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CHAPTER ONE

1.0**INTRODUCTION:**

1.1 **BACKGROUND**:

The efficiency and effectiveness ofthe operations of a business depends on the control available to managements inalmost every business organization, there are a number of activities going onat the same time such as producing purchasing, distributing, selling andfinancing a product. These areinterrelated in such a way that they affected the attainment of theorganization goals.

The Institute of Cost and ManagementAccountant (ICMA) defined budget as a financial or quantitative statementprepared and approved prior to defined period of time of the policy to bepursued during the period for the purpose of attaining a given objectives. Itmay include income, expenditure and the employment of capital.

Therefore, in order to achieve theseobjectives or goals, the organization must economize resources and discover themeans of achieving these goals. Thesegoals can only be realized when the properly planned use of available resourcesare controlled and co-ordinated effectively.Thus a system of managing a business by making forecasts of the differentactivities and applying a financial value to each forecast becomesimperative.

These forecasts are guidedby the formulation and adoption of planned systems such as techniques inbudgeting, variance analysis, etc.

Tubbi, J. A. 1982 defined budgetary controlas the establishment of departmental budgets relating the responsibilities ofthe executives to the requirement of a policy, and the continuous comparison ofactual with budgeted results either to secure by individual action theobjective of that policy or to provide a firm basis for its revision.

It is therefore, germane to say thatthe level of importance that is attached to this plan and effort made incontrolling the variance differ in organizations. Once the goals are set, which must be based onthe detailed analysis of feasibility within the content of the political andsocial value then the tactical plans will enable it to strive towards itsattainment.

Often than not when these plans areput into operation, conditions prevail which tends to cause deviation from theplan and corrective measures are always taken to steer the business back on theright track. The process alreadymentioned as it is applied entails budget and its control. And to lend credence to goal congruencesuitable techniques should be applied to specific areas that need specialattention hence the measurement of budgeted with actual to arrive at thevariance cannot be over-emphasized. Abusiness is said to be on the right tract if the outcome of the budgetedestimate is favourable as against the actual. The little that is said concerning this project has not encompassed allavenues in which the subject can aid management decision, rather it should beseen as a guide for people in business.

1.2**OBJECTIVE OF THE STUDY:**

The primary purpose of this study isfour fold. These are:

(i)Tofind out the importance of budgeting and budgetary controls in governmentparastatals, which has the maximization of profit as its principle businessobjective.

(ii)Todetermine if there is a connection between the type of budget implemented andtheir actual performance.

(iii)Todetermine whether or not budgetary controls as a management tool contributes tothe improvement of management efficiency and high productivity.

(iv)Tofind out the use of budgetary control as an appraisal parameter for assessingmanagers' budget or cost centers.

1.3**SIGNIFICANCE OF THE STUDY:**

This report is significant in that itwill:

(a) Determine whether budgeting and budgetarycontrols play any significant role towards ensuring profitability and efficientrendering of service.

(b) Evaluate the role played by top managementin the budgetary process and whether they ensure the act to budget.

(c) Determine the roles of budget as a toolfor effective and efficient management of resources.

This study will be a guide toscholars; researchers or writers who may wish to carry further study on budgetand its control apparatus.

1.4**STATEMENT OF THE PROBLEM:**

The growth of any business hinges, orbetter put, rests squarely units budgetary control system or techniques – hencethey are considered as a vital tools in any business situation.

This study then is aimed at assessing andevaluating the extent to which budgetary control has been a tool for the growthand goal realization of any organization.

Lack of budgets in planning andcontrol has resulted in the indiscriminate use of fund meant for more viableactivities. Again, the inability of manycompanies to plan and accomplished budget goals is traceable to their inabilityto apply controls in their budget system.

Budgetary goals are not realized alsodue to low level of understanding of the budget system by middle and low levelmanagement staff. Other problems areshortage of stocks and shutdown. Theseand many more are some of the problem of lack of budgetary control.

1.5**HYPOTHESIS FORMULATION:**

H1: Budgetarycontrol is an essential tool in management decision-making.

HO: Budgetary control is not an essential tool inmanagement decision-making.

H1: Budgetary is used as bases for cost control.

HO: Budgetary is not used as bases for costcontrol.

H1: Budgets are effective means of planningbusiness activities.

HO: Budgets are not effective means of planningbusiness activities.

1.6**SCOPE OF LIMITATION OF STUDY:**

This study is aimed at finding outthe impact of budget and budgetary control inEnugu State Housing Development Authority. The limiting factors is that of availabilityof data which might be difficult to obtain following the trend of the attitudeof Nigerians with regards to giving out information. Time constraint is also a limiting factor inundertaking this study. The availabletime and the short period of study made it difficult for the researcher tocarry out a wider and more thorough work on the issue, and at the same timecarry out academic activities.

Also literature on the topic as itrelates to government parastatals is very few.

1.7**DEFINITION OF TERMS:**

BUDGET: Simply put budget means estimate of incomeand expenditure, which are planned by an organization for a specified futureperiod. In Britain, it means the annualstatement made to the House of commons by the chancellor of the Exchequer,giving details of the governments financial plans for the coming year.

BUDGET: In a short term, financial plan which guidemanagers in achieving the objectives of a firm.A budget may be defined as a comprehensive and coordinated plan,expressed in financial terms, for the operations and resources of an enterprisefor some specific period in future.Alternatively, a budget is a formal expression of managerial plans inquantitative and financial terms encompassing different phases of businessoperations, and aimed at assisting management in attaining the organizationalobjectives.

BUDGETARY CONTROL: This means a system of managing a business bymaking forecasts of the different activities and applying of financial value toeach forecast. Actual performance issubsequently with the estimates.

VARIANCES: This is the difference between the estimatesand actual result.

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