a quantitative statement for a specified time span. The budget for the future time, span attempts to look over the hill into the future to plan where the business hopes to be in a future period of time and how it intends to get at tomorrow's business world in a short time. Management is forced to think about tomorrow and thus plan for some of tomorrow's problems and tomorrow's opportunity".

Though, the author appears to have explained the concept at various times and in varying ways, the subject matter has undoubtedly been well presented. The fact that management has to "look over the hill" into the future to plan, and tie all these plans to planners objectives, is what makes budgeting unique. In the course of business as number of quantitative statements are produced, but the budgets stands out.

Another interesting aspect of the definition of a budget is that the quantities expressed in the statement are specifically financial.

According to Pandy (1985:554); "A budget is a comprehensive and co-ordinated plan expressed in financial terms for the operations and resources of an enterprise and for some specific in the future".

If we attempt to elaborate on this, we will deduce that a budget:-

(a) is a comprehensive and co-ordinated plan.

(b) is expressed in financial terms'

(c) is a plan for the establishments operation ;

(d) is a future plan for a specified period

However, a slightly more comprehensive definition was given in the terminology by the Institute of Cost and Management Accountants (ICMA). "A budget is a financial and /or quantitative statement prepared and approved prior to a defined period of time, of the policy to pursued income, expenditure and employment of capital". Looking closely to this definition, we find that almost all the bits have been included herein; and that a budget required prior approval from the appropriate authority.

According to the Webter's Dictionary; "A budget is statement of the financial position of a sovereign body for a definite period of time based on detailed estimates of planned or expected expenditure during the period and proposals for financing them". As is evidenced, the definition does not recognize any surplus in course of the financing (a sort of profit). The financing could be

done in such a way that we first determine what we expect to expend during the period and then go ahead to source funds to meet it up. This view is non-profit oriented. For entities that are profit oriented, the ideal thing is to determine inflows and match this with relevant outflows.

Allan and Harold (1978:64) simply states that "A budget is a financial plan that sets goals and allocates resources for the coming period".

The Encyclopedia Britannica defined a business budget as "a financial documents representing management's best estimated plan for the performance of a company during a definite future period. It involves the integrated group of forecasts to expenditure, receipts, profits and changes in assets" This is a more comprehensive definition.

It even foes further to enumerate the procedure involved and the basic components of the plan.

There is a section of this report that deals with the control aspects of budgeting. We would like to associate with the view of Appleby (1969:43), that "budgets are statements of financial resources needed and are used to control more activities". It is however pertinent to mention here that we have considered of relevance only the concluding part of the above definition, which has to do with the fact that in the business set-up, budgeting helps to control a good number of activities including the behaviour of the staff.

Buyers and Holmes (1973:434) defined a budget as "A financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. It is not simply an estimate or prediction: it is plan". The authors have emphasized to us that a budget is a plan rather than a mere predication. It is true that a budgeting involves predicting the future, especially in the form of sales forecasting, it however, goes further to outline what is desired and how the organization would go about achieving this.

According to Cope (1984:8). A budget is a comprehensive plan expressed in financial terms by which an operating programme is effective for a given period of time (usually one year).

It includes estimates of services, activities and projects comprising the programme. Also, the resultant expenditure requirement and the resources useable for their support.

Whereas, Hand (1986:34) sees budgeting as: "periodic financial planning which reflects the impact of strategic and project plans over the short term, usually a period of one year".

The two authors above have tried to emphasis the budget period as usually one year. This does not mean that a budget compulsorily has to be for one year; it can be for any reasonable period of time, provided it is specific.

Owler and Brown (1984:157) in their book-Wheldon's Cost Accounting and Cost Methods, states that "A budget is a plan,

quantified in monetary terms, prepared and approved to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective"

Another issue, which had been raised by these authors are, that a budget is used to operate a strategic plan.

According to Hongren (1982:685): "Strategic planning is essentially long-run planning concerning products, processes and the general direction of the organization. It considers the resources of the organization, the behaviour of competitors, and the current and projected demands of the market place". Both strategic planning and budget are all plans of some sort, the difference is in the range of period covered.

The same Hongren (1988:130) defines budgets as "a quantitative expression of a plan of action and an aid to co-ordination and implementation".

For Garrison (1979:254): "A budget is a detailed plan showing how resources will be acquired and used over some specific time interval. It represents a plan for the future expressed in formal quantitative terms. The act of preparing a budget is called budgeting. The use of budgets to control a firm's activities is known as "Budget Control". It is essential that the budget also show how resources would be acquired. Thorough experience has shown that the more worrying area is that of expenditure. This is the more reason why budgetary controls are introduced. As we can

see from the above definition, budgetary controls are employed to control the firm's activities.

Harper (1982:216) has defined an operating budget as "a plan of the day-to-day use of resources and creation of utilities. It is particularly concerned therefore with materials, labour, overhead, sales, cash etc. it usually runs for a year".

In terms of the timing, what the author has said is more common, but there are also budgets which runs for periods other than a year; in most cases, less than a year. But it is definitely more usual to find budgets prepared on annual basis.

Wixon (1977:7) states that "Budget is essentially a process of planning and control. Following this, Kaluza an Leonard (1979:356), amplified further by saying that: essentially, the entire process of budgeting involves two stages which are-planning for the future operations, which is described as budgetary planning; and controlling, those operations within the scope of an approved plan, or budgeting control.

As can be deduced from the various definitions, by the different authors, the ideas are same, while the authors have only varied in their presentations. In his own analysis, a one time scholar-Ogbulabi (1987:18), stated in his work concerning the definition's of budgeting that: An analysis of the above views and definitions will reveal that although they have different interpretation, but all have a common element. In essence, a budget is a predetermined statement of management policy during a given period, which provides a standard for comparison

with the results actually achieved. It involves an estimation of income and expenditure over a period of time.

2.4 BUDGETING VERSUS PLANNING

Knootz (1983:157) says: "planning is the setting of organizational goals and the means of achieving it. It involves deciding on what to do in advance, how to do it, when to do it and who to do it. To him, "a budget is a statement of expected results expressed in numerical terms. It may be expressed either in financial terms or in terms of labour-hour, units of product, machine hour or any other numerically measurable term". He concluded by saying that for any organization to grow well, it must plan. That without plans, actions must become merely random activity, producing nothing but chaos.

For Drucker (1959:238), business planning is a continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the effort needed to carry out these decisions and measuring the result of these decisions against expectations through organized systematic fed back. The author is simply saying that because planning encompasses articulating business decision, executing them and gauging their outcomes.

To assist us further in his analogy, Ansoff (1984:185) contended, "to extend our results to Drucker's definition of a plan, we need to construct a document which will organize systematically the effort for carrying out the decision. We shall call

the document a "STRATEGIC BUDGET". He then defines budget as "A time phased schedule for implementation of decisions". He divided it into three parts.

1. Performance Budget
2. Resource Budget
3. A third important part which is forecast of the results which will be achieved, expressed preferably in terms of a profit and loss forecast; and a proforma balance sheet. This is called a PROFIT BUDGET.

Infact, budgeting is a unique planning which has rightly been described as profit planning.

According to Garrison (1975:254),"Profit planning is accomplished through the preparation of a number of budgets, which combine together to form an integrated business plan known as the "Master Budget".

For any plan to really be effective, it has to be comprehensive and easy to understand. It will make no sense if a very sophisticated plan is put in place, yet the operators are unable to implement it due to lack of understanding, This also applies to budgeting.

Thus Mcalpine (1976:27) says; "it is important to ensure that the budgeting scheme is comprehensive and effective and that the members of the organization know their responsibilities under the scheme, what has to be done, how it should be done and how performance will be measured".

He believes that a lot of this will depend on how much the firm fulfils a comprehensive matter procedure. That the basic question to be considered in drafting the procedure include:-

1. What budgets are in the scheme, who is responsible for preparing them, and for co-ordinating them?
2. What decisions have to be made in the preparation of each budget?
3. What information will be required to guide these decisions?
4. What are the sources of these information? How will it be collected, analysed and interpreted to establish the facts?

Welch (1983:512) defined planning as "the design of a desired future state of an entity and of effective ways of bringing it about". With what we know about budgeting to far, it has all the attributes of a comprehensive plan as presented by various authors. As we have said in our introduction section of chapter one, the firm as an entity is itself futuristic, always looking forward to a desired future state. While the details provide necessary steps and actions required to bring about the desired state, the complementary part is the feedback which compares actual state attained with the initial desired state. This aspect is regarded as control; and in budgeting, it is called budgetary control. We shall deal with this aspect in details in later part of this chapter. As we know, institutions does not operator in isolation. The business environment is fraught which a lot of challenges, constraints are usually in the form of economic, political, social or natural factors. This is one area planners are careful, since the plans they make

would be built on uncertainties, emanating from these factors. Therefore, these planners employ various methods such as PERT, CPM, and others, to ensure that their plan is most, realistic. Some of these factors present themselves for control and as such are controllable, while others are uncontrollable.

The Critical Path Method (CPM) was developed in the 50's in connection with a very large project undertaken by Dupont Corporation by Kelly and Walker. The objective was to determine the optimum (minimum total cost) duration for a variable. The Programme Evaluation and Review Technique (PERT) was developed also in the 50's by Malclm and others. The objective was to develop and improve method of planning, scheduling and controlling an extremely large, complicated development programmes.

The situation is not different for budgeting as a planning device, as Claret (1988:36) put it.

No business is able to treat the world as if there is only one possible future. To deal with this, Managers and their Accountants are moving away from fixed budgets. Managers have to look forward and outward, and one of the main tools- look forward and outward, is budgeting. Budgets are based on plans (these have to be above the future as only those who rewrite history can plan the past). Manager must therefore, take into account their external business environment, competitors, products, economic and technological trends, resources availability and political influence.

According to Sizer (1981:45); "some current developments in budgeting are considered at a time when dynamic changes are taking place, in the external environment in which companies /establishments operates". He identified these changes as:-

1. The accelerating pace of technology
2. The growing scale and complexity of business
3. The need for long lead time
4. The changing nature of labour cost from variable to fixed

He then argued that management should always prepare a long term (strategic) plan and short term budget against the background of increasing uncertain economic environment with technological, ecological, political and sociological unknown.

And observing the horizon which will help management to look ahead continually, quantifying their expectations and taking effective action; and as a result necessities the development of more sophisticated long range and short-range profit planning and decision making techniques.

Going by what the various authors have said, planning is a major management function and profit planning seems to be the most vital. Hence, Brain (1978:97) said, "since the very survival of a business depends ultimately upon its financial function, the technique of budgeting makes a vital contribution to management function of planning".

The two terms - Budgeting and profit planning are usually interchanged in usage. Welch (1983:583) defined profit plan as "A financial and narrative expression of the expected results from the

planning decisions. It is called profit plan because it explicitly states the goals in terms of expectations and expected financial results (returns on investments, profits costs) for each major segments of the entity" While Matz and Usry (1980:444) defined profit plan as, "a well thought-out operational plan with its financial implication expressed in the form of long and short range income statements, balance sheet and cost working capital projections".

They concluded by saying that "PROFIT PLANNING and BUDGETING can be viewed as synonymous".

2.5 THE PURPOSE OF BUDGETING

Having said that budgeting and planning are the same, the purpose of budgeting will naturally be to have the future in a fairly certain perspective, and have a target and a schedule of requisite action.

To be more specific about budgeting in this regard, we may have difficulty in separating its purpose from its advantages.

However, Pandy (1985:305), identified the purpose of budgeting as including the following:-

1. To state the firm's expectation (goals) in clear, formal terms to avoid confusion and to facilitate their attainability.
2. To communicate expectations to all concerned with the management of the firm so that they are understood, supported and implemented.

3. To provide a detailed action for reducing uncertainty and for the proper direction of individual and group efforts to achieve goals.

4. To co-ordinate the activities and efforts in such a way that the use of resources is maximized.

5. To provide a means of measuring and controlling the performance of individual and the units, and to supply information on the basis of which the necessary corrective action can be taken.

2.6 BUDGETING PROCEDURE

We are herein considering the procedure or steps taken for a budget to finally come to being from the literature, it is discovered that two major decisions have to be taken before going into the real steps in preparing the Master Budget. The first is that the organization has to determine what its budget period would be.

According to Garrison (1979:257); "Operating budget ordinarily set to cover a one –year period. This one-year period should correspond to whatever fiscal year the company is following so that comparisons of budgets to actual, results can be made".

Owler and Brown (1984:520), are of the view that: "No specific period of time can be formulated as being the best budget period, although, it can be said that many firms regard the period of a year as being a natural period for budgeting".

They say the determing of the budget period is usually related to two factors - the type of business and the control aspect which requires shorter periods.

However, Buyers and Holmes (1978:440) would have us believe that some budgets can and should actually exceed one year. They say; "some businesses, such as those involved in projects like shipbuilding, heavy engineering, railways, gas or electricity supply, where initial capital costs are high or production of a single unit extends over a long period, may find it most convenient to budget for a period of several years". They went further to say that budget preparation is expensive both in time and money, and so that there is little to commend in the adoption of too short a budget period.

The important thing to note is that the type of business is a major factor to consider in choosing a budget period. There are in practice, basic budgets and current budgets. The current budgets are prepared for a one-year period; they are further broken down into quarterly budgets, and the quarter into months, mainly for control purpose.

The second factor to consider in preparing a budget is the principal budget factor.

Owler and Brown (1984:52) define the key factor as: "the factor, the extent of whose influence must first be assessed in order to ensure that the functional budgets are reasonably capable of fulfillment". In most manufacturing set-ups, the conflict is usually between sales and production. This is always a limit to the company's capacity to make and to sell its products for a transporter, the time taken to obtain delivery of his van may be the key factor in his budget.

The important thing is to identify the factor and ensure that it is well taken care of in the budget. It is in fact, the pivot of the budget.

After we have defined out budget period then proceed to prepare the budget. Most organizations especially, those in the manufacturing industry have attainable sales target as their budget key factor. As such, most budgets begin with a sales forecast; wherein the sales people are expected to come up with an objective estimate of what expected sale should be in the period under consideration. To do this, they need to apply some mathematical and nominal techniques.

They will also take the following into consideration; Historical analysis of sales, prevailing business conditions, reports by various salesmen, market analysis and consideration of special conditions.

From here, the sales budget is drawn up and this gives the volume of sales in units that can be or should be achieved during the period. This forms the basis for the production department to know how many additional units are to be produced, assuming there is some stock. Then, direct materials, direct labour and manufacturing over-head budgets are prepared for finished goals.

Knowing our expected sales price, we derive the budgeted sales revenue in the sales budget and with above budgets, we derive a budget for cost of goods sold; so that a budget gross profit becomes possible. Still from sales forecast, we do a Selling Expense Budget, and from the other offices, we derive an

Administrative Expense Budget. All of those are summarized in a Budgeted Income Statement. By the way, we would still have a cash budget for capital (long term profits), a Budgeted Balance Sheet and a Budgeted statement of changes of financial position. The direct materials budget shows the materials that will be required in the production process. The direct labour budget, which is also developed from the production budget, ensures that sufficient labour hours will be available to meet production needs. The manufacturing overhead budget takes care of all other costs of production other than those of direct materials and direct labour, together with the Ending Inventory Budget, which gives the stock position, a budget is derived for cost of goods sold.

Both selling and administrative expense budgets will contain a list of anticipated expenses for the budget period to be incurred in areas other than manufacturing.

Fig. 2.1

A picture of this network is given in the diagram below

Figure 2.1Source: THE MASTER BUDGET: C.T Hongreen Cost Accounting: A managerial Emphasis, 5th Edition, prentice- Hall International-P.134

2.7 BUDGET PREPARATION

The budget preparation is a line function. The line managers have the responsibility of deciding what the budgets should be. The budget committee is a joint effort of all managers for budget

preparation. Members of the budget committee consist of managers from each department. The major functions of the budget committee include co-ordination and review of the budget programme, establish procedures and timetables, product and update budget manual, and oversee the administration of the whole budget process. The budget committee meet at a regular interval and would be served by a budget officer, usually the Accountant.

The budget manual is an instruction or information manual about the way budgeting operates in the particular organization and the reasons for having budgeting. Information contained in the manual include forward by the Chief Executive; objective and explanation of the budgetary process, organizational structure and responsibilities, main budget and relationship, budget development and accounting procedures.

The diagram at the next page shows an outline of the overall budgetary process. The diagram shows the process as a sequential series of steps in the budgetary system in an organization.

FIGURE 2.2

Outline of the Budgetary Process

Source: Lucey, Management accounting (1988)

NOTES:

1. The budget committee is given the responsibility for the task of developing and coordinating budgets. The membership varies

between organizations but usually comprises people from various functions of the organization. The Committee would be serviced by the budget officer; usually the Accountant.

His responsibility is to administer the budget when agreed and to provide technical assistance and data during the budget preparation. The budget planning process takes place prior to the budget period and where budgets are prepared on a rolling basis, budge planning is a regular and continuous activity.

2. An essential preliminary to making plans and budgets is to prepare forecast. A forecast is a prediction of future events, which are expected to happen, whereas, budget is a planned series of actions to achieve a given result.

Forecasting involving advanced statistical and mathematical techniques.

3. These steps comprises the bulk of the planning process. coordination and communication between functions is essential to ensure to interlocking, feasible budgets which accord to organization policies and objectives. Many of these steps need to be repeated during budget development as inconsistencies become apparent. The testing of one budget against another for feasibility and practicability is a key element in coordinating the budget process.

4. The budget, comprising the individual departmental and functional budgets and the master budget, is submitted to the Chief Executive or The Board of Directors for examination and approved after any revisions thought necessary. When approval,

the budget becomes an executive order and shows for each budget center and approved level of expenditure.

5. The agreed budgets are published and distributed to all the budget holders and budget centers. In this way, budgets serve as a means of communicating plans and objectives downwards. In addition, that part of the budgetary process, which is concerned with monitoring results provides upward feedback on the progress made towards meeting plans and objectives.

6. These are the main stages in budgetary control. They take place after the actual events, usually on a monthly basis. Speedy production of budgetary control statements and immediate investigation, of revealed variances provide the best basis for bringing operations into line with the plans.

7. The investigations into the variances and their causes provide the link between budgetary control and budgetary planning. The experience and difficulties are fed to the budget committee so that the planning process is continually refined.

2.8 TYPES OF BUDGET

The various types of budget prepared by organizations are as follows; (Drury,1992)

1. Sales Budget
2. Production Budget
3. Maintenance Cost Budget
4. Administration Cost Budget
5. Research and Development (R&D) Budget

6. Capital Expenditure Budget
7. Master Budget
8. Cash Budget.

2.8.1 SALES BUDGET: The Sales Budget shows the quantity of each product that the organization plans to sell and the intended selling price. It provides the predictions of the total revenue from which receipts from customers will be estimated. It also supplies the basic data for the preparation of other budgets.

It is therefore the foundation of all other budgets, since all expenditure is ultimately dependent on the volume of the internally generated fund.

2.8.2 PRODUCTION BUDGET: When the Sales Budget has been completed, the next stage is to prepare the Production Budget. The budget is expressed in quantity only and is the responsibility of the Production Manager. The objective is to ensure that production, is sufficient to meet sales demand and that economic stock levels are maintained .

2.8.3 MAINTENANCE COST BUDGET: Maintenance is work undertaken to keep or restore every facility to an acceptable standard. In other words, according to Ibitoye (1985), maintenance is the avoidance, elimination or reduction of excessive wear, delays and break downs in production equipment, inspection, installation, renovation, lubrication, rebuilding, new

construction, spare parts and new equipment manufactured in addition to repairs.

As can be seen from this definition, maintenance is a service function, so its cost cannot be ignored. Therefore, Maintenance Cost Budget is inevitable.

2.8.4 ADMINISTRATION COST BUDGET: The Chartered Institute of Management Accountants defined Administration Cost Budget as budget for the cost of management, secretarial, accounting and administrative services, which cannot be directly related to the production, marketing, research and development functions of the enterprise.

The administration budget is related to budget center. The head of each budget center is responsible for the preparation and control of his own budget.

2.8.5 RESEARCH AND DEVELOPMENT (R&D) BUDGET:

The CIMA defined research cost as the cost of original investigation undertaken in order to gain new scientific or technical knowledge and directive. While he development cost is the cost of using scientific or technical knowledge in order to provide new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production.

The importance of research and development cannot be over emphasized. Hence the need for Research and Development

Budget, as expenditure on Research and Development is always substantial.

2.8.6 CAPITAL EXPENDITURE BUDGET: Capital Expenditure is the expenditure incurred in acquiring facilities, which enable the organization to commence or continue in business with a view to achieving its objectives. The benefits accruing from such expenditure last beyond the year of acquiring of the asset.

The capital expenditure decision is one of the few inescapable decisions every organization has to make. Capital expenditure may be the replacement of existing facility, expansion of existing facility or strategic capital expenditure. Capital expenditure varies between organizations.

2.8.7 MASTER BUDGET:

The master budget is usually presented in the form of budgeted income statement and budgeted balance sheet. The master budget presents a consolidation of all the supporting budgets, which represents the financial effects of the total plan for the organization as a whole.

The master budget is presented to the top management for approval. If approval is given, the master budget becomes the financial summary of the agreed plan for the budget period.

2.8.8 CASH BUDGET:

The Cash budget is a budget that shows the estimate of cash inflows, outflows, and balances, month by month as the case may be for the budget period.

Liquidity and cash flow management are key factors in the successful operation of any organization. It is with this reason that the cash budget should receive close attention from both Accountants and Mangers. The cash budget shows the effect of budgeted activities on the cash flow of the organization.

The objective of cash budget is to ensure that sufficient cash is available at all times to meet the level of operations that are outlined in the various budgets. Cash budget can help a firm to avoid cash balances that are surplus to its requirements or cash deficiencies can be identified in advance.

The proforma of a typical cash budget is shown below.

XYZ PLC

CASH BUDGET FOR 3 MONTHS ENDING MARCH

	Jan	Feb	March
RECEIPTS			
	N	N	N
Opening balance	xx	xx	xx
Receipts from Debtors	xx	xx	xx
Sales of capital items	xx	xx	xx
Loan Received	xx	xx	xx
Proceeds from share issue	xx	xx	xx
Other cash received	xx	xx	xx

Total cash received	xx		xx		xx	
Less PAYMENTS						
Payments to creditors		xx		xx		xx
Cash Purchases		xx		xx		xx
Wages and salaries	xx		xx		xx	
Loan repayments	xx		xx		xx	
Capital Expenditure	xx		xx		xx	
Dividends	xx		xx		xx	
Taxation	xx		xx		xx	
Total Payment	xx		xx		xx	
Cash balance c/f		xx		xx		xx

2.9 BUDGETING TECHNIQUES AND METHODS

The following are the budgetary techniques and methods adopted by organization. (Batty, 1979)

1. Zero –Base Budgeting
2. Programme Planning Budgeting System
3. Traditional Budget or Incremental Budget or Line Item Budgeting
4. Rolling or Continuous Budgeting

2.9.1 ZERO – BASE BUDGETING (ZBB):

Zero – base budgeting is a cost-benefit approach, which assumed that the cost allowances for an item is zero and will remain so until the manager responsible justifies the existence of the benefits the expenditure brings. The Chartered Institute of

Management Accountant (CIMA) defined ZBB as "a method of budgeting, whereby all activities are re-evaluated each time a budget is formulated. Each functional budget starts with the assumption that the function does not exists and is at Zero cost. Increments of benefits, culminating in the planning maximum benefit for a given period".

The use of ZBB was pioneered by P. Phyrr in the United States in the early 1970s and has gained wide acceptance probably because it is a simple idea based on common sense.

ZBB is concerned with the evaluation of the costs and benefits of alternatives.

Zero –base budgeting can be used in both profit –oriented and non-oriented organizations. The technique of ZBB gained wide publicity when the then, President Jimmy Carter directed that all US Government departments should adopted Zero-base budgeting.

ADVANTAGES OF ZERO – BASED BUDGETING

1. If ZBB is properly carried out, result in a more efficient allocation of resources to activities and departments.

   decisions packages, which lead to subjective judgment.

2. ZBB focuses attention on value for money and makes explicit the relationship between the input of resources and the output benefits.

3. It develops a questioning attitude and makes it easier to identify inefficient and less cost effective operations.

4. The ZBB process leads to greater staff and management knowledge of the operations and activities of the organization and can increase motivation.

5. It is a systematic way of challenging the status quo and obliges the organization to examine alternative activities and the existing cost behaviour patterns.

DISADVANTAGES OF ZERO – BASED BUDGETING

1. It is a time consuming process, which can generate volumes of paper work, especially for the decision packages.

2. There are considerable, management skills required in both drawing up decision packages and for the ranking process. These skills may not exist in the organization.

3. There are considerable problems in ranking the decision packages, which may lead to subjective judgment

4. It may emphasize short-term benefits to the detriment of long term ones, which in the end may be more important.

2.9.2 PROGRAMME PLANNING BUDGETING SYSTEM

The Programme Planning Budgeting system (PPBS) is a comprehensive planning and budgeting system. (PPBS) is a comprehensive planning and budgeting System which involves the integration of the budgetary process into planning process, planning and budgeting for more than one budget period, and planning and budgeting within a framework which seeks socially

determined goals. PPBS is designed to avoid the disadvantages of conventional budgeting. (Oshisami,1994).

The aim of PPBS is to enable the management of an organization to make more informed decisions about the allocation of resources to meet overall objectives of the organization.

PPBS involves the preparation of a long term plan that establishes the objectives to be achieved, identifies programmes that mighty achieve these objectives, and determines the costs and benefits of each programmes so that budget allocation can be made on the basis of cost/benefits of the different programmes.

PPBS forces management to identify the activities, functions or programmes to be provided, thereby establishing a basis for evaluating their worthiness. In addition, PPBS provides information that will enable management to access the effectives of its plans. Hence a more effective allocation of scare resources can be achieved within the overall framework of the plan.

2.9.3 TRADITIONAL BUDGET OR INCREMENTAL OR LINE ITEM BUDGETING.

The line-item budgeting is the traditional approach to resource allocation. One method is to take the current level of operating activity and the current budgeted allowances for exiting activities as the starting point for preparing the next annual budget. The method is expenditure oriented.

The main features of incremental budgeting are that budget relate to the organizations for which they are prepared, sub-head

allocations are expressed in terms of type of expenditure, budgets are designed to achieved the objective of accountability and control, the year's budget is determined by a routine and incremental process, and the budget sometimes neglects the development plan programme.

The Line-Item-Budget has been criticized severely on the ground that allocations are made on a routine and incremental manner, there is no reference to objectives to be attained, there is no consideration regarding the alternative means of expenditure proposals, the relationship between recurrent and capital expenditure is blurred, and it is based on organization structure rather than programmes.

2.9.4 ROLLING OR CONTINUOUS BUDGETING: A rolling budget is defined by the Chartered Institute of Management Accountants (CIMA) as the continuous updating of a short term budget by adding, say, a further month or quarter and deducting the earliest month or quarter so that the budget can reflect current conditions. Such procedures are beneficial where future cost or activities cannot be forecast with any degree of accuracy (Mayo-BBP, 1993).

Rolling budgets are an attempt to prepare targets and plans which are more realistic and certain, particularly with regard to price levels, by shortening the period between preparing budgets. Instead of preparing budget annually, there would be budgets every one, two, three or four months. Each of these

budgets would plan for the next twelve months so that the current budget is extended by an extra period as the current period ends. The rolling budget is one way of trying to reduce the element of uncertainty in the plan and consolidate the achievement of objectives. The rolling budget was introduced in Nigerian budgeting system in 1990.

2.10 THE ADVANTAGES OF BUDGETING

According to Frank Wood & Alvan Sangster (2005:599) the following benefits can be claimed for good budgeting.

1. The strategic planning carried out by the board of directors or owners can be more easily linked to the decisions made by managers concerning how the resources of the business will be used to try to achieve the objectives of the business. The strategic plan has to be converted into action, and budgeting provides the ideal device for converting such plans into financial terms.
2. Standards of performance can be agreed for the various parts of the business. If sales and production targets are set as part of a co-ordinated plan, then the sales department cannot really complain that production is insufficient if they had agreed previously to a production level and this is being achieved. Nor can production complain if its output exceeds the amount it budgeted for and the excess output remains unsold.
3. The expression of plans in comparable financial terms. Some managers think mainly in terms of say, units of production; or of tonnes of inputs or outputs, or of lorry mileage, etc the effect that the actions of each manager has upon financial results must be

brought home to them. For instance, a transport manager might be unconcerned about the number of miles that his fleet of lorries covers until the cost of a large mileage is brought home to him, often during budgeting, and it may be then and only then that he starts to search for possible economics. It is possible in many cases to use mathematics to find the best ways of loading vehicles, or to plan routes taken by vehicles so that fewer miles are covered and yet the same delivery service is maintained. This is just one example of many where the expression of the plans of a section of a business in financial terms sparks off a search for economics, when otherwise it may never have started at all.

4. Managers can see how their work slots into the activities of the organization. It can help to get rid of the feeling of 'I'm only a number not a person', because they can identify their positions within the organization and can see that their jobs really are essential to the proper functioning of the business.

5. The budgets for an organization cannot be set in isolation. This means that the situation of the business, the nature of its products and its workforce, etc, must be seen against the economic background of the country. For instance, it is no use budgeting for extra labour when labour is in extremely short supply, without realizing the implications, such as having to pay higher than normal wage rates. Increasing the sales target during a credit squeeze needs a full investigation of the effect of the shortage of money upon the demand for the firm's good and so on.

2.11 DISADVANTAGES OF BUDGETING

The following are the disadvantages of operating a budgeting system:-

1. The success of budgeting is based on the precision of estimates and on facts and managerial judgment. This is because the bulk of budgeting is based on forecasts of what the future would be, and unless this is done with some accuracy the whole outcome would be unfavourable.

Managerial judgment can suffer from personal bias and some times may not be objective enough. The adequacy and accuracy of budgeting thus depends on the adequacy managerial judgment.

2. A budget program, no matter how skillfully prepared, will not in itself improve the management of an enterprise, unless it is properly implemented. To achieve this therefore, it is essential that the program is understood by everybody involved.

3. A budget should be precise in format and simple to understand; flexible and not rigid in application. But to achieve the aspect of understanding, the budget most times carried some details. These details in turn complicate issues and render the budget both ineffective and expensive.

4. Some times, the goals sets out budget goals have been set carelessly, and the situation goes ahead to defeat the purpose of budgeting.

5. Unless there is complete follow up in the budgeting system, which will ensure adequate control, otherwise, the system itself will hide inefficiencies instead of revealing them. Since targets

have been set in the budget, they are attained one way or the other.

Meanwhile, we have said so much concerning a budgeting system, but there are still those things, which if they are absent, will make the system not to work. These are termed the limitations of the system; they inhibit the success of the system.

1. Management may pay only little attention to the system. The success of it requires proper execution and participation by all concerned.
2. Management may also become impatient and lose interest because it expects so much too soon.
3. Forecasting which is the bedrock of budgeting is not exactly scientific. This brings in certain amount (Substantial) of personal judgment.

2.12 FROM PLANNING TO CONTROL

As we have repeatedly asserted, control is a necessary complement to planning and in any complete budgeting system, the two are found.

Writing about these two primary, management functions, Kreitner (1989:141,593), said:, Planning is defined as the process of preparing for change and coping with uncertainty by formulating future courses of action. While control is the process of taking the necessary corrective action to ensure that the organization's mission and objectively and efficiently as possible.

The control aspect of budgeting is called BUDGETARY CONTROL.

A system of controlling costs which include the preparation of budget, co-ordinating the departments and establishing responsibilities, comparing actual performance with that budgeted and acting upon results to achieve maximum profitability.

In tracing the history of Budgetary Controls, Bathy (1979:39) said, "The first step towards budgetary control in the modern sense was started in Great Britain in the eighteenth century, from being a purely financial device, the budget became a tool of government just as budgetary control became a tool of management".

As the use of mathematical techniques in management was very popular in the second world war, so also do Budgetary Controls attract considerable attention from around the 1930's following the world economic recession of the late twenties: Thought there has always grown.

Here in Nigeria, not much is known about the early development of budgeting as a system of control, but from records available, especially as put down by Oshisami and Deer (1984:92), budgeting as a system of control was recognized and has assumed much importance in government and non-government circles in Nigeria since 1968.

Hand (1986:34) has identified three basic stages in budgetary control process as.

Setting up predetermined standards

Measuring of actual performance against the predetermined standards

Corrective active when necessary to bring the actual performance in line with the predetermined standard.

From the definitions given above, we discovered that the preparation of a budget must precede the budgetary control process. The budget so prepared, establishes responsibilities in accordance with the establishment's objectives. Then, in course of operating the budget, the actions of the operators are co-ordinated along the line of the established policies and responsibilities, while at the same time, a record is being kept of actual performance. This recorded performance is compared with the budget standards to obtain results, which should be acted upon for optimal profitability. Without budgetary control therefore, the system budgeting is incomplete.

The object of budgetary control is to enable management conduct business in the most efficient manner. In order to achieve this however, management must show where and how profits or losses are being made. It should also be able to show where potential profits are expected and after all, why they are not being realized. This led Scott (1970:1) to say that:

Budgetary control is more than an administrative technique, which aims to ensure that these functions are in fact carried in a well organized and co-ordinated fashion. It aims at strengthening communications and can thus be said to form a manner of business administration.

For Buyers and Holmes (1973:434), "Budgetary control is a means of control in which the actual state of affairs is compared

with that planned for, so that appropriate action may be taken with regard to any deviations before it is too late".

In practice, the control network of an organization is all embracing. In like manner, Budgetary control provides the basis for other controls and activities such as:-

1. Administrative Council
2. Direction of sales efforts
3. Production planning
4. Control of stock
5. Price fixing
6. Financial requirements
7. Expenses control
8. Overall production

2.13 METHODS OF BUDGET ANALYSIS

The following are network in budget analyses (Drury, 1992)

a. Regression Analysis
b. Linear Programming
c. Input-out Analysis
d. Variance Analysis
e. Cost-Benefit Analysis

i) REGRESSION ANALYSIS: Regression Analysis identifies an estimated relationship between a independent variables (income) based on past observations. When the analysis includes only one independent variable, it is referred to as simple regression and when the analysis includes two or more independent variable, it is

referred to as multiple regression. This is a good method of budget analysis.

ii) **LINEA PROGRAMME:** Linear Programming is a mathematical technique that can be applied to the problem of limited resources among many alternative uses of budgeted resources. It seeks to find feasible combination of output that will maximize or minimize the objective function. Linear Programming is used when there is more than one limiting factor or constraints in a budget. Linear programming helps to decide on the optimum product mix and anticipated s usage of resources.

iii) **INPUT-OUTPUT ANALYSIS:** This is another method of analyzing budget where input and output of the actual results are compared with the planned result. This method has the advantage of immediately revealing the deviation in the activity levels of an organization.

iv) **VARIANCE ANALYSIS:** Variance analysis explains the difference between actual results and expected results. When actual results are better than expected, we have a favourable variance. When actual results are worse than expected, we have adverse or unforvaourable variance. Carefully planned variance analysis is an important aid to more accurate budgeting.

Variance can be calculated which will enable the principle of 'management by exception" to be operated. Only the variances, which exceed acceptable tolerance limits, need to be investigated by management with a view to control action.

v) **COST-BENEFIT ANALYSIS:** This is another method of analyzing budget where costs and benefits of budgeted levels of activity are evaluated. Cost benefit analysis is an analytical tool in decision making which enables a systematic comparison to be made between the estimated cost of undertaking a project and the estimated value and benefits which may arise from the operation of such project.

Cost benefit analysis is very important in budgetary control system because it provides a framework for consistent and uniform process of evaluating levels of activity in-an organization.

2.14 BENEFITS OF BUDGETARY CONTROL

1. Budgets provide a means of controlling in details the income and expenditure of a business concern. They regulate the spending of money and high-light losses, wastes and inefficiencies, thus making it possible for corrective action, to be taken promptly.
2. Budgetary control provides a means of ensuring that capital employed is kept at a minimum level, consistent with the level of activity planned; and that it is usefully employed. At the same time, it ensures that adequate liquid resources are always available.
3. The preparation of budgets emphasizes and causes to be clarified of the responsibilities of each executive. It forces early consideration of basic policies. In addition, it focuses attention on the contribution made by each market and product, on the capital and methods employed; and on cost. It does these in such a

manner that any further opportunities for profit making are revealed.

4. It enables management to decentralize responsibility without losing control of the business, since it pin-points inefficiencies

5. Cost consciousness is increased and there is introduced attitude of mind in which waste and inefficiency cannot thrive.

6. It provide for the co-ordination of sales, production and other activities of the business

7. A profitable sales and production program may be formulated by ascertaining the lines of good most desirable to reconcile a well-conceived sales program with a well-balanced production program.

8. Control of expenditure may be achieved by:

a) The preparation by each department of estimated expenditure requirements for the budget period, and the agreement of these with the budget controller, budget committee or board of directors and as the case may be

b) The prohibition of expenditure in excess of that estimated unless properly authorized

c) A stipulation that each department must submit monthly reports, showing comparison between budgeted expenditure and actual expenditure.

9. Budgetary control as a system, forces members of the management team to plan in harmony, and emphases the need for careful and adequate consideration of all relevant factors before coming to a decision.

10. It is also a variable aid in the fixing of selling prices.

2.15 PROBLEMS IN BUDGETARY CONTROL SYSTEM

Planning for the future of an organization, even in the relatively short term, is bound to create numerous difficulties.

These difficulties include the following (Lucey,1988).

1) The rate of inflation might be hard to predict so that budgeting for price levels will be largely guesswork.

2) The volume of activity cannot be foreseen with certainty; perhaps unforeseen limiting factors may restrict output below budgeted levels.

3) There will be problems of organization and attempts to co-ordinate the plans of different departments into an optimal master budget may be unsuccessful

4) There will be problems of motivation, flexibility and human relations in budgeted expenditure claims by cost center manager.

5) There may be variances in the budgeted levels of activity due to frequent changing circumstances, poor forecasting or general uncertainties.

2.16 RELATIONSHIP BETWEEN FEDERAL OWNED AND STATE OWNED TERTIARY INSTITUTIONS IN BUDGET PREPARATION

Both Federal owned and state owned tertiary institution prepare annual budgets. This is in respect to recurrent and capital expenditure. Recurrent expenditure deals with expenditure for the day to day running of the institution like salaries, stationery and other expenditures alike. On the other hand, capital expenditures

are the types that are of capital in nature. Such expenditures are for purchase of office equipments, erection of building and infrastructure. Their expenditure comes up once in a while and are of permanent in nature.

The preparation starts with the listing of demands by the various units and departments which are converted to monetary term to form the budget under the respective heads. These are collected by the finance division of the appropriate institution and summed up to form the budget of the institutions. It will be recalled that the finance departments of the institutions are attached to the office of the chief executives.

EXECUTION AND IMPLEMENTATION

The head of the academic institution sends the budget to the State Ministry of Education in the case of State owned and Federal Ministry of Education in the Federal owned institution.

Once the budget is defended by the Minister of Education in the Federal level, approvals are given to them for the incurrence of the expenditure by the institutions concerned. Execution and implementation are carried out by the institution concerned. This is in line with the approach and appropriate financial regulations.

MONITORING:

In the various tertiary institutions, a department is always assigned with the responsibility of monitoring the budget. This is to ensure that implementation is according to specifications, in line with the relevant financial regulations.

Apart from the internal monitoring by the various institutions, relevant government departments like the office of the Auditor General inspects and monitors implementation from time to time. Non implementation or implementation that are not in line with approval and the relevant financial regulations leads to Audit querry by the Auditor General.

However, it should be noted that monitoring is more pronounced and regular in the State owned institutions than in the Federal owned institutions. This may be attributed to the nearness of the government at the state level to the various institutions. This also can be attributed to insufficient funds of the state governments. Thus, the State tries to ensure judicious use of meager resources in attaining the project goals.

2.17 RESPONSIBILITY ACCOUNTING AND HUMAN RELATION MATTERS IN BUDGETING.

According to Garrison (1978:256)

The that idea behind Responsibility Accounting is that each manger's performance should be judge by how well he manages those items directly under his control.

To judge a manager's performance in this way, the costs (and revenue) of an organization. must be carefully scrutinized and classified according to the various levels of management under whose control the cost rest. Each level of management is then charged with those costs under its care, and the manager held

responsible for variations between budgeted goals and actual results.

In effect, responsibility accounting personalizes the accounting system who has control over cost or revenue to be a separate responsibility center, whose stewardship must be defined, measured, and reported in the organization. One author expressed the idea thus: "In effect, the system personalizes the accounting statements by saying Mr. "A", this is what you originally budgeted and this is how you performed for the period with actual operations as compared against your budget". By definition, Responsibility Accounting is a system of accounting which is tailored to an organization, so that costs are accumulated and reported by levels of responsibility within the organization. Each supervisory area in the organization is charged only with the cost for which it is responsible and over which it has control.

The whole idea of Responsibility Accounting rests on three basic premises:

1. That cost can be organized in terms of levels of management responsibility.
2. That the costs charged to a particular level are controllable at that level by its managers.
3. That effective budget data can be generated as a basis for evaluating actual performance.

From the forgoing, it appears the whole idea of responsibility accounting is trying to determine who is answerable.

2.18 HUMAN ASPECT

According to Horngren (1982:147); the importance of the human aspects in budgeting cannot be over emphasized… Budgeting is too often looked upon from a purely mechanistic viewpoint. The human factors in budgeting are more important than the accounting techniques. The success of a budgetary system depends upon its acceptance by the Company members who are affected by the budgets… Ideally, Company personnel should understand and accept the role of budgets as positive vehicle for company improvement, department improvement and individual improvement. Properly used, it is simply a systematic tool for establishing standards of performance, for providing motivation for gauging results, and for helping management advance towards its objectives. The budgets major role is to communicate the various motivations that basically already exist among the management personnel, so that everybody sees, understands, and co-ordinates the goals, means and drives of the organization.

When we consider the management process, there are certain roles budgeting can play to influence individual and group behaviour at various stages. These have been identified to include;-

1. Setting goals
2. Informing individuals what they must do to contribute to the accomplishment of goals.
3. Motivating desirable performance

4. Evaluating performance
5. Suggesting when corrective action should be taking.

Also another author Eussan (1980:30), writing in "The Journal of Accounting", suggested the following requirements for motivating personnel;-

A compensation system that build and maintains a clearly understood relationship between results and rewards.

A system of communication that allows employees to query their supervisors with trust and honest communication.

A system of promotion that generates and sustains employee's faith in its validity and fridgement.

A system of employee support through coaching counseling and career planning.

A system that not only considers company objectives, but also employee's skill and capacities.

According to Owler Brown (1984:514); "It is nevertheless necessary to consider also the behavoural aspects of a system.

The system will be ineffective if the people who are operating it have not been considered and are not asked to participate in it". This entails that we have viewed budgeting from humanistic approach also. The acceptance by the operators.

In summary for all concerning the human aspect of budgeting, Onuorah (1983:38) put it thus:

Budgeting is no longer, and should not be, the sole responsibility of the Chief Executive, Budget officer, or other top executives in the Company. Rather all levels of the company will participate in

the budgeting process and make commitments to achieving the goals set by the budget. The wave of the future will be to tap all the human resources that are available to a company in budget preparation and control.

Greater involvement by more people will commit them to achieving budget goals when they are established. This will have important results in terms of motivation and achievement.

CHAPTER THREE

3.0 RESEARCH METHODLOGY

3.1 INTRODUCTION

This chapter, provides information about the techniques involved in gathering materials in the form of data used for this research. This is predicated on the fact that relevant data, which are both valid and reliable, are the basis of any empirical work. The discussions herein include the design of the research itself, the sampling and data collection procedures, and the techniques for analyzing and data testing the various hypothesis.

3.2 RESEARCH DESIGN

According to Nachmais and Nachmais (1976:29) "The research design is the program that guides the investigator in the process of collecting, analyzing and interpreting observations. It allow inferences concerning causal relations and defines the domain of generalities".

Therefore, at this stage it is necessary to explain how preliminary investigation was conducted and to give an insight into the geographical areas of the study and the appraisal of the research materials that would enable the researcher to accomplish the exercise successfully.

In this case, an experimental survey was carried out at the Bursary Department following tertiary institutions in Imo State – Federal University of Technology, Owerri (FUTO), Imo State

University (IMSU), Owerri, Alvan Ikoku Federal College of Education (AIFCE) Owerri, Federal Polytechnic, Nekede, and Imo State Polytechnic, Umuagwo-Ohaji, where a good number of projects are executed.

3.3 SOURCES OF DATA AND METHODS OF DATA COLLECTION

The data used in the research were obtained from both primary and secondary sources.

Primary data means that such data do not exist in any computed form, so the researcher must set out to collect them himself. The main instruments used in the collection of primary data were, questionnaire, interview, observations, and discussions.

The secondary data were obtained from work of others, such as textbooks, encyclopedias, dictionaries, papers presented at symposia, conferences and seminars, journals, newpapers, dissertation and research reports. Other secondary data are printed materials in the form of departmental and financial reports.

3.4 DATA ANALYSIS TECHNIQUES

The data, which were collected through the various methods discussed above, were put to empirical analysis to enable us make our assertions concerning the subject matter being studied. To do this, we have adopted and applied appropriate statistical and mathematical techniques. According to Dickson (1976:2842), "One purpose of statistical analysis is to reduce a mass of data into a mere compact which highlights general trends and the relationship

between variables". The main statistical technique, which has been employed here, is the students't' distribution test. This tool has been found appropriate and capable of yielding insight into our questions. Its simple nature has also avoided possible complications that could have to arisen. This statistical technique is the student 't' test for sample proportion.

From the literature, we gather that the student 't' test is most suitable for samples of small size. Since our sample size is 30, we have found the student 't' test to be most appropriate statistical tool to be used.

3.4.1 HYPOTHESES TESTING

We used four hypotheses in this research. Each of them covered a specific area of the study. There were in the domain of sample proportion, and a test for difference between means.

All of the hypothesis have been stated as required, viz, there is in each case a NULL Hypothesis denoted by "Ho" and an ALTERNATIVE Hypothesis denoted by "HA" etc. the null hypothesis states or assumes that there is a significant relationship between the variables studied or that there is no difference between them, while the Alternative hypothesis between that, there is a difference, actually stating the opposite

3.5.1 TESTING FOR SAMPLE PROPORTION

As we said earlier, some of our hypotheses were tested for sample proportion. In these cases, we have applied the student 't'

test for sample proportion. This required the use of the following formula:

Student 't' = P1 –Po

 PoXQo

n

Source: Dickson J.P. (1979)

Where

Po = Expected Proportion complying

P1 = Observed Proportion complying

Qo = assumed proportion not complying

n = Sample size

For the purpose of stating our hypotheses mathematically, we have decided that "Mort Tertiary institution in Imo State would be represented as "At least ninety percent of the Tertiary institution in Imo State". The hypotheses have been stated mathematically thus;

Null Ho: Po 90% or 0.90

Alternative H1: Po < 90% or 0.90

The Alternative hypothesis determines the direction of the test. In this case, the alternative hypothesis says Po < 90%, which is Negative ONE TAIL test (to the left). The degree of freedom is obtained by:

n -1: which is sample size minus one. It is represented with the symbols 'v'

DECISION RULE: Testing has been carried out at the 5% level of significance ((=0.05) Accept the null hypothesis of the calculated

‘t’ value is less than the critical value (in normal terms), whereby the calculated ‘t’ value does not fall in the critical region (shade region).

Reject the Null hypothesis and accept the Alternative if the ‘t’ value is higher than the critical value (in normal terms) whereby the calculated ‘t’ value falls in the critical region (shaded region).

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Fig 3.1 Standard normal test for ‘t’ statistic
((=0.05, one tail test)

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND FINDINGS

In this chapter, we have presented the various data as they were discovered in the course of the research. We have followed up with a thorough analysis, stage by stage, for our findings. This has been done in harmony with the statement of problems, the research questions and the hypotheses, and has led us to the conclusions reached in this study.

4.1 PRESENTATIONS AND ANALYSIS OF QUESTIONNAIRE RESPONSES

TABLES 4.1-PRESENTATION OF QUESTIONNAIRE RESPONSES

SUBJECT OF STUDY TOTAL DISTRIBUTION TOTAL RETURNED PERCENAGE OF RETURNS Imo State Polytechnic of UMuagwo (Imo Poly) 6 6 100 Federal Polytechnic Nekede (Fe. Poly) 6 6 100 Alvan Ikoku Federal college of Education 6 6 100 Imo State University Owerri (IMSU) 6 5 83 Federal University of technology Owerri (FUTO) 7 7 100 Total 31 30 96.77=97 From the table 4.1 above, 100 percent of the questionnaire distributed to the staff of Imo State Polytechnic, (IMO POLY), Umuagwo-Ohaji, Federal Polytechnic, Nekede, Alvan Ikoku Federal college of Education (A.I.F.C.E), Owerri and Federal University of Technology, Owerri (FUTO) were properly filled and returned, 83 percent of respondent of Imo State University (IMSU), Owerri, were also properly filled and returned.

TABLE 4.2 ANALYSIS OF QUALIFICATIONS OF RESPONDENTS.

OPTION RESPONSES PERCENTAGES OF RESPONSES ICAN/ACCA 3 10 B.Sc/ HND 15 50 NCE/ND 7 23 WASSCE OR ITS EQUIVALENT 5 17 TOTAL 30 100 Source: Questionnaires

The above table 4.2 concerns with the different qualifications of the respondents. Out of 30 respondents 3 or 10 percent of them hold either ICAN or ACCA. 15 or 50 percent hold B.Sc or HND in Accounting; 7 or 23 percent hold Nigerian Certificate in Education (NCE) or National Diploma Certificate (ND) in Accounting, while 5 or 17 percent are holders of WASSCE or its equivalent. The professional certificate holders are made the Unit and Sectional Heads. The researcher concludes that the professional working class are rarely seen as government workers. They preferred lecturing, working in companies or establishing their own firms because, it pays them more than working in government offices, especially as a non-academic staff.

TABLE 4.3: ANALYSIS OF SERVICE YEARS OF THE RESPONDENTS.

OPTION RESPONSES PERCENTAGES OF RESPONSES 1-3 Years 3 10 4-6 years 5 17 7-9 years 8 27 10-12 years 7 23 13-15 years 4 13 16 years and above 3 10 Total 30 100 Source: Questionnaires

Table 4.3 above shows the analysis of the respondent according to service years. 3 or 10 percent of the 30 respondents have spent between 1 to 3 years in their institutions; 5 or 17

percent have spent between 4 to 6 years; 8 or 27 percent have served between 7 to 9 years, 7 or 23 percent have served between 10 to 12 years; 4 or 13 percent have worked for between served up to 16 years and above.

The researcher concludes here that, especially, the Accountants stay longer in the offices, since the higher in the management hierarchy, the more permanent one's office.

TABLE 4.4: ANALYSIS ON WHETHER THESE INSTITUTIONS PREPARE BUDGET.

OPTION RESPONSES PERCENTAGES (%) YES 30 100% NO 0 0 Total 30 100 Source: Questionnaires

The respondents were asked whether their institution prepare budget, from table 4.4 above the option "Yes" total 100% while the option "No" hold 0. The researcher therefore concludes that all tertiary institutions prepare budget.

TABLE 4.5 TO KNOW HOW OFTEN THESE INSTITUTIONS PREPARE THEIR BUDGET

OPTION RESPONSES PERCENTAGES OF RESPONSES (%) Annually 30 100 Bi-annually 0 0 Quarterly 0 0 Monthly 0 0 Total 30 100

Source: Questionnaire

The respondents were asked to know how often their institutions prepare their budget. From the table above (4.5), the option Annually hold 30 or 100%, while the other options holds o%

The researcher concludes that all tertiary institutions prepare their budget annually.

Table 4.6: CRITICAL REVIEW ON WHETHER THESE INSTITUTIONS PREPARE THEIR BUDGETS IN ACCORDANCE WITH THEIR OBJECTIVES.

OPTION RESPONSES PERCENTAGES OF RESPONSES (%) YES 30 100 NO 0 0 Total 30 100 Source: Questionnaire

The researcher demanded to know from the respondents whether their institutions budgets are prepared in accordance with their institutions' objectives. The response here on the first option "Yes" was 100 percent.

The researcher concludes that tertiary institution prepare their budgets in accordance with their objectives.

4.7: TO KNOW THE TYPES OF PROJECTS THESE INSTITUTIONS EXECUTIES.

OPTION RESPONSES PERCENTAGES RESPONSES (%) Building 0 0 Construction 0 0 Education/Training 30 100 Maintenance 0 0 Total 30 100 Source: Questionnaire

The respondents were asked to know about the types of projects their institution executes. From the above (4.7), the option "Yes" hold 30 or 100 percent response while others holds 0 percent. The researcher therefore, concludes that the major project of the tertiary institution is Education/Training.

4.8 THE SYSTEM OF BUDEGTING EMPLOYED BY THESE INSTITUTIONS

OPTION RESPONSES PERCENTAGES RESPONSES (%) Incremental budgeting 25 83 Programme Planning Budget system 0 0 Often Rolling or continuous Budgeting 5 17 Zero-Based Budgeting 0 0 Total 30 100 Source: Questionnaires

The researcher demanded to know the type of budgeting system these institutions employ. From table 4.8 above, the option "Incremental budgeting" hold 25 or 83%; Programme Planning Budget System hold 0%; Rolling or Continuous Budgeting hold 5 or 17%, while Zero –Based budgeting hold 0. The researcher therefore concludes that most tertiary institutions use the Incremental Budgeting System.

TABLE 4.9 WHO CO-ORDINATES THE IMPLEMENTATION OF BUDGET IN YOUR ESTABLISHMENT

OPTION RESPONSES PERCENTAGES RESPONSES (%) Budget Committee 3 10 Budget Officer 4 13 Budget Department 20 67 The Chief Executive 3 10 Total 30 100 Source: Questionnaires

The respondents were asked here to know about who co-ordinates. The implementation of budget in their institutions. From the table above (4.9), the option –"Budget Committee" hold 3 or 10%,; Budget Officer 4 or 13%; Budget Department hold 20 or 67 and the Chief Executive 3 or 10%. The researcher concludes that

the coordination of the implementation of Budget of tertiary institution are made the Budget Department.

TABLE 4.10 TO WHAT EXTENT IS BUDGETARY CONTROL EFFECTIVE IN PROJECTS EXECUTION IN YOUR ESTABLISHMENT?

OPTION RESPONSES PERCENTAGES RESPONSES (%) Very effective 3 10 Effective 8 27 Not very effective 19 63 Total 30 100 Source: Questionnaires

The respondents were asked here to know to what extent the budgetary control is effective in projects execution in their establishment. From the above table (4.10), 3 or 10% states that it is very effective; 8 or 27% states that it is effective, while 19 or 63% states that it is not very effective. The researcher then concludes that budgetary control is not very effective in projects execution in most tertiary institution.

TABLE 4.11: WHAT CONSTITUTES THE BUDGET LIMITING FACTORS IN YOUR ESTABLISHMENT

OPTION RESPONSES PERCENTAGES RESPONSES (%) Fund 26 87 Time 4 13 Man power 0 0 Other (Please specify) 0 0 Total 30 100 Source: Questionnaires

From table 4.11, The respondents were asked to know of the budget limiting factor in their establishment. The first option "fund" hold 24 or 80%, time hold 6 or 20% while others holds 0%.

The researcher concludes that fund in the major budget limiting factor in most tertiary institutions.

TABLE 4.12 CRITICAL REVIEWS OF OTHER FACTORS THAT EFFECT PROJECT EXECUTION IN TERITIARY INSTITUTIONS.

OPTION RESPONSES PERCENTAGES RESPONSES (%) Inflation 5 17 Inadequate funding 12 40 Management 13 43 Others (please specify) 0 0 Total 30 100 Source: Questionnaire

The researcher demanded to know of other factors that effect project execution in tertiary institution. From the above table - 4.12, the first option "inflation" hold 10 or 33%, the second option "in adequate funding" hold 12 or 40%, Management as the third option hold 13 or 43% while others holds 0. The researcher therefore concludes that though inflation may be a factor, but management is the major factors that affect project execution in most tertiary institutions.

4.2 TESTING OF HYPOTHESES AND SIGNIFICANT

According to Spiegel (1972:167):, "Procedures which enable us to decide whether to accept or reject hypothesis or to determine whether observed samples differ significantly from expected results are called tests of hypotheses, tests of significance, or rules of decisions".

Note: For the purpose of stating our hypotheses mathematically, we have decided that "most Tertiary institutions in Imo State",

would be represented as "At lest ninety percent of the Tertiary institutions".

4.2.1 TESTING OF HYPOTHESIOS ONE

Note: Ho refers to Null hypothesis

HA refers to Alternative hypothesis

Mathematical formulation:

Ho: Po > 90% or 0.90

HA: Po < 90% or 0.90

Ho1: At least ninety percent of tertiary institutions apply the use of budgeting and budgetary control.

Ho1: Less than ninety percent of tertiary institutions in Imo State apply the use of system of budgeting and budgetary control in project execution.

Relevant Questions for the purpose of testing the above hypothesis, response gathered from questionnaire, question Numbers 6, 10, 11, and 12 are regarded as relevant questions.

Response - 30 questionnaires were returned, in question Nos 6, and 10 all confirmed that their institution prepare budget and in question Nos 11 and 12, out of the 30 questions, 28 (twenty-eight) answered in affirmative. Only 2 (two) answered that their institutions does not operate a proper budgetary control to the project execution.

These represent 28=93%

2=04%

FORMULA FOR TESTING HYPOTHESIS

$$t = \frac{P1-Po}{\frac{Po \times Qo}{n}}$$

Where: Po = Expected proportion complying

P1 = Observed proportion complying

Qo = Assumed proportion not complying

n = Sample size

Therefore $t = \frac{0.93 - 0.90}{\frac{0.90 \times 0.10}{30}}$

$= 0.03$

0.05 = 0.6 = Calculated 't' value

DEGREE OF FREEDOM (V): n - 1

= 30 – 1

= 29

LEVEL OF SIGNIFICANT: we have tested at the 5% level of significant, which implies 95 % degree of confidence. Our level of significant therefore is -" = 5% = 0 . 0 5

DIRECTION OF TEST: As we know, the direction of the test, that is whether it would be a one- tail or two- tail test is determined by the alternative hypothesis which specifies a direction, as in this case, then the test is one tail to that direction. If no direction is tested, then it is a two-tail. In this case, the test

is directed to the left, (that is negative) since the alternative hypothesis says less them ninety percent. Frend and William (1979:227)

CRITICAL VALUE: We read of the critical value from the student 't' table: with degree of freedom as 29 and at 0.05 level of significance, the critical value of 't' is given as 1.699, in this case negative. Nworuh (2004:225).

DECESION RULES: Accept the Null hypothesis if calculated 't' value is less than the critical 't' value (in nominal terms) whereby calculated 't' value does not fall in the critical region.

Reject the Null hypothesis and accept the Alternative hypothesis if the calculated 't' value Alternative hypothesis if the calculated 't' value is higher than the critical 't' value (in nominal terms) whereby the calculated 't' value falls in the critical region.

DECISION: Calculated 't' value = 0.6

Critical 't' value = 1.699

0.6 <1-1.699 in nominal terms.

Since the calculated 't' value is less than the critical 't' value we ACCEPT the Null hypothesis that, At least ninety percent of tertiary institutions in Imo State apply the use of budgeting and budgetary control in project execution.

TESTING OF HYPOTEHSIS TWO

The Null Hypothesis = Ho2: At least ninety percent of the tertiary institutions in Imo State prepare their budgets in accordance with their Institution's objectives.

The Alternative Hypothesis: Less than ninety percent of the tertiary institution's in Imo State prepare their budgets in accordance with their institution's objectives

Mathematical formulation

Null hypothesis = Ho2 = Po > 90% or 0.90

Alternative Hypothesis = HA2 = Po < 90% or 0.90

Relevant questions: For the purpose of testing the above hypothesis, response gathered from questionnaire question number 11 is regarded as relevant question.

Response: 30 questionnaire were returned, and all answered questions No. 6 & 11 in affirmative.

These represent = 30 = 100%

FORMULA FOR TESTING THE HYPOTHESIS

$$t = \frac{P1 - Po}{Po \times Qo} \quad n$$

Where: Po = 0.90

P1 = 100

Qo = 0.10

n = 30

Therefore:

$$t = \frac{100 - 0.90}{\frac{0.90 \times 0.10}{30}}$$

$$= 0.08$$

0.05 = t value

= 1.6 = Calculation 't' value

DEGREE OF FREEDOM: 30 - 1 = 29

Level of significance is 0.05

Direction of test is negative, one tail critical value of 't' is 1.699.

DECISION: Calculated 't' value = 1.6

Critical 't' value = 1.699

1.6 <1.699 in nominal terms

Since the calculated 't' value is less than the critical 't' value, we accept the Null hypothesis that at least ninety percent of the tertiary institution in Imo State prepare their budgets in accordance with their institution's objectives.

4.2.3 TESTING OF HYPOTHESIS THREE

The Null hypothesis-Ho3: Budgeting and Budgetary Control

System is at least ninety percent effective in the project executions of tertiary institutions in Imo State

The Alternative hypothesis: HA3: Budgeting, and Budgetary Control

System is less than ninety percent effective in the project execution of tertiary institution in Imo State.

Mathematical formulation

Ho3= Po > 90% or 0.90

HA3 = Po < 90% or 0.90

Relevant questions: For the purpose of testing the above hypothesis

response gathered from questionnaire question Nos 19 and 22 are regarded as relevant questions.

Response – 30 questionnaires were returned, in question No. 19, 3 or 10% said it is very effective, 8 or 27% said it is only effective while 19 or 63% said it is not very effective.

Therefore for those who said very effective and effective = 3 + 8 = 11 or 37%.

These represent. (3+8) = 11 = 37%

19 = 63%

FORMULAR FOR TESTINGTHE HYPOTHESIS

$$t = \frac{P1 - Po}{\frac{Po \times Qo}{n}}$$

Where: Po = Expected proportion complying

P1 = Observed proportion complying

Qo = Assumed proportion not complying

n = Sample size

Therefore: $t = \frac{0.37 - 0.90}{\frac{0.90 \times 0.10}{30}}$

$= \frac{-0.53}{0.05}$

= - 10.6 (Calculated 't' value)

DEGREE OF FREEDOM =

30 – 1 =29

Level of significance is 0.05

Direction of test is negative, one tail

Critical value of 't' is 1.699

DECISION: Calculated 't' value =-10.6

Critical 't' value =-1.699

:. – 10.6 >-1.699

Since the calculated 't' value is greater than the critical 't' value, it falls into the shaded region of the normal curve, hence we reject the NULL hypothesis that: Budgeting and Budgetary control system is at least ninety percent effective in the project execution of tertiary institutions in Imo State.

We therefore, accept the ALTERNATIVE hypothesis.

4.2.4 TESTING OF HYPOTHESIS FOUR

The Null hypothesis = Ho4: Fund constitutes at least ninety percent

of the budget limiting factor in project execution in tertiary institutions in Imo State

The Alternative hypothesis = HA4: fund constitutes less than ninety

percent of the budget limiting factor in project execution in tertiary institutions in Imo State.

Mathematical formulation

Ho4 = Po > 90% or 0.90

HA4 = Po < 90% or 0.90

Relevant questions: for the purpose of testing the above hypothesis,

response gathered from questionnaire question Nos, 23 and 24 are regarded as relevant questions.

Response: 30 questionnaires were returned, in question No. 23, 26 out of the 30 answered in confirmation while, only 4 said that time is the budget limiting factor in project executions in tertiary institutions.

These representing 26=87%

4=13%

FORMULA FOR TESTING HYPOTHESIS

$$t = \frac{P1 - Po}{\frac{Po \times Qo}{n}}$$

Where: Po = Expected proportion complying

P1 = Observed proportion complying

Qo = Assumed proportion not complying

n = Sample size

Therefore:

$$t = \frac{0.86-0.90}{\frac{0.90 \times 0.10}{30}}$$

$$= \frac{0.04}{0.05}$$

= 0.8 (Calculated 't' value)

DEGREE OF FREEDOM

= 30 - 1 = 29

Level of significance is 0.05

Direction of test is negative, one tail.

Critical value of 't' is 1.699

DECISION: Calculated 't' value = 0.8

Critical 't' value = 1.699

0.8 <1.699

Since the calculated 't' value is less than the critical 't' values, we accept, the NULL hypothesis (Ho4) that fund constitute at least ninety percent of the budget limiting factor in project execution in tertiary institutions in Imo State, and reject the Alterative hypothesis.

4.3 DISCUSSION OF FINDINGS/RESULTS

It has to be emphasized here that what we have studied is basically the application of budgeting and budgetary control in tertiary institutions in Imo State. Following from the layout of our research, especially the questionnaire, our research questions, our statement of problems and our research, hypotheses, the basic question that agitated our minds is knowing whether these two important principles are actually applied and if so how are they applied?

We have so far given considerable coverage to the part of this question. Therefore, most of the research was hinged on the second part of how these principles are applied. Firstly, a number of problems were identified in the literature as those besetting the tertiary institutions. While some of thee problems can be linked to Management Accounting on the face value, other appeared

unrelated. An example would be that of capacity utilization which is complete and more technology related; yet it is a major problem of this research. What we have therefore been able to do is to decipher those, which are actually related and as such can be affected directly by the application of the dual principles of Budgeting and Budgetary Control.

However, a system of Budget control consists of a plan to control all business projects in order to securemaximum profit from a scarce and minimal resource investment. This is done by setting standards against, which performance is measured.

The application of budgetary control principles in projects execution is an article of faith among budget holders and administrators who view the budgeting process as merely a financial exercise, rather than being part of implementation process. From the research finding, constant projects failure is as a result of improper application of budgetary control principles. For a project to be successfully executed, it must be technically, feasible, commercially viable and economically desirable.

Testing of hypothesis one (4.2.1) concludes that at least, ninety percent of the tertiary institutions in Imo State apply the use or system of budgeting and budgetary control in project executions.

Testing of hypothesis two (4.2.2) also states that at least, ninety percent the tertiary institutions in Imo State prepare their budgets in accordance with their institutions objectives.

It was revealed in testing of hypothesis three (4.2.3) That despite that these budgets are being prepared in accordance with their objectives that it is not very effective in the projects execution in tertiary institution in Imo State.

It was revealed in testing hypothesis four (4.2.4) That apart from fund which is the major budget limiting factor in projects execution in tertiary institutions, that time is another factor.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The study is on Budgeting and Budgetary Control in tertiary institutions in Imo State. The Federal University of Technology Owerri, (FUTO), Imo State University (IMSU), Owerri, Alvan Ikoku Federal College of Education (AIFCE), Owerri, Federal Polytechnic, Nekede, Owerri and Imo State Polytechnic Umuagwo-Ohaji were the focus of this study as selected tertiary institutions.

The study has its primary focus on the application of budgeting and budgetary control techniques in projects execution.

It was presented in five chapters

Chapter one was introduction, which includes the background, of study, the statement of research problems, the aim of the study, research hypothesis amongst others.

Chapter two made intensive references to existing literatures, journals, etc, in search of additional information that affect execution decision.

Chapter three discussed the method of study. We adopted the method of library research and fieldwork. Questionnaire was designed and distributed to respondents. Information collected therein were analysed and tested using the students 't' distribution test, tables and distribution analysis.

Chapter four discussed the analysis and presentation of data and the discussions and findings.

In chapter five, we presented the summary of work done, the conclusions reached and the recommendations made therein.

5.2 CONCLUSION

The application of budgeting and budgetary control principles in project execution is an article of fate. The successful execution of projects requires planning, aided by budgetary control system with effective coordination and implementation.

From the research findings, the study made the following conclusions.

i) That almost the whole tertiary institutions in Imo State apply the use of budgeting and budgetary control in their projects execution.

ii) That at least ninety percent of these tertiary institutions prepare their budgets in accordance with their objectives.

iii) That the budgeting and budgetary control system is not effective, in the projects execution of these tertiary institutions, therefore, not very effective.

iv) That constant projects failure is as a result of improper application of budgeting and budgetary control system.

v) That fund constitutes the major budget limiting factor in projects execution in the tertiary institutions in Imo State.

vi) Other factors affecting projects execution and administration in the tertiary institutions in Imo State include time, inflation,

institutional constraints, poor projects administration and other macro-economic variables.

vii) That most projects failure hinges on non-application of project management techniques

viii) That budgetary control techniques are necessary tools for effective projects execution in the tertiary institutions in Imo State.

ix) That success achieved in the execution of some projects was due to the fact that those projects were adequately and timely funded.

x) That projects executors implemented the projects with quality specification in conjunction with budgetary control techniques

5.3 RECOMMENDATIONS

Based on the findings, the following recommendations are made:-

i) To avoid constant projects failure, there should be application of project management techniques in conjunction with budgeting and budgetary control system.

ii) To ensure successful projects administration, technical feasibility, commercial viability and economic desirability of such projects should be tested.

iii) Compliance with the budgetary control principle in the tertiary institutions should be made mandatory to enhance efficiency n project execution.

iv) During the preliminary study of a project, such factors as inflation, institutional constraints, project handing ability and other

macro-economic variables that would affect the project should be taken into consideration.

v) To ensure completion of projects within the time frame, projects should be adequately and timely funded.

vi) In the event that circumstances on which budget was based on initially changed, there should be room for adjustments to the original plan to reflect the current state of affairs. This is achieved more by adopting flexible budgeting as against fixed budgeting.

vii) Finally, in-spite of the in-depth research we have carried out and the recommendations thereto, we believe that these are by no means exhaustive. We would therefore stress the need for further research to cover such areas that could not cover.

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Postgraduate School

Department of Financial Management Technology

School of Management Technology

Federal University of Technology Owerri

Imo State

20th April, 2009.

Dear Respondent,

RESEARCH QUESTIONNAIRE

I am an MBA student of Financial Management Technology (FMT) in Federal University of Technology, Owerri.

I am conducting a research on the topic "BUDGET AND BUDGETARY CONTROL IN THE PUBLIC SECTOR IN NIGERIA, A CASE STUDY OF TERTIARY INSTITUTIONS IN IMO STATE".

The research is in partial fulfillment of the requirement for the award of MBA Degree in Financial Management Technology.

In view of your position in the tertiary institution, I considered it best to collect valid information from you through this questionnaire, which will enable us carry out this study successfully.

Please note that all information supplied will be treated in strict confidence and only for this academic exercise.
Your co-operation will be highly appreciated.

Thanks
Yours faithfully,

B.O. Ojiaku

QUESTIONNAIRE

DIRECTION

Please, kindly complete and/or tick right (v) in the blank spaces or boxes appropriate to your response to each question.

1. The name of your institution……

2. Your position in the establishment……..

3. How long have you worked in the establishment……..

   (a) 1-3 years (b) 4-6 years

   (c) 7-9 years (d) 10-12 years

   (e) 13-15 years (f) 16 and above

4. How long has your institution/establishment been in existence or operation?

(a) Between 1-10 years (b) 11-20 years

(c) 21-30 years (d) 31-40 years

(e) 41 years and above

5. How is revenue generated in your institution/establishment?

(a) Budgetary allocation (b) Internally generated

(c) Loans and advances

6) Does your establishment prepares budget?

(a) Yes (b) No

7) How often does your establishment prepare it's budget?

(a) Annually (b) Bi-annually

(c) Quarterly (d) Monthly

8) Which of you underlisted budgets does your establishment prepare?

(a) Cash Budget (b) Sales Budget

(c) Production Budget (d) Capital Expenditure Budget

(e) Others (please specify)……..

9) Is your establishment budget operated as a master (summary) budget?

(a) Yes (b) No

10) Who approves the master budget of your establishment?

(a) Management (b) Budget committee

(c) Others (please specify)……..

11) Do you prepare budgets in accordance with the objectives of your institutions

(a) Yes (b) No

12) Does your establishment use budgetary control as planning and management tool?

(a) Yes (b) No

13) Do you apply budgetary control to project execution in your establishment?

(a) Yes (b) No

a) Building (b) Construction

(c) Education/Training (d) Maintenance

15) What system of budgeting does your establishment employ?

(a) Incremental Budgeting

(b) Programme Planning Budget System

(d) Zero-Based Budgeting

16) Who co-ordinates the implementation of budget in your establishment ?

(a) Budget Committee (b) Budget Officer

(c) Budget Department (d) The Chief Executive

17) Do you provide manual as guidelines to functional heads and others to facilitates budget preparation.

(a) Yes (b) No

18) Considering the trend of your variance, would you say that your tertiary institutions budgets have been

(a) Always very realistic (b) Not very realistic

(c) Fairly realistic (d) Not realistic

19) To what extent is budgetary control effective in projects execution in your establishment?

(a) Very effective (b) Effective

(c) Not very effective

20) What are the costs of operating Budgetary Control System in your establishment?

(a) Extra funds (b) Resentment buy staff

(c) No individual initiative, play it by the rule

(d) Friction among management during budget approval.

21) Do you think the merits out weight the cost and so recommend the system?

(a) Yes (b) No

22) To what extent does budgetary control contribute to the successful execution of projects in your establishment?

(a) No contribution (b) Very little

(c) Average (d) Very high

23) What constitutes the budget limiting factor in your establishment?

(a) Fund (b) Time (c) Manpower

(d) Others (please specify)……

24) What other factors effect project execution in your establishment?

(a) Inflation (b) Inadequate funding

(c) Management (d) Others (Please specify)