

PDF - BUDGET AND BUDGETARY CONTROL AS A TOOL FOR EFFECTIVE DECISION AND PLANNING IN MINISTRIES AND PARASTATALS(A CASE STUDY OF MINISTRIES AND PARASTATALS IN IMO STATE) - researchcub.info

## **ABSTRACT**

Budget and budgetary control as a tool for effective decision and planning in ministries and parastatals.

The researcher is prompted into choosing this due to the peculiar nature of the topic budgetary control in ministries and parastatals. In this project work the definition of budget is being known as a techniques their task of planning, coordinating, directing and control in an organization. For a government ministries to achieve their aims budget must be enlisted in Agenda. In carrying out this project work the topic identify the objective, statement of hypothesis, significance of the problem and the limitation of the project work.

This project work is limited to the budget of Imo state government ministry and parastatals. Nevertheless profit oriented organization and parastatals make use of different budget to enable them meet their desire goals. I bid to identify those administrative problems personal observations and interview where made and conducted, it was discovered that budget and budgetary are the keynote of every successful body or organization as a result of policies not being strong enough to beat them to it.

Finally budget enjoys a wide application. They can be used in our private homes where a civil servant who earns and income and plan on it. Also the same thing is applicable to the ministries and parastatals.

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## **1.1 INTRODUCTION**

Budgeting is essentially concerned with planning and can be broadly illustrated by comparing with the routine a ship captain follows on each voyage. Before the voyage, he will plan his route, taking into account such factors as shipping hazards, tides and possible adverse weather forecast. During the voyage he will check on his plans and record and unusual conditions. If necessary, he may even have to deviate from his plan if prevailing circumstances require it. On completion of the voyage he will compare the conditions he encountered with those he expected and use the experience gained in planning similar voyages in the future. Budgets and budgeting control are two accounting techniques, which top management adopts to achieve its tasks of planning, coordinating, directing and control in an organisation. Planning is mainly concerned

with the establishment of objectives the formulation, evaluation and selection of the policies, strategies tactics and actions required to achieve these objectives planning was previously based on historical cost conventions. This process increased the emergency decision which top management had to make because historical cost conventions are not future oriented; they do not aid planning. In order to reduce to management emergency decision making processes and thus aid planning, variable budgets were introduced. This is so because managers want to know more than they have done currently in relation to last period performance, they also want to know how they have done currently in relation to their current target performance. Control on the order hand follows closely after action has been taken. It is a process where by actual performance is compared with targeted budgeted performance any deviations from this target are investigated for an in-depth or positive explanations to be given. Budgetary control is the technique used for this purpose and when it is combined with budget, it becomes part of responsibility accounting the aim of budgetary control is to provide a format basis for monitoring the progress of the organization as whole and of its components parts, towards the achievement of the objectives specified in the planning budgets. Budgets enjoy a wide application. They can be used in our private homes where a civil servant who earns a monthly income will map out his objectives and plan effectively with what he has to achieve these objectives. Both profit-oriented and non-profit oriented organization apply in all three tiers of government –local, state and federal. Profit oriented organization use the type of budget that is output and objective oriented to enable them know how efficient they have been in managing the resources available to them. They therefore use the planning programming budgeting system (PPBS) budgeted expenditure is compared with actual performance achieved. The system is based, not on traditional organizational structure and divisions, but on programmes grouping of activities common objectives.

This is in sharp contrast with the type of that is used in non-profit seeking organizations like the local state and federal government agencies. This is the line item budgeting system. This method is the traditional the traditional approach to government allocation; it is oriented to expenditure and budget relates mainly to the organizations from which they are prepared not for the purpose for which money is spent.

## **1.2 OBJECTIVE OF THE STUDY**

The purpose of the study is to find how budgets and budgeting control is used as a tool for effective decision and planning in ministries and

parastatals in Imo state. Specific components of planning and control process will be empirically test to determine whether the impact is positive or negative.

### **1.3 STATEMENT OF THE PROBLEM**

Most often budgets and budgetary control research has concentrated greatly on profit- oriented organizations as if research in this area cannot be extended to the non-profit seeking organization, like the state ministries and parastatals, local government councils and churches. Budgets are attention directing and forward looking financial statement. Budgets tend to ensure goal congruence and elicit managerial effort, which are both wrapped up in motivation. Budget relates objectives and policies to management responsibilities and facilitate accountability and overall control. In profit seeking organizations, budgetary control provides relevant information relating to what the organization wants to achieve and the measure it would adopt to translate its plan into reality. It is time to direct the searching eyes of budgets and budgetary controls to non-profit seeking organization like the state government ministries and parastatals. There could be no more opportune time than now in view of the state government and ever increasing responsibility of catering for the welfare of the teeming population.

- a. How are organizational goals or objectives related to individual or management?
- b. Are there goal congruence and managerial effort, which is conjunction may motivate?
- c. How participatory is their budgetary process.
- d. Do they regard the budget as an authority to spend and a limit not to be exceeded?
- e. How do they explain the deviations arising from the budget?
- f. Do they normally have principal factor?
- g. Is there a coordinating committee to integrate the efforts of all the functional staff who prepare the budget?
- h. Does top management give its full support to the budget?
- i. Are the budgets based on time horizon?

### **1.4 STATEMENT OF THE HYPOTHESIS**

The research hypothesis aims at finding a positive or negative of budgets and budgetary control as a tool for effective decision and planning in government ministries and parastatals in Imo state, the following specific hypothesis based on planning and control process is tested empirically.

#### **Planning**

**HO:** The budgets are not related to activities with common objectives

and so there is no responsibility accounting.

**HI:** The budgets are related to activities with common activities and so there is responsibility accounting.

**HO:** The staff are not recommended for operating to the budget and so there is no motivation.

**HI:** The staff are commended for operating according to the budget and so there is motivation.

### **Control**

**HO:** There is no feedback showing how well budgets are working out at all levels of the organization structure.

**HI:** There is feedback showing how well the budgets are working out at all levels of the organization structure.

**HO:** There is no investigation of variance from the budget.

**HI:** There is investigation of variance from the budget.

### **1.4 OBJECTIVE OF THE STUDY**

The purpose of the study is to find how budgets and budgetary control is used as a tool for effective decision and planning in ministries and parastatals in Imo-state. Specific components of planning and control process will be empirically to determine whether the impact is positive or negative.

### **1.5 SIGNIFICANCE OF THE STUDY**

We see no more opportune time than now for this study that the resources of the state government are dwindling. The state share of the federation account has been on the decline for some time now and this coupled with the ever-increasing government responsibilities of catering for its citizens.

It is therefore imperative to measure the performance of the state government when faced with the above and to know the extent they are influenced by budget and budgetary controls.

### **1.5 LIMITATION**

In the course of the project work a number of constraints have delayed the smooth progress of the work due to the fact that the project work is coinciding with academic. Most especially frequent lectures do occur when an supposed to see my supervisor.

Money constraint has also delayed the progress of the work. Any project, which involves spending money is usually difficult to accomplish due to economic crunch. The increase of material like biro and paper used in the writing of the project is also difficult.

### **1.6 DEFINITION OF TERMS**

**GOAL CONGRUENCE:** This means that the aims and objectives of all the workers in an organization should be tailored towards achieving

the aims and objectives of the organization.

**MANAGERIAL EFFORT:** This means the physical and mental exertion made by workers towards a goal

**HISTORICAL COST:** This is a cost that has already been incurred and which is not relevant for decision-making purpose.

**BUDGET SURPLUS:** This means excess budgeted revenue over budgeted expenditure.

### **INTERVIEW QUESTION**

The researcher used the state ministries and parastatals as her case study. This section illustrates the format of the questionnaire, showing the different types of questions to members of staff in the ministries.

#### **1. Age**

- a. Below 20
- b. 20 – 30
- c. 30 – 40
- d. 40 – 50
- e. 50 and above

#### **2. Marital status**

- a. Single
- b. Married
- c. Divorced
- d. Widowed

#### **3. Sex**

- a. Male
- b. Female

#### **4. Higher Qualification**

- a. WASC/GCE
- b. OND/A LEVEL/NCE
- c. DEGREE/HND
- d. Professional accounting qualification (ANAN, ACCA, ICAN )
- e. Others

#### **5. How long have you held this position**

- a. Below 5 years
- b. 5 – 10 years
- c. 11 – 20 years
- d. 21 years and above

#### **6. Does your ministry prepare budget?**

- a. Yes
- b. No

#### **7. How do you prepare your budget?**

- a. is it monthly

b. Yes

c. No

**8. Is there any department that is responsible for preparation of your budget?**

a. yes

b. No

**9. How is the budget department organized ?**

a. Is it loose or strict?

b. Yes

c. No

**10. Do all departments/units of the ministry make their input in the budget?**

a. yes

b. No

**11. Are workers encouraged to make effort and work toward the goals get for the ministry?**

a. Yes

b. No

**12. Do you always accomplish your budget target?**

a. Yes

b. No

**13. how do you treat diviations (if any) that arise from the budget? Is it investigated?**

a. Yes

b. No

**14. Is the top management responsible for explaining variance?**

a. Yes

b. No

**15. If you operated in excess of the budget are you penalised for exceeding the limit without authority?**

a. Yes

b. No

**16. If you operated according to the budget are you rewarded accordingly or commended for a job well done?**

a. Yes

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