

PDF - BUDGETING AS AN INSTRUMENT OF INTERNAL CONTROL IN A MANUFACTURING ORGANIZATION A CASE STUDY OF ETERNIT LIMITED DELTA - researchcub.info

ABSTRACT

An efficient budgeting control system is one that produces the desired result. A balanced budget is the one that produces no variances but to achieve this, we are left to contemplation rather than a reality. This has become the problem of most of our manufacturing concerns in Nigeria. This study investigate the budget control and execution in manufacturing concerns in Nigeria with a view of appraising their efficiency. Out of a population of one hundred and fifty six drawn from the manufacturing organization concern, seventy eight were selected as the sample size using statistical sample tools (YaroYamere). A questionnaire was designed and distributed to elicit information from the sample population also data was sourced through primary and secondary sources. These data collected were presented and analyzed by means of tables and percentages. It was observed that manufacturing organization do plan their profit so as to minimize losses. An inadequate budget procedure and executor causes a high accumulation of inventory thereby typing down the capital which could have yielded greater profit to the organization. Therefore, there is need for the proper control of budgets in manufacturing organization as to minimize losses and maximize profits.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business environment is characteristics by a lot of uncertainties ranging from factors like economic environment, supply and demand and legal factors, competition attitude and technological changes.

A critical looks at the performance of some these manufacturing business organization will reveal a lot of business failure as a result of lack of proper planning against these uncertainties.

According to Drury (200), proper planning of business helps in reducing uncertainties thereby providing the management of these enterprises with a clear direction by determining their course of actions in advance.

According to Pandey (2010), for any enterprise to achieve these goals and objectives, they must be managed effectively and efficiently. One of the way in which the management can achieve these objectives is through profit planning and control or budgeting.

According to Nweze (2011) budgeting in its time word is the design of the future state of an entity and the effective ways of bringing it about. Budgeting or planning involves the determination of the future course of actions for accomplishing the objectives of the enterprises.

The main purpose of budget planning is to provide the necessary guidelines for making decisions.

The value of budgeting control of any organization can never be over – emphasized as these organization and companies have limited resources and these scares resources impose limits on the number of extent and range of end result the organization was set out to achieve.

Some of these goals include maximizing profit or achieving some satisfactory level of performance profit satisfaction achieving continual growth or ensuring the survival of the organization avoiding risk in making investment and performing a social services desired by other.

According to Nweze (2011), A budget therefore, co – ordinates in an organization be of different department in an organization be it manufactory concerns or non – manufactory concerns and provided means of bringing both the marketing production and financial activities of organization together.

The proper co – ordination of the various activities of these organization especially manufacturing concerns by their management is the main concern of this study.

1.2 StatementoftheProblem

Having stated earlier that the business environment is full of uncertainties as a result of such factors, social – economic issue political unrest, demand and supply forces legal issues and technological changes all these affect the management of any organization in one way or the other thus needed attention for proper management.

You would equally recalled that organizational goals and objectives are numerous but the means resources for satisfying these needs are limited, at times not available hence needed control to satisfy the high priority areas.

These problems, enunciated above have led the researcher to find ensures to such question a follows:

Do any manufacturing companies inNigeriado budgeting?

If they do, what are the types of budgetary usually employed by them?

The type used or applied, does it enhance their profit planning strategies?

1.3 Objectives of the Study

According to Pandey (2010), Budgeting was undertaking with the following objective in mind.

To find out whether the manufacturing organization concerns inNigeria, plans their profit hence their budget estimate.

To find out whether or not manufacturing organizations control their level of profit making and the means used to achieve this.

To identify the types of budgeting in some of the manufacturing business concerns inNigeriathat enhance efficiency.

1.4 Research Question

To what extent does the manufacturing business organization control their levels of profit making and the means used to achieve it.

Does manufacturing business organizations inNigeriaplans their profit hence their losses are unnecessary large in relation to their budget estimate.

What are the types of budgeting in some of the manufacturing business concern inNigeriaand how does it enhance efficiency.

1.5 Significance of the Study

According to Nweze (2011), Budgeting is very important especially at this time of our economic of our development in that,

It will show why profit planning is very vital for any manufacturing establishment that wishes to survive.

It will help the organization to determine and maintain an acceptable level between high profit and low profit at a given time thus leading them to attain the various organization goals and objectives.

1.6 Scope of the Study

This study will dwell on the definition of budgeting and other areas of budgeting and how it is use as a means of internal control in an organization. Also the study will be limited to the case study of eternity limited.

1.7 Limitation of the Study

As a result of these constraints (time and money) this study was limited to manufacturing concern in the old eastern states which include Delta. Enugu, Anambra and Imo State which hope that the conclusions reached in the course of the study would apply to other manufacturing business in Delta State and Eternit Limited in particular.

Another limiting factor was the literacy level of the respondents out of 78 respondent sample their opinions 2 of them were skeptical as regards given out useful information on the budget planning of this organization. This was a result of dishing out useful data to their competitors in the same manufacturing industries or business.

1.8 Definition of Term

Efficient: A firm is said to be efficient if it can manage their resources well.

Effectiveness: This entails proper co – ordination of these limited resources in form of both human and material resources to combat their responsibilities.

Planning: The design of a desire future state of a entity and the effective ways to bring it about.

Goals: Performances can defined the assessment of the company toward reaching the target goals and objectives.

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