

**BUDGETING AS AN INSTRUMENT OF INTERNAL
CONTROL IN A MANUFACTURING
ORGANIZATION**

(A CASE STUDY OF AMA BREWERIES ENUGU)

BY

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ACC/2009/541

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ENUGU, ENUGU STATE**

AUGUST 2013

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**A RESEARCH PROJECT PRESENTED TO THE DEPARTMENT OF
ACCOUNTANCY IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCE
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ENUGU STATE**

AUGUST, 2013

APPROVAL PAGE

This project on budgeting as an instrument of internal control in any manufacturing organization was supervised and approved in partial fulfilment of the requirement for the award of Bachelor of Science (B.Sc.) Degree in Accountancy.

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DEDICATION

I dedicate this work to God Almighty, who has always been my strength and my guide and also to my parents Mr. and Mrs. Odeghe and my two lovely sisters Abigail Odeghe and Elizabeth Odeghe.

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I am profoundly grateful to almighty god for the mercies he accorded me through my course of study and for guiding me through the completion of my course of study in the department of Accountancy Caritas University Amorji Nike.

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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 investigated 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 concern, seventy eight were selected as the sample size using statistical sample tools (Taro Yamani). 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. The hypotheses adduced were tested using such tools as chi-square. It was observed that manufacturing concerns do plan their profit so as to minimize losses though the procedure is not religiously carried out. However, it was discovered that the procedure is inadequate and inefficient. An inadequate budget procedure and execution causes a high accumulation of inventory thereby tying down the capital which could have yielded greater profit to the organization. Therefore there is need for the proper control of budgets in manufacturing concerns as to minimize losses and maximize profits.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to Enudu (1999), the business environment is characterized by a lot of uncertainties ranging from such factors as: Economic environment, political and legal factors, social environment, supply and demand forces, competition, consumers' attitude and technological changes.

A critical look at the performances of some of these manufacturing business organizations will reveal a lot of business failures as a result of lack of proper planning against these uncertainties.

According to Drury (2000), proper planning of business helps in reducing uncertainties thereby providing the management of these enterprises with a clear direction by determining their courses of actions in advance.

According to Pandey (2010), for any enterprise to achieve these goals and objectives, they must be managed effectively and efficiently. Management is efficient if it is able to accomplish the objectives of the enterprise and becomes effective when it accomplishes the objectives with minimum efforts and costs. One of the ways in which the management can achieve these objectives is through profit planning and control or budgeting.

According to Nweze (2011), Budgeting in its true 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 enterprise.

According to Lucey (2002), the main purpose of budget planning is to provide the necessary guidelines for making decisions. With the proper budget planning, the enterprise can no longer be under the mercy of whims of Fickle economic and social forces thereby relying on the ability to sense what is required. (Nweze 2011).

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

According to Nwoha and Ekwe (1999), 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 others.

According to Nweze (2011), A budget therefore co-ordinates the separate plans of different departments in an organization be it manufacturing concerns or non-manufacturing concerns and provides means of bringing both the

marketing, production and financial activities of the 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 STATEMENT OF THE PROBLEM

Having stated earlier according to Enudu (1999) that the business environment is full of uncertainties as a result of such factors; socio-economic issues, 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 or 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 answers to such questions as follows:-

- Do manufacturing companies in Nigeria do Budgeting?
- If they do, what are the types of budgeting usually employed by them?
- The type used or applied does it enhances their profit planning strategies?

1.3 OBJECTIVES OF THE STUDY

According to Pandey (2010), Budgeting was undertaken with the following objectives in mind.

- To find out whether or not manufacturing business organizations control their levels of profit making and the means used to achieve this.
- To examine whether the manufacturing business concerns in Nigeria plan their profits hence their losses are unnecessarily large in relation to their budget estimate
- To identify the types of budgeting in some of the manufacturing business concerns in Nigeria that enhance efficiency

1.4 RESEARCH QUESTIONS

- Does the manufacturing business organization control their levels of profit making and the means used to achieve it
- Does manufacturing business concerns in Nigeria plan their profit hence their losses are unnecessarily large in relation to their budget estimate
- Does the types of budgeting in some of the manufacturing business concerns in Nigeria enhance efficiency

1.5 HYPOTHESES OF THE STUDY

To identify the achievements of the desired objectives, the following hypotheses are formulated:

H_0 : Represents Null Hypothesis

H_1 : Represents Alternate Hypothesis

HYPOTHESIS I

H_0 : Manufacturing business organization do not control their levels of profit making and the means used to achieve it

H_1 : Manufacturing business organization do control their levels of profit making and the means used to achieve it

HYPOTHESIS II

H_0 : Manufacturing business concerns in Nigeria do not plan their profit hence their losses are unnecessarily large in relation to their budget estimate.

H_1 : Manufacturing business concerns in Nigeria do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

HYPOTHESIS III

H_0 : The type of budgeting in some of the manufacturing business concern in Nigeria is not efficient.

H_1 : The type of budgeting in some of the manufacturing business concern in Nigeria is efficient.

1.6 SIGNIFICANCE OF THE STUDY

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

- a. It will show why profit planning is very vital for any manufacturing establishment that wishes to survive.
- b. It will help them to determine and maintain an acceptable level between high profit and low profit at a given time thus leading them to attain the various organizational goals and objectives.

1.7 SCOPE OF THE STUDY

According to Enudu (1999), it is expected that a study of this will entail visits to 36 states in the country to elicit information from numerous manufacturing concerns. But this was not possible because of some constraints such as time and money.

1.8 LIMITATIONS OF THE STUDY

As a result of these constraints (time and money) this study was limited to manufacturing concerns in the old Eastern states which includes; Enugu, Anambra, Abia, Ebonyi; and Imo state with hope that the conclusions reached

in the course of the study would apply to other manufacturing business in Enugu State at AMA Breweries Plc. Enugu in particular.

Another limiting factor was the literacy level of the respondents. Out of 78 respondents sample their opinions, 2 of them were sceptical 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.

1.9 DEFINITION OF TERMS

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 desired future state of an entity and the effective ways of brings it about.

GOALS: Performances can be defined as the assessment of the company towards reaching the targeted goals and objectives.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 DEFINITION OF BUDGET MANUAL

According to Drury (2000), a budget manual should be prepared by the accountant. It will describe the objectives and procedures involved in the budgeting process and will provide a useful reference source for managers responsible for budget preparation. In addition, the manual may include a time table specifying the order in which the budgets should be prepared and the dates when they should be presented to the budget committee. The manual should be circulated to all individuals who are responsible for preparing budgets.

Lucey (2002) stated that one of the objectives of budgeting is to improve communications. It is important that a manual is produced so that everyone in the organisation can refer to the manual for guidance and information about the budgetary process.

The budget manual does not contain the actual budgets for ensuring period. It is more of instructional or information manual about the way budgeting operates in the particular organisation and the reasons for having budgeting.

According to Nweze (2011), it is advisable to develop a budget manual which sets forth

- The objectives of the business
- The part which budgeting control plays in the accomplishment of the budgets

- The specific procedures to be followed in the preparation of budget
- How reports comparing budgeted and actual performance should be prepared and
- The functions of the budget officer and budget committee and their relationship with the various levels of management in the development of the system of budgetary control

2.2 REASONS FOR BUDGETING

According to Lucey (2002), every business manufacturing concerns do as well plan the budgets adequately for the following reasons being listed below:

- An adequate budget planning can allow the organization control their resources while venturing in the business world
- A good budget planning enables such an organization to adequately plan their future profit unlike making use of the rule thumb

The major advantages of budgeting are:

- To state the firms expectation (goals) in a clear, formed terms
- To communicate expectations to all conceived with the management of the firm so that they are understood, supported and implemented
- To provide a detailed plan of action for reducing and uncertainty and for proper direction of individual and groups efforts to achieve those goals
- To co-ordinate the activities and efforts in such a way that the use of resource is maximized

- To provide a means of measuring and contributing to the performances of individuals and units and to supply information on the basis of which the necessary corrective action can be taken
- Budgeting increases the morale and thus the productivity of the employees by seeking their meaningful participation in the formulation of plans and policies bringing a harmony between individuals goals and enterprise more effectively
- Budgeting permits to focus management attention on significant matters through budgetary reports
- Budgeting develops an atmosphere of profit consciousness and cost consciousness
- Budgeting measures efficiency and inefficiency permits management self-evaluation and indicates the progress in attaining the enterprise objectives.

2.3 BUDGET AND BUDGET PLANNING

Nweze (2011), states that a budget is a comprehensive and co-ordinated plan, expressed in financial terms for the operations and resources of an enterprise for some specific period in the future. A budget is the plan of the firm's expectation in the future. Budgeting planning entails the control and manipulation of the relevant variable which are controllable and uncontrollable.

The institute of chartered accountants of Nigeria defined budget as a plan quantified in monetary terms, prepared and approved prior to a defined period

of time, usually showing planning income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective.

Lucey (2002), budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates. Budgets maybe prepared for the business as a whole, for departments, for functions such as sales and production or for financial and resource items such as cash, capital expenditure manpower, purchases implementing those plans and monitoring activities to see whether they conform to the plans.

Budget attempts to look at tomorrow's business world in a short time frame and management are forced to think about tomorrow's plan for tomorrow's problems and opportunities.

2.4 FIXED AND FLEXIBLE BUDGET

Nweze (2011), a fixed budget, otherwise known as static budget is defined as a budget prepared for only one level of activity. It is a comparative of different levels of unit whether they are in the same level of production or units or not. But it is not good for budgeting because it is not in the same level of unit.

A flexible budget is for accurate measure of performance by company actual costs for a given output with the budgeted costs for the same level of output. The budget approach says give me an activity level you choose and will

provide a budget tailored to that particular volume. The flexible budget must be in the same level before it can be compared.

According to Lucey (2002), a fixed budget is a budget which is designed to remain unchanged irrespective of the volume of output or turnover attained i.e. It is a single budget with no analysis of cost. On the other hand a flexible budget which is designed to adjust the permitted cost levels to suit the level of activity actually attained. It is essential for control aspect of budgeting but as it is an important part of the planning forces to consider what control procedures will be necessary, it is usual to carry out the required cost analysis and break downs at the planning stage as that the budget maybe fixed in due course if this it is necessary.

2.5 MASTER BUDGET

According to Nweze (2011), it has become a general practice that the large and medium forms have a comprehensive system of budgeting. They prepare budgeting for all their important operations, but the small firms and large and medium forms do not have a comprehensive system of budgeting i.e. they prepare budgets for a few of the operations. By comprehensive budgeting we mean the preparation of a master budget with a complete package of the component budgets. There are two important components of the major budget are via:

- ❖ Operating budget and
- ❖ Financial budget

2.5.1 OPERATING BUDGET

It usually consists of two parts; a programme and a responsibility budget. The programme budget consists of the estimated revenues and cost of the major programmes that the company plans to undertake during the year.

The responsibility budget sets forth plans for persons responsible for carrying them out. It is an excellent control device since it is a statement of the performance that is expected of each responsibility centre manager against which his actual performance can later be compared. Each manager is responsible for preparing those parts of the operating budget that correspond to his sphere of responsibility.

If the total costs in a responsibility centre are expected to vary with changes in volume as is the case with most production responsibility centres, the responsibility budget maybe in the form of a variable budget or flexible budget; such a budget shows the planned behaviour of costs at various value levels.

2.5.2 FINANCIAL BUDGET

PERFORMA STATEMENTS

Performa statements are nearly another way of stating financial budget for the future. These are concerned with the financial implications of the operating budgets the expected cash inflows and cash outflows, financial position and the

operating results. The components are: Budget income statements and budget balance sheet.

- **Budget Income Statements:** It is an estimated income statement for a coming period of time. It indicates the firm's planned profit and loss activities.
- **Budget Balance Sheet:** It is an estimated balance sheet for some future date. It gives the firm an indication as to what its balance sheet will look like in the future and it enables the firms to make a judgement in advance whether its financial position will be suitable to meet its need; particularly in the eyes of creditors.
- **Cash Budget:** Cash is simply an operating budget detailing the planned cash receipts and payments. It is a short term financial plan; the budget is one of the most important and one of the last is prepared.
- **Capital Expenditure Budget:** Capital budgeting useful refers to the acquisition of major items like plant and equipment. The capital expenditure budget contains some of the most critical budgeting decision of an organization. According to Emekewue (2002), capital budgeting is synonymous with investment. It can be regarded as the art of planning expenditures whose returns are expected to exceed one year. Capital expenditure is relatively large in comparison with operating expenditures and large in comparison with operating expenditures and large in comparison with operating expenditure and has a long term impact on the

organisation and achievement of its goals. In many companies, there's is a committee separate from the budget committee separate from the budget committee to appropriate funds for capital investments projects. In capital budgeting, the profitability of each project has to be carefully evaluates. Various techniques used to determine the profitableness of a project. The techniques used should be objective free from personal biases and capable of clearly indicating whether the project should be acceptable or not.

2.6 CASH BUDGET

In the view of Drury (2000), cash budget is to ensure that sufficient cash is available at all times to meet the level of operations that are outline in the various budgets. Cash budgeting is subject to uncertainty, it is necessary to provide for more than the minimum amount required, to allow for some margin of error in planning. Cash budgets can help a firm to avoid cash balances that are surplus to its requirements by enabling management to take steps in advance to invest the surplus cash in short term investments.

According to Nweze (2011), a cash budget is very must like a receipts and disbursement of cash. Cash budgets could be prepared on a yearly, termly, quarterly, monthly, weekly or even daily basis; receipts and payment account are conventionally prepared annually.

There are some points to be noted while preparing a cash budget is as follows:

2.6.1 DEPRECIATION

It is an estimate of the position of the historical cost or re-valued amount of a fixed asset chargeable to operations during an accounting period. SAS .9 [Section A (a) and (b)]. Depreciation is usually taken of the wear and tear on an asset resulting from use, afflux ion of time or obsolescence dictated by charges in technology and market forces. SSAP 12 recognizes two other forms of depreciation via amortisation and depletion (Nweze 2011).

Depreciation is simply an accounting concept which does not involve any movement of cash. Since the actual cash out flow took place when the asset was acquired and not when it is being depreciated. Depreciation **MUST NEVER** appear on your cash budget as an expense.

2.6.2 DIVIDEND

Dividend proposed **MUST NEVER** appear on the cash budget; however dividend paid must appear in the period in which actual payment was made.

2.6.3 RECEIPT FROM DEBTORS/PAYMENT TO SUPPLIES

One must pay more attention to the information given on receipt from debtors and payment to suppliers. In order to record according to the direction of the question given

2.6.4 DISPOSAL/ACQUISITION OF FIXED ASSETS/INVESTMENT

Whether fixed assets/investment are acquired or disposed of we must necessarily note that period in which that took place so as to capture the transaction in the relevant period.

2.6.5 ISSUE OF SHARES

Shares are issued in three types such as par, premium, and discount.

2.6.6 REDEMPTION OF PREFERENCE SHARES

Some categories of preference share are redeemable. Cash payments must be reflected in the period or month of occurrence.

2.6.7 OPENING BALANCE OF CASH

An opening balance is usually given for commencement period only. The subsequent opening balances are simply the respective closing balances for the immediately preceding periods. We must note that the opening balance is for the period. Therefore, if one asked to prepare a cash budget for the second quarter of the year, i.e. April to June 30, the opening balance for April becomes the opening balance for the quarter. Also for monthly, opening balance for May will not be opening balance on June but the closing balance for May will be an opening balance for June and so on.

2.6.8 MINIMUM CASH BALANCE

Excess cash may be removed from the business and placed upon short term deposits by the company in order to earn interest there on rather than leave it i.e. it is a bad policy generally to finance long term assets out of short term

finance. With the aid of a cash budget financial manager can see sufficient funds becoming available he may decide to do so without adverse effects.

2.7 HOW TO PREPARE A BUDGET

According to Nweze (2011), a good budget must consist of the following:

- Sales budget
- Production budget
- Purchase budget
- Direct labour budget
- Cost of goods sold budget
- Selling, administration and other expenses budget
- Research and development budget

2.7.1 SALES BUDGET

The sales budget may look like projections of raw sales data. The sales area managers will be responsible for the preparation of the sales budget. Sales budget is the starting point of any budget planning. It is the link to the other budget; so without sales budget planning the other budgets will be impossible. The sales budget is significant in that it is an estimate of the revenue to be generated by the organization from its operations as well as the focus of the much that is done within the company. It also serves as a tool for inventory management.

2.7.2 PRODUCTION BUDGET

Production budget is prepared after sales budget. It states what is to be produced, when it is to be produced, and how many are to be produced. It also states the total units to be produced depend on the planned sales and the expected changes in inventory levels. The preparation of the production budget is preceded by the sales forecast which is combined with the information about the beginning levels of inventory and the expected levels of ending inventory of finished products. The formula for determining the quantity to be produced is

PRODUCT BUDGET	UNITS
Estimated Sales Budget (Budgeted)	X
Add: Desired Closing stock	<u>X</u>
Total Unit of Product Required	XX
Less: Opening Stock	<u>XX</u>
Production Budget Units	<u>XX</u>

2.7.3 PURCHASES BUDGET

Production budget comes immediately after sales budget and the production budget depends on the budgeted sales in the sales budget. The purchase of material usage depends upon the level of beginning inventory and the desired ending inventory. The purchasing manager is responsible for this budget. It shows the physical units as well as monetary terms from the raw

material usage budget and from the stockholding policy. The units of materials to be purchased are determined as follows:

PURCHASES BUDGET	UNITS
Budget Usage	X
Add: Desired Ending Inventory (material)	<u>X</u>
	XX
Less: Beginning Inventory (material)	<u>XX</u>
Purchases Budget in Units for the Year	<u>XX</u>

2.7.4 DIRECT LABOUR BUDGET

This prepared from data given in the production budget it is an estimate of the direct labour costs since indirect costs are included in the manufacturing overhead cost budget. The direct labour hours to be spent in production depend on the units to be produced and the labour hours required producing on unit or over unit of production.

2.7.5 COST OF GOODS SOLD BUDGET

This budget is developed from the previous steps. It involves the valuation and revaluation of inventories of the organization

2.7.6 SELLING, ADMINISTRATION AND OTHER EXPENSES BUDGET

Service functions such as above prepared to cover the costs of selling activities, administration and other expenses incurred for specific and or general activities.

2.7.7 CAPITAL EXPENDITURE BUDGET

This budget is conceived to span beyond on operating activities of an accounting period. It involves expenditure on fixed needs of the organization and therefore requires careful study for technological and fashion needs of the organization to avoid running into obsolescence too quickly.

2.7.9 RESEARCH AND DEVELOPMENT BUDGET

It is the budget that involves discovery of new things and the development of it. This has called for constant investment in research and development otherwise organization would fail to keep abreast with the trends therefore investing in obsolete goods.

2.7.9 BUDGETARY CONTROL

According to Nwoha & Ekwe (1999), budgeting control is the use of budgets for assigning resigning responsibilities planning and controlling performance, and guiding managerial and other activities towards the achievement of organization objectives.

Planning and control of costs and operations are the keys to good management. The process of developing plans for a company's expected operations and controlling operation to help carry out those plans.

A budgeting control system has a number of steps to be taken, they include:

- Ensure that realistic, budgets or plans are prepared to provide direction to carry out business operations.
- Actual performance for each area of responsibility is measured.
- Actual performance is compared with the budgeted performance to identify significant deviations or variances.
- As a feedback mechanism reports are prepared to inform management about deviations from budget (plans);
- Corrective action is initiated to ensure that future performance is in accordance with budget (plans).

2.8 PROBLEMS OF BUDGETING

Budgeting as a systematic approach to the solution of problems has certain problems and limitation.

The major problems in developing a budgeting system are:

- Support and involvement of all levels of management
- Developing meaningful forecasts and plans
- Education all individuals to be involved in the budgeting process and gaining their full participation

- Establishing realistic objective, policies, procedures and standards of desired performance
- Applying the budgeting system in a flexible manner
- Maintaining a follow up procedures and adapting the budgeting system whenever the circumstances change.

However, the limitations of budgetary system are:

Budgeting as non-exact science, hence its success rests on precision of estimates

- Installation of perfect system of budgeting is not
- Skilfully prepared budgetary programme will not itself improve the management of an enterprise unless it is properly implemented
- Budgeting is a management tool a way of managing not the management
- Detailed and complicated budgeting unnecessarily, ineffective and expensive
- The purpose of budgeting will be defeated if the budget goals conflict with enterprise objectives
- To avoid budget hiding inefficiencies, proper evaluation has to be installed
- Unrealistic target will lower morale and productivity

2.9 EFFECTIVE INTERNAL CONTROL SYSTEM

According to Nwabueze (2000), the purpose of internal control is the regulation of business activities under an efficient system of internal control may reduce the necessity of protracted detailed works.

2.9.1 DEFINITION OF INTERNAL CONTROL

This can be defined not only as internal check and internal audit but the whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure and hence to management policies, safeguard the assets and secure far as possible the completeness and accuracy of the records.

2.9.2 INTERNAL CHECK

This is a method of organizing the operations of the business of the company in all its departments and sub-dividing the work between members of staff in such a way that no one person is allowed to carry through and to record completely any one transaction, so that fraud and irregularities are impossible without collusion. Internal check helps in minimizing fraud and also prevents errors from occurring.

2.9.3 INTERNAL AUDIT

This is a review of operations and records, sometimes continuous, undertaken within a business by specially assigned staff. An internal audit unit or section is a part of the organization headed by the chief internal auditor who reports to the chief executive of the organization. The work undertaken by the internal audit is decided by either the board of directors or the management.

2.9.4 CLASSIFICATION OF INTERNAL CONTROL SYSTEM

According to Nwabueze (2000), these can be classified as follows:

- Overall financial control

- Cash receipts
- Control of funds
- Balances held
- Division of duties
- Remuneration of employees
- Trading transactions
- Sales
- Stock
- Fixed assets
- Investment

OVERALL FINANCIAL CONTROL

For this to function properly there must be:

- An efficient accounting system in operation
- Maintenance of adequate recording and duplicating systems
- Adequate supervision with clear and up-to-date supply of information to the management. This involves the preparation of interim statements with possible a system of budgetary control whereby variances are revealed and reports are made from time to time as various sections of the system
- Efficient staff control with written directions as to responsibilities and duties of both management and staff

CASH RECEIPTS

The internal check system once installed must be maintained. This check at the irregular intervals by responsible members of the staff or the internal audit department if there is one.

- The receipt of cash including the opening balances must be made under the supervision of a responsible official. An immediate recording of cash receipts should be made for subsequent checking purposes at a later stage. All cheques, money orders and postal orders should be concealed on receipt by means of a stamp with a crossing NOT NEGOTIABLE-ACCOUNT PAYEE ONLY.
- Specific instructions must be given with regards to a receipt of cash by cashier or otherwise the manner in which they are to be evidenced must be stated. For example, receipts should be issued for all cash

CONTROL OF FUNDS

- Specific instruction must be given to members of staff for the handling of all cash receipts and payments as well as with regard to the recording and checking thereof
- All moneys received must be recorded, cross-checked and banked frequently daily
- There should be definitive instructions laid down as to the collection intervals and authorised personnel

- Duties as to preparation of banking, paying-in-slips and actual banking should be stated
- Paying-in-slips should not be prepared by those receiving and recording cash
- Cash for disbursement purpose should never be deducted from cash received

BALANCES HELD

- Specific rulings must be made with regard to the number of cash floats to be held and their amount, including this and cash desks as well as petty cash balances for disbursement purposes.
- Persons allowed to be mentioned, rules as to the amount of I.O.U.s should be stated as in certain cases granting I.O.U.s may be justified. All petty cash be maintained on imp rest system
- Rules should exist to make sure that cash floats are checked. Rules should also be laid concerning the safe keeping of money retained in the premises, out business houses
- Stated procedures should exist for the handling of funds of employees such as unclaimed wages
- Bank reconciliation: This should be required at the stated intervals. Whoever is appointed to check the reconciliation should be instructed to example such exceptional matters as un-presented cheques outstanding

for an undue length of time or any stop. Payment notices cheque payments; the following headlines should receive attention:

- Safe keeping, control and supply cheques
- Who may prepare the cheques and trade credit lists
- Supporting documents for cheque payments and safe ensuring no payment of the same bill twice
- Authorities to sign and limitations to amount and rules to sign blank cheques advance
- Cheques to be restrictively crossed
- Rules to ensure cheques signed in time to obtain benefit of discount receivable

DIVISION OF DUTIES

- Cashier should not write up accounts in respect of receipts and should not be responsible for any securities of the company
- Staff preparing cheques or traders credit list should not be cheque signatories

RENUMERATION OF EMPLOYEES

The work of making up wages sheet should be sub-divided to ensure that work is both checked and complimentary to that of the previous stage

- There should be authority to hire and discharge employee and fix or charge rate of pay

- The recording of all notifications of the foregoing to be dealt with only one receipt in writing duly initialized
- The method by which employee deduction are dealt with
- Proper time recording, the records of which should be counter signed by the foreman
- Holding pay or payments in advance authorisation is important as its designation of who shall deal with queries arising

PAYMENT OF EMPLOYEES

- Proper arrangement should be as to the encashment of wages cheque
- Staff making up wages sheet, the right amount of notes and changes should be drawn in accordance with the wages sheet
- Arrangement for payments of wages should include the supervision of a responsible officer; and payment should be made by a person other than any of those preparing the wages sheet and pay pockets. Specific arrangements as to dealing with unclaimed wages.
- Special checks should be made at irregular intervals of balances held in wages department; such as cash floats
- Reconciliation should be made explaining the difference between total wages and deductions P.A.Y.E should be checked with returns of Inland Revenue.

TRADING TRANSACTIONS

- **Authorisations:** Procedures must be laid down to cover the requisition and authorization of purchase order, order forms should be kept safe
- **Receipts of goods:** The flow of goods received from their receipt, inspection acceptance and transfer to departments and authority of those concerned should be laid down. The checking of purchase order should be arranged against goods received.
- **Accounting:**
 - ❖ There should be checking of invoices received
 - ❖ Maintaining a day book system, regarding purchases and purchase return
 - ❖ Writing up the ledger accounts and checking of suppliers statements
 - ❖ Payment authorisation: There should be an assurance that the goods have been properly ordered, duly received and advantage taken of any discount allowable

SALES

- **Authorisation and recording:**
 - ❖ Arrangement should be made to see that sales are made at correct prices and under agreed terms of discount or otherwise and where part in exchange are allowed, correct allowance must be checked
 - ❖ Authority to accept orders, grant credit terms and to pass on orders for production or supply

- ❖ Proper allocation of duties and authority with regards to issue of invoices or credit notes; the completion of these as to quantities, prices and totals and then retention in safe custody
- ❖ Procedure to be laid down regarding goods sent as approval, free or on other terms
- **Dispatch of Goods:**
 - ❖ Authority for dispatch of goods and evidence therefore be affixed
 - ❖ Arrangements to be made for examination and recording of goods dispatched by staff other than those concerned with stocks maintenance or invoicing duties
 - ❖ Procedure laid down for the regular comparison of records of goods dispatched with original orders to dispatch notes and invoices
- **Accounting:**
 - ❖ If staff members make it possible, no sales ledger should be concerned with cash records or stock and should not be responsible for sales for invoicing or sales staff duties
 - ❖ Separate staff for recording sales and sales returns of maintenance of customer's account and of preparation of statements to customers. No attention of the statements before sending to customers

- ❖ Ensure proper record of sales returns, price adjustments and special allowances
- ❖ Ensure that goods are properly invoiced
- ❖ Authorisation of special terms and discount, the writing off of bad debts and personnel to deal with customers enquiries
- ❖ Receipts and dealing with overdue account
- ❖ Control of debtors ledgers to be done by abs independent responsible officer

STOCK CONTROL

The internal check here covers:

- ❖ **Receipts of goods:** The procedure to be followed in dealing with goods inward
- ❖ **Allocation of responsibility:** Proper allocation of responsibility for safeguarding and maintenance in good condition of stock including stock records with those of accounts department. To preserve internal check, those engaged on stock keeping should have no access to the stock records in accounts department
- ❖ **Outside stocks:** Stock held at outside warehouse should be most strictly controlled
- ❖ **Stock-taking procedures:** This should be done irrespective of independent checks, reconciliation of records, pricing of goods, the internal at which stock are taken

- ❖ **Writing off stocks:** The system to be applied in valuation of stocks and review of slow moving or obsolete lines. The issue and receipts of packages, the control of scrap and authority required for writing off and disposal of old lines.

FIXED ASSETS

- ❖ Designation of authority to sanction capital expenditure and in what way this should be evidenced
- ❖ Designation of authority to sanction the sale of exchange or disposal of assets how this is to be evidenced and the internal check regarding this
- ❖ Maintenance of proper information about all fixed assets acquired by means of accounting record, plant register and arrangement for the physical inspection of such assets.
- ❖ Fixing rate of depreciation or arrangement for revaluation the authorisation of staff concerned and the evidence to be supplied

INVESTMENTS

- ❖ Authority to purchase or sell investment and evidencing of such authorisation
- ❖ Proper recording of all transactions including the maintenance of records of investment held, the latter to be checked with accounting records and actual documents of title from time to time

- ❖ Arrangement to ensure that advantages is taken of right issues, the due receipts of bonus issues and receipts of relevant share certificates and interest and dividend arising
- ❖ Safe guarding of document's title

2.10 TOOLS OF INTERNAL CONTROL SYSTEM

According to Nwabueze (2000), those are the tools of internal control system. There are:

- **Organisation:** In every business entity, the proper way resources are organised offers a lot of internal control. For human resources, this is normally done by an organ-gram and clearly spelt out schedules of duty. The organ-gram shows the position of each employee in relation to another including line and functional reporting relationships.
- **Physical control:** This concerns proper custody and handling of material resources for safety, benefit and long life
- **Internal check:** This involves segregation of duties whereby no one person is allowed to be responsible for the recording and processing of a complete transaction
- **Internal audit:** Internal audit has been described as a review of operations and records, sometimes continues, undertaken within a business by specially assigned staff. This review is to ensure that the internal control system operates effectively and its carried out by the employees of the organisation

- **Rules and regulations:** An organisation formulates rules and regulations for the guidance of staff towards the optimum utilization of all resources in bid to achieve the corporate objectives. Manuals, handbooks, newsletters, use of notice boards, and all forms of information media are inclusive
- **Documentation:** By recording events and instructing employees in writing, permanent records maybe created for the guidance of staff and safety of all material and human resources within the organization

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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN

In carrying out this study, the researcher makes use of source of data, population and sample size and method of investigation. A case study of research design was employed to elicit budgeting as an organization. It is description in nature; hence, such research design specifies the nature of a wide range of policy decision. However, this study is particularly geared towards budgeting as an instrument of internal control in any manufacturing organization.

3.2 SOURCES OF DATA

The research employed two types of data in the course of this work.

These are:

- i. The primary data and
- ii. The secondary data

3.2.1 PRIMARY DATA

This was collected through responses from questionnaire and interviews

- a. Questionnaire: This was the main instrument of measurement used for the

collection of primary data. It contains series of written questions on the budgeting as instrument of internal control in most of manufacturing in Nigeria. This questions are twenty six (23) in numbers and were administered to a statistically determined sample size of seventy eight (78) drawn from a population of one hundred and fifty six (156) respondents.

- b. Interview: The researcher also used oral/personal interview in collecting primary data. This method served a very useful purpose in obtaining certain facts and data that were not possible through the questionnaire method.

3.2.2 SECONDARY DATA

Reading materials from AMA breweries Enugu were the sources of secondary data for this study. These materials were mostly text books. They basically provided a sounds theoretical framework for this study.

3.3 RESEARCH INSTRUMENT

A research instrument is any device constructed for recording of measuring data. It is the means for generating pertinent information to be used for solving the research problems therefore, in order to obtain valuable data for analysis, interpretations and appreciation of problems aforementioned, a set of questionnaire was designed and administered to employees of AMA breweries.

The choice of questionnaire as research instrument for this study was based on the fact that, it permits the coverage of minimum expenses both in money and effort.

3.4 RELIABILITY/VALIDITY OF RESEARCH INSTRUMENT

In order to forestall measurement errors, which may occur if the research instrument is faulty, the reliability of the research instrument was ensured through its careful construction and retest. Retest was done by conducting a pilot survey, where in the research instruments (questionnaire) were administered to a part (sample) of the population with a view to finding possible faults and thereafter, corrections were made before the full application of the main sample for the study.

The questionnaire has been read, corrections have been made by the supervisor and thus has been validated by the researcher's supervisor.

3.5 POPULATION

There are numerous business organizations abundant in the country both manufacturing organizations and trading organizations. Some are big business organizations whereas others are small. These constitute the entire populations which were generally discussed in this study. However, for the efficient control of the research work, the study was concentrated on one large manufacturing business organization in Enugu state which was selected as a comparative case study.

The company is AMA breweries Enugu; the company's business is in the manufacturing and selling of wines such as Star beer, Gulder, Legend extra stout, Malta, Amstel and others both in tin and bottles

POPULATION DISTRIBUTION TABLE

COMPANY	SELECTION OF WORKERS	FREQUENCY
AMA BREWRIES ENUGU	GENERAL MANAGERS	2
	SENIOR MANAGERS	6
	MANAGERS	12
	SUPERVISORS	26
	SENIOR CLERKS	48
	FOREMAN	62
	TOTAL	156

SOURCE: Field Survey 2013

3.6 SAMPLE SIZE/TECHNIQUE

The sample size used in this study is 78 out of a population of 156 using the formula for the determination of the sample size from the population of the workers. To get the sample size Taro Yamani method will be given:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = Sample size

N = Population size

e = Level of significance (error)

1 = A constant number

For the purpose of this study, our level of significance (e) = 8% or 0.08 that is 92% confidence limit

Since $n = ?$

$$N = 156$$

$$e = 0.08 \text{ or } 8\%$$

Substituting the above values into the formula, we have that:

$$N = \frac{156}{1+156(0.08)^2}$$

$$= \frac{156}{1+156(0.0064)}$$

$$= \frac{156}{1+0.9984}$$

$$= \frac{156}{1.9984}$$

$$n = 78$$

The sample size of the population is 78 and the researcher issued the same number of questionnaire to the staffs of the company to answer. The entire

questionnaire issued to the issued to the sample size was collected immediately because of the method of collection to determine the minimum number of respondents from each of the section of work in the population. Bowely's proportional allocation formula was applied thus:

$$nh = \frac{n \times Nh}{N}$$

Where:

nh = Number of questionnaires allocated to the company

n = Total sample size

Nh = Number of employees in each section of the population

N = Population size

GENERAL MANAGERS

$$nh = \frac{78 \times 2}{156} = \frac{156}{156} = 1$$

SENIOR MANAGERS

$$nh = \frac{78 \times 6}{156} = \frac{468}{156} = 3$$

MANAGERS

$$nh = \frac{78 \times 26}{156} = \frac{936}{156} = 6$$

SUPERVISORS

$$nh = \frac{78 \times 26}{156} = \frac{2028}{156} = 13$$

SENIOR CLERKS

$$nh = \frac{78 \times 48}{156} = \frac{3744}{156} = 24$$

FOREMAN

$$nh = \frac{78 \times 26}{156} = \frac{4836}{156} = 31$$

Equal to total sample size = 78

In sampling technique, every member of the relevant population has an equal chance of being selected and the probability of this selection is known, for example, if there is 80 staff of an organisation and each staff is qualified for selection, then the probability that a particular staff will be selected is one out of 80.

The commonly used forms of probability sampling are

- Simple random sampling.
- Stratified random sampling.

- Cluster sampling.
- Multi-stage sampling.
- Systematic sampling.

SIMPLE RANDOM SAMPLING

The essential purpose of random selection is to avoid subjective bias arising from a personal choice of sampling units. In simple random sampling, each member of the population is given an equal chance of being selected.

3.7 ADMINISTRATION OF RESEARCH INSTRUMENT

The questionnaires were administered through hand delivery to selected respondents with explicit explanation followed where necessary. The researcher made sure that each section followed where necessary. The researcher made sure that each section gets the complete number of questionnaire allocated in each section was systematically selected.

On questionnaire retrieval method, the researcher either waited for the questionnaire to be given a date to come for the collection of respondent. All was to ensure appreciable return with reliable information.

3.8 METHOD OF DATA ANALYSIS

The researcher used both open ended and crossed ended questions in the constituents of the questionnaire for this study. The open ended questions were allowed in the questionnaire to enable the respondents give their unrestricted

answers to the respective questions while the closed ended questions were embedded in the questionnaire to scale down the responses of the respondents within a manageable range.

In all questionnaires contains twenty six questions which is aimed at sourcing information on the budgeting as an instrument of internal control in any manufacturing organization.

The interviews was oral and aimed at addressing the issues raised above which might be difficult to source through the questionnaire method.

3.9 DECISION CRITERION FOR VALIDATION OF HYPOTHESIS

In order to decide whether to accept or reject the null hypothesis, a comparison was made between the calculated value of chi-square and the critical value (value from the table).

The decision rule is therefore:

Accept H_0 , if $X^2_o \leq X^2_e$

Reject H_0 , if $X^2_o \geq X^2_e$

Where:

X^2_o = Calculated chi-square

X^2_e = Chi-square value from the distribution table or the critical value

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION

The researcher used questionnaires for the presentation of data and was issued out from the staffs of the organization being the case study of the research. The questionnaire was distributed amongst the selected sample size of AMA breweries, Enugu. It is distributed randomly on all categories or sections of staff in the accessible population so 78 questionnaires were distributed amongst the sample size being 78 staffs from all categories which serves as the basis for the data presentation.

4.2 ANALYSIS OF QUESTIONS

QUESTION 1: AGE DISTRIBUTION OF THE RESPONDENTS

TABLE 1

	Response Option	No. of Response	Percentage (%)
a	Up to 20 years	2	3.85
B	21-30 years	39	50
c	31-40 years	20	25.64
d	41-50 years	11	14.1
e	Above 50 years	5	6.41
	Total	78	100

SOURCE: Field Survey 2013

Response to age shows that 3 respondents representing 3.85% were between the age brackets of up to 20years, 39 representing 50% were between the age bracket of 21-30years; 20 respondents representing 25.64% were between 31-40years age bracket; 11 respondents representing 14.10% were between the age bracket of 41-50years and 5 respondents representing 6.41% were above 50years.

QUESTION 2: SEX DISTRIBUTION OF THE RESPONDENTS

TABLE 1.2

	Response Option	No. of Response	Percentage (%)
a	Male	46	58.97
B	Female	32	41.03
	Total	78	100

SOURCE: Field Survey 2013

The data collected shows that out of the 78 respondents that completed and returned their questionnaires, 46 representing 58.79% were male while 32 representing 41.03% were female.

QUESTION 3: MARITAL STATUS OF RESPONDENTS

TABLE 1.3

	Response Option	No. of Response	Percentage (%)
a	Single	53	67.95
b	Married	25	32.05
	Total	78	100

SOURCE: Field Survey 2013

The largest respondents of 53 representing 67.95% are single while the remaining 25 respondents representing 32.05% are married

QUESTION 4: EDUCATIONAL QUALIFICATION DISTRIBUTION

TABLE 1.4

	Response Option	No. of Response	Percentage (%)
a	Higher Degree	5	6.41
b	University Degree or Equivalent	26	33.33
c	OND or Equivalent	16	20.51
d	WAEC or Equivalent	31	39.74
e	Others	-	-
	Total	78	100

SOURCE: Field Survey 2013

The table shows that 5 respondents representing 6.41% belongs to higher degree, 26 representing 33.33% belong to university degree or equivalent, 16 representing 20.51% belong to OND or equivalent while 31 respondents representing 39.74% belong to WAEC or its equivalent while others have no respondent

QUESTION 5: STATUS IN THE COMPANY

TABLE 1.5

	Response Option	No. of Response	Percentage (%)
a	Management Staff	6	7.69
b	Senior Staff	40	51.28
c	Supervisors	22	28.21
d	Others	10	12.82
	Total	78	100

SOURCE: Field Survey 2013

The table above shows that 6 respondents representing 7.69% belong to the management staffs, 40 respondents representing 51.28% belong to senior staffs, 22 respondents representing 28.12% belong to supervisors and 10 respondents representing 12.82%

QUESTION 6: THE BUDGET PLANNING AND CONTROL IS VERY IMPORTANT TO YOUR ORGANIZATION?

TABLE 1.6

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	22	28.21
b	Agree	32	41.03
c	Strongly disagree	8	10.26
d	Disagree	11	14.1
e	Undecided	5	6.41
	Total	78	100

SOURCE: Field Survey 2013

The table above shows that 22 respondents representing 28.21% strongly agreed that budget planning and control is very important to the organization, while 32 respondents representing 41.03% agree, 8 respondents representing 10.26% strongly agreed, 11 respondents representing 14.1% disagreed and 5 respondents 6.41% couldn't decide.

QUESTION 7: IS THERE ADEQUATE PRESENTION OF BUDGETING AND BUDGETING CONTROL DONE IN THIS ORGANIZATION

TABLE 1.7

	Response Option	No. of Response	Percentage (%)
a	Satisfied	52	66.67
b	Not Satisfied	20	25.64
c	Indifferent	6	7.69
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 52 respondents representing 66.67% believe that adequate budgeting and budgeting control is done in this company, 20 respondents representing 25.64% believe it is not while 6 respondents representing 7.69% believe that there are the same

**QUESTION 8: THE BUDGETING IS SEEN AS A CONTROL MEASURE
IN THIS ORGANIZATION?**

TABLE 1.8

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	2	2.56
b	Agree	70	89.74
c	Strongly disagree	-	-
d	Disagree	6	7.69
e	Undecided	-	-
	Total	78	100

SOURCE: Field Survey 2013

From the table above 2 respondents representing 2.56% strongly agree, 70 respondents representing 89.74% agree, 6 respondents representing 7.69% disagree while strongly disagree and undecided have no respondent.

QUESTION 9: WHAT EXTENT DO YOU APPLY BUDGETARY CONTROL IN THIS ESTABLISHMENT

TABLE 1.9

	Response Option	No. of Response	Percentage (%)
a	Large	30	38.46
b	Moderate	46	58.98
c	Small	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of the 46 representing 58.98% believe that budgeting control is applied to a moderate extent in this establishment, 30 respondents representing 38.46% of the respondents say it is applied to a large extent while 2 representing 2.56% believe it is applied to a small extent in the establishment.

QUESTION 10: IN BUDGET PRESENTATION WITHIN THE ORGANIZATION THERE IS A COMMUNICATION GAP BETWEEN THE BUDGET COMMITTEE AND THE VARIOUS DIVISIONS

TABLE 1.10

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	18	23.08
b	Agree	10	12.82
c	Strongly disagree	40	51.28
d	Disagree	10	12.82
e	Undecided	-	-
	Total	78	100

SOURCE: Field Survey 2013

From the table above 18 respondents representing 23.08% strongly agree, 10 respondents representing 12.82% agree, 40 respondents representing 51.28% strongly disagree, and 10 respondents representing 12.82% disagree and undecided have no respondent.

**QUESTION 11: ALL THE DIVISION’S INTERESTS OR REQUESTS
ARE ADEQUATELY REPRESENTED**

TABLE 1.11

	Response Option	No. of Response	Percentage (%)
A	Strongly Agree	48	61.54
B	Agree	10	12.82
C	Strongly disagree	10	12.82
D	Disagree	9	11.54
E	Undecided	1	1.28
	Total	78	100

SOURCE: Field Survey 2013

The table above shows that 48 respondents representing 61.54% strongly agree, 10 respondents representing 12.82% agree 10 respondents representing 12.82% strongly disagree, 9 respondents representing 11.54% disagree and 1 respondent representing 1.28% couldn’t decide.

QUESTION 12: THERE IS AN EXECUTION OF THE BUDGET FOR THE YEAR IN THIS ORGANIZATION

TABLE 1.12

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	19	24.36
b	Agree	50	64.10
c	Strongly disagree	-	-
d	Disagree	9	11.54
e	Undecided	-	-
	Total	78	100

SOURCE: Field Survey 2013

From the table above 19 respondents representing 24.36% strongly agree, 50 respondents representing 64.10% agree, 9 respondents representing 11.54% disagree and no respondent for strongly disagree and undecided.

QUESTION 13: HOW IS BUDGET EXECUTION DONE IN THIS COMPANY?

TABLE 1.13

	Response Option	No. of Response	Percentage (%)
A	Following a Laid down Procedure	62	79.49
B	Not following a Laid down Procedure	11	14.10
C	No Procedure Entirely	5	6.41
	Total	78	100

SOURCE: Field Survey 2013

62 respondents representing 79.49% are of the opinion that budget execution is carried out here according to a laid down procedure, 11 respondents representing 14.1% are of the opinion that budget execution is not carried out here according to any laid down procedure while 5 respondents representing 6.41% believe that budget execution have no procedure entirely in the company.

QUESTION 14: HOW IS BUDGETING USED AS AN INSTRUMENT OF CONTROL?

TABLE 1.14

	Response Option	No. of Response	Percentage (%)
a	Setting a Target and Ensuring that it is Achieved	74	94.87
b	Not Setting any Target at all	-	-
c	Applying Management by Exception	4	5.13
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 74 representing 94.87% sampled their opinion believe that budgeting is used as an instrument of control by setting a target and ensuring that it is achieved in this organization while 4 respondents representing 5.13% believe that it can be achieved by applying management by exception and no respondents agreed that budgeting can be used as an instrument of control by not setting any target at all.

QUESTION 15: TO WHAT EXTENT DO YOU ACHIEVE YOUR TARGET IN THIS COMPANY?

TABLE 1.15

	Response Option	No. of Response	Percentage (%)
a	Large	30	38.46
b	Moderate	42	53.85
c	Small	6	7.69
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 42 representing 53.85% believe that the target is achieved hereby moderate, 30 respondents representing 38.46% agreed large extent while 6 respondents representing 7.69% says small.

QUESTION 16: THE MANUFACTURING BUSINESS CONCERNS IN NIGERIA DO PLAN THEIR PROFIT HENCE THEIR LOSSES ARE UNNECESSARY LARGE IN REALTION TO THEIR BUDGET ESTIMATE.

TABLE 1.16

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	60	76.92
b	Agree	4	5.13
c	Strongly disagree	10	12.82
d	Disagree	2	2.56
e	Undecided	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

From the table above 60 respondents representing 76.92% strongly agree 4 respondents representing 5.13% agree, 10 respondents representing 12.82% strongly disagree, and 2 respondents representing 2.56% disagree and 2 respondents representing 2.56% undecided.

QUESTION17: THE TYPES OF BUDGETING IN SOME OF THE MANUFACTURING BUSINESS CONCERN IN NIGERIA IS EFFICIENT

TABLE 1.17

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	58	74.36
b	Agree	10	12.82
c	Strongly disagree	10	12.82
d	Disagree	-	-
e	Undecided	-	-
	Total	78	100

SOURCE: Field Survey 2013

The table above 58 respondents representing 74.36% strongly agree, 10 respondents representing 12.82% agree, 10 respondents representing 12.82% strongly disagree while disagree and undecided have no respondents.

QUESTION 18: MANUFACTURING BUSINESS ORGANIZATIONS DO CONTROL THEIR LEVELS OF PROFIT MAKING AND THE MEANS USED TO ACHIEVE IT

TABLE 1.18

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	42	53.85
b	Agree	17	21.80
c	Strongly disagree	8	10.26
d	Disagree	9	11.54
e	Undecided	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

From the table above 42 respondents representing 53.85% strongly agree 17 respondents representing 21.80% agree, 8 respondents representing 10.26% strongly disagree, and 9 respondents representing 11.54% disagree and 2 respondents representing 2.56% undecided.

**QUESTION 19: WHAT IS THE EXTENT OF THE DEGREE OF
BREAKDOWN FROM THE BUDGET?**

TABLE 1.19

	Response Option	No. of Response	Percentage (%)
a	Too Much	8	10.26
b	Moderate	36	46.15
c	Small	34	43.59
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 36 representing 46.15% believe that the degree of breakdown from the budget was moderate, 34 respondents representing 43.59% believe that it is small while 8 respondents representing 10.26% believe it was too much.

QUESTION 20: TO WHAT EXTENT HAVE MANAGEMENT MAKE USE OF THIS INFORMATION?

TABLE 1.20

	Response Option	No. of Response	Percentage (%)
a	Large	68	67.18
b	Moderate	8	10.26
c	Small	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 68 representing 67.18% believe that management make use of the information as regards to the question 19 to a large extent, 8 respondents representing 10.16% believe that it is moderately while 2 respondents representing 2.56% believe it is small.

QUESTION 21: WHAT ARE THE MANAGEMENT OF THE ORGANIZATION STRATEGIES TO CONTROL THIS EVENT?

TABLE 1.21

	Response Option	No. of Response	Percentage (%)
a	Having a budgetary control officer	67	85.9
b	Not having any controller	8	10.26
c	Depending on the need of the organization	3	3.84
	Total	78	100

SOURCE: Field Survey 2013

67 respondents representing 85.9% are of the opinion that management can control this phenomenon by having a budgetary control officer, 8 respondents representing 10.26% says it is not by having any control officer while 3 respondents representing 3.84% agree by depending on the need of the organization.

QUESTION 22: WHAT ARE THE DUTIES OF CONTROLLERS IN THIS ORGANIZATION?

TABLE 1.22

	Response Option	No. of Response	Percentage (%)
a	Having a budgetary control officer	36	46.15
b	Not having any controller	8	10.26
c	Depending on the need of the organization	34	43.59
	Total	78	100

SOURCE: Field Survey 2013

The majority of the respondents of 36 representing 46.15% believe that the reporting any adverse situation are the duties of controllers in this organization, 34 respondents representing 43.59% believe that the duties of controllers in this organization is only the favourable situations should be reported while 8 respondents representing 10.26% believe that the duties of controllers in this organization are not reporting any situation.

QUESTION 23: HOW CAN YOU ASSESS THE BUDGETARY CONTROL AND EXECUTION TOWARDS THE ACHIEVEMENT OF THE SET OUT OBJECTIVES?

TABLE 1.23

	Response Option	No. of Response	Percentage (%)
a	Excellent	61	78.21
b	Moderate	15	19.23
c	Poor	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

61 respondents representing 78.21% agree that the budgetary control and execution towards the achievement of the set out objectives excellently carried out, 15 respondents representing 19.23% believe that it is achieved moderately while 2 respondents representing 2.56% believe that it is achieved poorly in this organization.

4.3 TEST OF HYPOTHESES

In testing these hypothesis formulated in chapter one, the researcher decided to utilize those questions whose response had been presented and analysed in the test.

HYPOTHESIS I

H₀: Manufacturing business organization do not control their levels of profit making and the means used to achieve it

H₁: Manufacturing business organization do control their levels of profit making and the means used to achieve it

The researcher makes use of the chi-square method. This method states that if the calculated chi-square value is more than the value of chi-square in the table at 5% or (0.05) level of significance, the null hypothesis will be rejected.

Formula for calculating chi-square X^2

$$X^2 = \frac{(O_i - E_i)^2}{E_i}$$

Where: X^2 = Chi-square value

O_i = Observed frequency

E_i = Expected frequency

= Summation sign

Level of significance = 5% or (0.05)

Degree of freedom = $R \times C$

Row = $(R - 1)$

$$\text{Column} = (C - 1)$$

We shall use the responses in the table below

QUESTION 18: MANUFACTURING BUSINESS ORGANIZATIONS DO CONTROL THEIR LEVELS OF PROFIT MAKING AND THE MEANS USED TO ACHIEVE IT

	Response Option	No. of Response	Percentage (%)
a	Strongly Agree	42	53.85
b	Agree	17	21.80
c	Strongly disagree	8	10.26
d	Disagree	9	11.54
e	Undecided	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

$$\text{Degree of freedom} = (5 - 1) (2 - 1) = 4 \times 1 = 4$$

$$\text{Expected frequency } (Ei) = \frac{78}{5} = 15.6$$

	Response Option	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$\frac{(O_i - E_i)^2}{E_i}$
	Strongly agree	42	15.6	26.4	696.96	44.677
	Agree	17	15.6	1.4	1.96	0.126
	Strongly Disagree	8	15.6	-7.6	57.76	3.703
	Disagree	9	15.6	-6.6	43.56	2.792
	Undecided	2	15.6	-13.6	184.96	11.856
	Total	78				63.154

The calculated value is 63.154 while the critical value X^2 for 4d.f. at 0.05 chi-square table is 9.49. The calculated value of X_0^2 is higher than the table value X^2_e ($X_0^2 > X^2$)

DECISION

X^2 Computed is 63.154 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom (ν) which is 9.49; based on the decision rule, we reject the null hypothesis.

In other words, we accept the alternate hypothesis H_1 which states that manufacturing business organization do control their levels of profit making and the means used to achieve it.

HYPOTHESIS II

H₀: Manufacturing business concerns in Nigeria do not plan their profit hence their losses are unnecessarily large in relation to their budget estimate.

H₁: Manufacturing business concerns in Nigeria do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

QUESTION 16: THE MANUFACTURING BUSINESS CONCERNS IN NIGERIA DO PLAN THEIR PROFIT HENCE THEIR LOSSES ARE UNNECESSARY LARGE IN REALTION TO THEIR BUDGET ESTIMATE.

TABLE 1.16

	Response Option	No. of Response	Percentage (%)
A	Strongly Agree	60	76.92
B	Agree	4	5.13
C	Strongly disagree	10	12.82
D	Disagree	2	2.56
E	Undecided	2	2.56
	Total	78	100

SOURCE: Field Survey 2013

$$X^2 = \frac{(O_i - E_i)^2}{E_i}$$

Where: X^2 = Chi-square value

O_i = Observed frequency

E_i = Expected frequency

Σ = Summation sign

Level of significance = 5% or (0.05)

Degree of freedom = $(5 - 1) (2 - 1) = 4 \times 1 = 4$

Expected frequency (E_i) = $\frac{78}{5} = 15.6$

	Response Option	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$\frac{(O_i - E_i)^2}{E_i}$
	Strongly agree	60	15.6	44.4	1971.36	126.37
	Agree	4	15.6	-11.6	134.56	8.626
	Strongly Disagree	10	15.6	-5.6	31.36	2.010
	Disagree	2	15.6	-13.6	184.96	11.856
	Undecided	2	15.6	-13.6	184.96	11.856
	Total	78				160.718

The calculated value is 160.718 while the critical value X^2 for 4d.f. at 0.05 chi-square table is 9.49. The calculated value of X_0^2 is higher than the table value X^2_e ($X_0^2 > X^2$)

DECISION

X^2 Computed is 160.718 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom (v) which is 9.49; based on the decision rule, we reject the null hypothesis.

In other words, we accept the alternate hypothesis H_1 which states that manufacturing business concerns in Nigeria do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

HYPOTHESIS III

H_0 : The type of budgeting in some of the manufacturing business concern in Nigeria is not efficient.

H_1 : The type of budgeting in some of the manufacturing business concern in Nigeria is efficient.

QUESTION17: THE TYPES OF BUDGETING IN SOME OF THE MANUFACTURING BUSINESS CONCERN IN NIGERIA IS EFFICIENT

TABLE 1.17

	Response Option	No. of Response	Percentage (%)
A	Strongly Agree	58	74.36
B	Agree	10	12.82
C	Strongly disagree	10	12.82
D	Disagree	-	-
E	Undecided	-	-
	Total	78	100

SOURCE: Field Survey 2013

$$X^2 = \frac{(O_i - E_i)^2}{E_i}$$

Where: X^2 = Chi-square value

O_i = Observed frequency

E_i = Expected frequency

= Summation sign

Level of significance = 5% or (0.05)

$$\text{Degree of freedom} = (5 - 1) (2 - 1) = 4 \times 1 = 4$$

$$\text{Expected frequency } (E_i) = \frac{78}{5} = 15.6$$

	Response Option	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$\frac{(O_i - E_i)^2}{E_i}$
	Strongly agree	58	15.6	42.4	1797.76	115.24
	Agree	10	15.6	-5.6	31.36	2.010
	Strongly Disagree	10	15.6	-5.6	31.36	2.010
	Disagree	-	15.6	-15.6	243.36	15.6
	Undecided	-	15.6	-15.6	243.36	15.6
	Total	78				152.47

The calculated value is 152.47 while the critical value X^2 for 4d.f. at 0.05 chi-square table is 9.49. The calculated value of X^2 is higher than the table value ($X_0^2 > X^2$)

DECISION

X^2 Computed is 152.47 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom (v) which is 9.49; based on the decision rule, we reject the null hypothesis.

In other words, we accept the alternate hypothesis H_1 which states that the type of budgeting in some of the manufacturing business concern in Nigeria is efficient.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

In the course of this study, the findings derived from chapter four of this research project were many and we were made to summarize the findings so that it will help the manufacturing business concerns in Nigeria are involved in using budgeting as an instrument of internal control to know whether to continue using budgeting as an instrument of internal control in

- That in many manufacturing business concerns in Nigeria male staffs are more single than female staffs
- That many staffs in many manufacturing concerns in Nigeria are single but later married when they begin work
- That adequate planning are both made in budgeting and budgeting control in many manufacturing business concerns in Nigeria
- That the budget execution procedure were followed according to the laid down procedure thus resulting to favourable variances
- That when the variances occur, the causes were traced to determine what and who were responsible for the variances

- That manufacturing concerns in Nigeria will set a target and ensure that it is achieved
- That manufacturing concerns in Nigeria maximize their profitability and minimize losses because of the use of budget controllers
- That manufacturing concerns in Nigeria plan their profit and limitate the amount of losses involved in the business
- That manufacturing concerns in Nigeria employ educated staff as their business

5.2 CONCLUSION

As we pass through the various economic cycles from recession to stagnation, from stagnation to doom. Hoping to enter an economic boom, the researcher delved into this research project topic; budgeting as an instrument of internal control in any manufacturing organization in Nigeria with a view of proffering suggestions on how our economy can be turned from doom to boom of manufacturing concerns are the bedrock of any nations economy depression into a prosperous economy.

Manufacturing industries are the bedrock of all developing countries like Nigeria, its needs to consider first before any other thing because without manufacturing industries in countries those countries will never develop.

It is the manufacturing business that contributes the largest amount of money towards government revenue expenditure through taxation collected from most

manufacturing business in the country. They also help in the development of the country by developing the location of their industry such as roads, electricity, buildings, employment and scholarships. Because of that reason, the Nigerian government should keep their eyes open towards the activities of this manufacturing business in Nigeria.

After carrying out consultations and verifications of some findings; we now designed a method for eliciting information or data collected were presented and analyzed accordingly from the analysis the researcher now concluded as follows:

- Manufacturing concerns actually do plan their profit such that losses are unnecessarily large in relation to budget estimate
- Manufacturing business organizations do control their levels of profit making and the means used to achieve it.
- The types of budgeting in some manufacturing business concern in Nigeria is efficient
- That manufacturing concerns follow the laid down procedure of their organization
- That manufacturing concerns in Nigeria do investigate the variance and the actual cause(s) if the situation
- That manufacturing concerns in Nigeria do have budgeting committee established by the company

5.3 RECOMMENDATIONS

Budgeting is an important aspect for all associations, societies, clubs, and countries in particular and world in general. No country will improve without budgeting therefore government should involve themselves in the budgeting plan of those manufacturing business in Nigeria. Because of the importance of their budgeting, the researcher now recommends the following suggestions:

- That government should establish a board concerning budget planning of manufacturing business in Nigeria and make sure that manufacturing industries follow their budget plan
- They should map the procedures that all the manufacturing business in Nigeria should follow in budgeting planning
- Because of the importance of the job of a budget controller in any manufacturing concern, it then becomes necessary to employ a qualified accountant to take responsibility of this area of the job of a controller
- All the organizations should make sure that budgets are made within the procedures set out for the planning of a budget
- Budget plan should be approved and authorized by the officer responsible for each section
- That employers of any manufacturing business should make sure that he/she employs a qualified staff for various positions in the business

- That management should establish a budget committee who are expertise in the field in order to help plan and investigate any variances that may occur

With these suggestions, the researcher now concludes that effect will not be far reaching as it reflects in the making of high profits by these manufacturing businesses. It will increase the standard of living per capital of individuals in particular and the country in general.

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LETTER TO RESPONDENTS

Caritas University

Amorji-Nike

Enugu,

Enugu state,

PMB

Dear Respondents,

REQUEST FOR COMPLETION OF QUESTIONNAIRE

I am a final year student of the department of accountancy of the above institution, undertaking a study on “Budgeting as an instrument of internal control in any manufacturing organization”.

The study is in partial fulfilment of the award of Bachelor of Science (B.Sc) degree in accountancy in the university. Please you are kindly employed to respond to the under listed questions as your answers will be treated confidentially and will be for academic purpose only. Thanks, for your anticipated corporation.

Yours faithfully,

Odeghe Samson E.

Acc/2009/541

QUESTIONNAIRE

INSTRUCTION

This is not an aptitude test there are no right or wrong answers this is just to get to know your opinion. Please tick [x] against the appropriate option in the questionnaire design. Additional comments whenever you consider the option inadequate will be appreciated

1. Age: (a) Up to 20yrs [] (b) 21-30yrs [] (c) 31-40yrs (d) 41-50yrs [] (e) Above 50yrs []
2. Sex: (a) male [] (b) female []
3. Marital Status: (a) single [] (b) married []
4. Education Qualification: (a) higher degree [] (b) University degree [] (c) OND or its equivalent [] (d) WAEC or its equivalent [] (e) others []
5. Status in the company: (a) management [] (b) senior staff [] (c) supervisor [] (d) others []
6. The budget planning control is very important to your organization: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
7. Is there adequate preparation of budgeting and budgeting control done in this organization? (a) satisfied [] (b) not satisfied [] (c) indifferent []

8. The budgeting is seen as a control measure in this organization: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
9. To what extent do you apply budgetary control in this establishment? (a) large [] (b) moderate [] (c) small []
10. In budget preparation within the organization there is a communication gap between the budget committee and the various divisions: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
11. All the division's interest or requests are adequately represented: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
12. There is an execution of the budget for budget for the year in this organization: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
13. How is budget execution done in this company? (a) following a laid down procedure [] (b) not following a laid down procedure [] (c) no procedure entirely []
14. How is budgeting used as an instrument of control? (a) setting a target and ensuring that it is achieved [] (b) not setting a target at all [] (c) applying management by exception []

15. To what extent do you achieve your targets in this company? (a) large []
(b) moderate [] (c) small []
16. The manufacturing business concerns in Nigeria do plan their profit hence their losses are unnecessary large in relation to their budget estimate: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
17. The types of budgeting in some of the manufacturing business concern in Nigeria is efficient: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
18. Manufacturing business organizations do control their levels of profit making and the means used to achieve it: (a) strongly agree [] (b) agree [] (c) strongly disagree [] (d) disagree [] (e) undecided []
19. What is the extent of the degree of breakdown from the budget? (a) large [] (b) moderate [] (c) small []
20. To what extent have management make use of this information? (a) large [] (b) moderate [] (c) small []
21. What are the management of this organization strategy to control this event? (a) having a budgetary control officer [] (b) not having a budgetary control officer [] (c) depending on the need of the organization []

22. What are the duties of controllers in this organization? (a) reporting any adverse situation [] (b) not reporting any adverse situation [] (c) only the favourable situations should be reported []

23. How can you assess the budgetary control and execution towards the achievement of the set out objectives? (a) excellent [] (b) moderate [] (c) poor []