

**THE EFFECT OF BUDGETARY CONTROLS ON THE FINANCIAL PERFORMANCE  
OF MEDIUM-SIZED ENTERPRISES.**

**CASE STUDY: BROVARD HOTEL**

**BY**

**NAJJUMA MARY**

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## **DEDICATION**

I dedicate this research report to my beloved parents Mr. and Mrs. Joseph Muiyisa for their great financial support to the accomplishment of this study.

Dedication goes to my Best Friend Nakitende Claire for the support and encouragement she has given me to proceed.

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## **ABBREVIATIONS**

IMF	International Monetary Fund
UN	United Nations
USAID	United States Agency for International Development
MEs	Medium Enterprises
CIMA	Chartered Institute of Management Accountants
BH	Brovard Hotel
OP	Organizational performance

## ABSTRACT

The study was set to examine the effect of budgetary controls on the financial performance of medium sized enterprises in Masaka District, a case study on Brovard Hotel.

The review of Literature was collected using the set objectives which were, to identify the different types of budgetary The study was set to examine the effect of budgetary controls on the financial performance of controls used by medium enterprises, to find out the challenges faced with the budgetary control systems and to find out solutions to the challenges faced with the budgetary control systems of Brovard Hotel in Masaka District.

To achieve the set objectives, the tools were used in study for collecting data and these involved uses of questionnaires, interviewing and secondary data got from various books and from the internet which made data collection and analysis easier. Simple random sampling was used to get a representative sample of twenty five members. The study involved 25 respondents of which 9 were males and 16 were females. Key findings transformed into themes for analysis and presentation of data.

The study revealed that majority of the employees in Brovard Hotel are females and the minorities are males. Majority of the employees had worked in Brovard hotel for one to five years. Research further more found out that the major challenge affecting budgetary control systems of the enterprises is failure to communicate strict expectations from the employees which leads to poor performance. However this could be solved by involving all persons in framing and implementation of budgets in order to ensure success of budgetary controls and also ensuring proper communication of what is required to be achieved and how it can be achieved.

The study therefore; recommended that Brovard hotel should involve all persons in the framing and implantation of budgets in order to ensure proper success of these budgetary control systems.

## **CHAPTER ONE:**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter contained presentation and expansion in detail on the background of the study, problem statement, purpose of the study, the objectives in alignment with the research questions, the scope of the study, justification, the significance of the study definition of key terms and finally the conceptual framework that engulfs the basis of this research.

#### **1.1 Background of the study**

According to one research study, it was stated that modern day budgeting actually started during the Egyptian and Roman civilization periods around 2500BC and 500BC respectively. The study further noted that, “The then merchants’ believed in drafting all expected expenditure against expected income in respect of their business so as to be able to know the kind of venture that would be more profitable, “quoted from Journal of Business Management and Social Sciences Research by Siyanbola (2013). This same study further emphasized that the actual formal preparation and presentation of a budget started in England in the middle age when the Chancellor of the Exchequer (equivalent of today’s Minister of Finance) used to always prepare one to be read out to the parliament.

It was stated further that the modern budget system was adopted in the United States in 1912 (Siyanbola, 2013). Today, it has been realized almost everywhere in the world even Uganda that

drawing out a budget and planning in general are essential procedures for the successful and sustainable existence of an organization or company coupled with its efficient financial performance thus emphasizing the existence of budgetary control policies (Mulani, Chi and Yang, 2015). It was said that the Implementation of these was greatly spearheaded by prominent international agencies such as International Monetary Fund (IMF), United Nations (UN), United States Agency for International Development (USAID) and World Bank which all gradually encouraged both developed and underdeveloped countries to adopt the usage of budgets and budgetary controls especially in their financial procedures (Siyanbola, 2013).

However over time, unlike several organizations and some companies, many MEs in this category according to Bartle (2008) have been proven through several researches and studies that there is a falling trend in the implementation and proper usage of budgets, budgetary policies and budgetary controls and this way, these same organizations, companies and MEs continue to register poor performance due to failure to pay close and serious attention to the vitality of making a budget and putting to use its accompaniments especially the budgetary

Budgetary controls according to Kumar (2012) refer to the way of controlling organizations in which different budgets are formulated with which these particular organizations identify their weak or lacking areas and strategically work on them for the better. Kumar (2012) further emphasizes that budgetary control involves analyzing the results of the budget once it is implemented. Literally, budgetary controls refer to a policy concerned with the amount of money available to an organization and its expenditure procedures. “It is a method of controlling an organization’s budget by regularly comparing records of how much money it earns, spends and need and then making changes to the budget where necessary,” quoted from Cambridge Business English Dictionary.

As for this particular research, budgetary controls are defined as policies and or techniques put across by management to enable medium sized enterprises (MEs) to assess and analyze their performance. This is achieved through making comparisons of the actual results at the end with their budget for that particular period and also to be able to make new plans, strategies or any necessary changes within the enterprises to overcome any weaknesses for the next financial period.

On the other hand, Eshna (2012) defines financial performance of an ME or any organization as the degree to which financial objectives are being or have been accomplished. She further termed it as an important aspect of finance risk management that involves measuring the results of the firm's policies and operations in monetary terms. The Business Dictionary literally defines financial performance of MEs as measuring the results of the firm's policies and operations in which these results are then reflected in the firm's return on investment, return on assets, value added amongst others ([www.businessdictionary.com/definition/financial-performance.html](http://www.businessdictionary.com/definition/financial-performance.html))

Regarding this research however, financial performance refers to the degree of financial achievement obtained by the medium sized enterprises at Brovard Hotel especially following the set objectives and financial targets for the particular targeted period of time

From one recent research in Nigeria, it was noted that for every organization doing exceedingly well on earth, they rely greatly and extensively on the usage of budgets and that the existence of budgetary controls in such organizations is just obvious and more so an additive to the enhancement of the budget. This is because they help improve general performance of the latter organizations through adequate and efficient resource allocation particularly finances. However, today several of the medium sized enterprises in Masaka Municipality are generally lacking the

efficient implementation procedures of the budgetary control policies and for those, whose existence of budgetary controls is confirmed, they lack proper usage and also lack proper and satisfactory presentation of their financial progress which leaves a gap and more disapproved financial performance. This is greatly evidenced in their lagging expansion procedure and overall development as well as their reluctance in meeting their obligations such as tax revenues.

## **1.2 Problem statement**

A study by Boquist (2001) noted that several medium sized enterprises actually continue to blunder and fail due to the existence of flawed budgetary planning and control systems which they themselves fail to recognize right from management. It was further stated that several of some of these companies and enterprises do not know the link there between budgetary control and performance which greatly leads to negative performance especially financially. This is also steered by the failure to recognize the essence of budgets and budgetary controls in the effort to achieve better performance results. A survey presented by Libby and Lindsay (2007), made in 2012 organizations in 2007 shows that a majority of managers agree that management through budgetary controls is needed. The research verified that managers have experienced negative effects to budgetary controls. The negative effects were that necessary investments are delayed to next year in order to reach a current target in negotiation to get lower budget targets. Some respondents to the survey agreed that budgets are not facilitating to evaluate performance true and fair. The failure of enterprises to recognize the essence of budgets and budgetary controls in their effort to achieve financial performance is the major problem under investigation, thus driving the researcher to examine the effect of budgetary controls on the financial performance of medium enterprises, taking a case study of Brovard Hotel.

### **1.3 Purpose of the Study**

To examine the effect of budgetary controls on the financial performance of medium sized business enterprises of Hotel Brovard in Masaka District, Masaka Municipality.

### **1.4 Specific objectives**

- i. To identify the different kinds of budgetary controls systems used by medium enterprises of Hotel Brovard.
- ii. To find out the challenges faced with the budgetary control system of Hotel Brovard.
- iii. To find out the possible solutions to the problems faced with budgetary control systems of Hotel Brovard.

### **1.5 Research Questions**

- i. What are the different types of budgetary control systems used by medium enterprises of Hotel Brovard?
- ii. What are the challenges faced with the budgetary control systems of Hotel Brovard?
- iii. What are the possible solutions to the problems faced with the budgetary control system of Brovard Hotel?

### **1.6 Scope of the study**

#### **1.6.1 Content Scope**

The scope purposely focused on the extent to which budgetary control existence in organizations or busines affect their financial performance particularly concentrating on medium sized enterprises of Hotel Brovard. This is because the researcher particularly needed to identify and establish how best these controls can be more beneficial to those enterprises using them.



### **1.6.2 Geographical Scope.**

The study was carried out at Hotel Brovard in Katwe Butego division, Masaka district in Masaka municipality on a series of medium-sized enterprise. This is because the researcher found out that this place was endowed with best enterprise which made it a proper representative of Masaka district. The researcher also thought that the enterprise was of proper samples for establishing the route at which the existent budgetary controls affect their financial and general performance stand.

### **1.6.3 Time Scope**

The compilation of this research covered a period starting from 2016-2018. During this period, the researcher used both secondary data and findings, and was able to review different textbooks and journals related to budgetary controls and financial performance that helped in the acquisition of literature review data from different authors, as well as developing interview guides and questionnaires that were distributed to the respondents of Brovard Hotel for data collection.

### **1.7 Significance of the study**

- 1) To the researcher as well as other academic scholars, the study was intended to enrich their research skills and to enable them exhaust the research abilities.
  
- 2) It was also intended to particularly benefit the targeted enterprise in as far as the wage of budgetary controls is concerned. This way, the researcher thought that it would bring to their

knowledge options, ideologies and procedures on how to better utilize them for more beneficial performance in regard to finance.

3) The study was also focused on the fact that it brought to notice several concerned authorities and well-wishers such as investors as regards the sustainable financial performance of medium sized enterprise of Brovard Hotel. This could enhance their performance through running more support from such performance procedures with the necessary and most satisfactory budgetary controls.

4) Finally, the research being one of the Uganda martyrs University requirements; it is a political fulfillment to the successful achievement of a degree award in BBAM.

## **1.8 Justification**

i) Over a given period of time that has passed, similar studies according to the researcher have not been commonly carried out and there was still less chance that any such studies would be carried out as yet. This research therefore acted as an awakening for any possible superstitions and ideologies here within to be implemented within the existent enterprise and those to come.

ii) This study was still intended to action and support from the responsible authorities upon enhancing the financial performance levels of the existent of medium sized enterprise at Brovard Hotel through better implementation of the budgetary controls.

iii) The research also aimed at tapping sustainable support and financial advice b from better knowledgeable and more equipped persons in helping the various enterprises to have better assessment programs and procedures of the most reliable budgetary controls for better financial performance.

### **1.9 Definition of key terms.**

Chartered Institute of Management Accountants [CIMA] Official Terminology (2005) defined a **budget** as a quantitative expression of a plan for a defined period of time and it may include planned sales volumes and revenues.

#### **Budgeting**

Armstrong (2006) defines budgeting as the process of creation of a budget: statement of quantitative and usually financial terms of planned allocation and the use of company's resources; it can be one year, five years or even longer term.

#### **Budgetary control.**

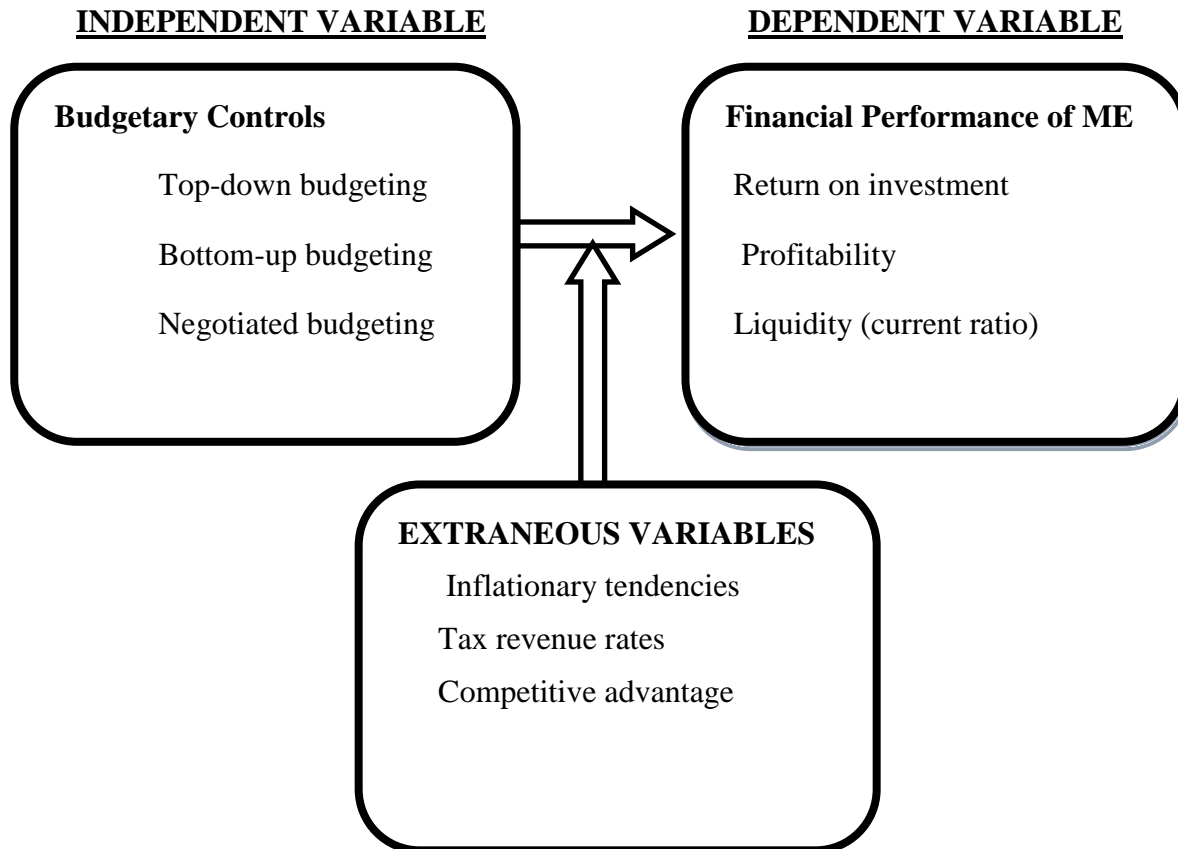
Budgetary control is a system of management control in which actual results for a period are compared with budget for that period (Dyson, 2001).

### **1.10 Conceptual Framework.**

As emphasized by Odiya (2009), a conceptual framework is figurative model that links up or conjoins identified concepts in their different variations.

John, D.S (2004) defines a budget as a statement which consists of revenues and expenditure estimates of the government for one particular year. On the other hand, Eshna (2012) defines financial performance as the degree to which financial objects are achieved.

**Figure 1: Conceptual framework for the effect of budgetary controls on the financial performance of medium sized enterprises of Brovard Hotel.**



*Sources: Researcher's Knowledge backed by data from Kat Kadian-Baumeyer, retrieved from; [www.study.com/academy/lesson/budget-controls-top-down-botom-up-zero-based-flexible-budgeting.html](http://www.study.com/academy/lesson/budget-controls-top-down-botom-up-zero-based-flexible-budgeting.html)*

From the above figurative analysis the conceptual framework enabled the researcher to give a summary of the three variables, independent variable, dependent variable, and the extraneous variable, clearly showing the extent to which they gradually influenced each other, other factors remaining constant.

## **1.11 Conclusion**

From a general analysis of chapter one, the researcher noted and figured out proper procedures through taking better note of the framework, the purpose of the study and the general outlook on how the targeted enterprises can better realize the most satisfactory financial performance levels through initiating a more pronounced assessment of the existed budgetary controls.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0. Introduction.**

This chapter linked the researcher to a proper review of other scholars` work and other theoretical presentations in view and relation of ideologies and opinions in regard to study at hand. Similarly the researcher had the opportunity to make far more enhanced suggestions and conclusions for the effectiveness of the study and its purpose.

#### **2.1 Theoretical review**

This study was guided by the accounting theory as explained by Bello (2008) who claimed that the latter theory plays a great role in budgetary control. According to his study, Bello (2008) noted that this theory provides for several utilities in the procedures of budgetary planning process and control process in several ways. It was thus adopted for this study because it digs deep into several more accounting and budgetary procedures which build a basis for general accounting control systems of Brovard Hotel. In the context of this study, the theory therefore holds that budgetary controls are an outcome of a series of procedures which in turn are the basis of matching out necessary performance procedures for an organization or MEs in this regard. Further still, Bello (2008) noted that, “Accounting theory models developed through researches have impacted positively in budgetary control.

#### **2.2 The concept of budgetary control**

The system of budgetary control can be traced back from the contribution of Anthony (2007) on management control. In Anthony’s framework, control activities in an enterprise are categorized

into three types, namely; strategic planning, management control and operational control. Strategic planning is the process of setting organizational or business goals and overall corporate strategies. Operational control is the process of ensuring that specific tasks are carried effectively and efficiently.

Management control links strategic planning and operational control. Buyers & Holmes (2003) defines budgetary control as “a system of controlling costs which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability.” This definition denoted the following essentials of budgetary control:

- i. Establishment of objectives for each function and section/unit of the organization.
- ii. Comparison of actual performance with budget.
- iii. Ascertainment of the causes for such deviations of actual from budgeted performance.
- iv. Taking suitable corrective action from different available alternatives to achieve the desired objectives.

The exercise of control in the organization or enterprise with the help of budgets is known as budgetary control. Drury (2001) defines control “as a process of ensuring the firm activities conform to its plan and that its objectives are achieved”. Thus, there can be no control in Brovard Hotel without objectives and plans. In addition, Drury (2001); a budgetary monitoring and control process assumes that expenditures must agree with budgeted plans and maintains information about expenditure. It helps expenditures to be kept within planned limits thus, assisting managers to track the flow of resources accurately and consistently.

Practically, budgetary control involves departmental or functional heads in the business, receiving a copy of budget relating to their activities showing over or under expenditure in

relation to budget allowance. From this departmental or functional heads will be able to decide on the corrective step to take. This is to say variances are the responsibility of departmental or functional heads and every one of them has to explain the variance and act in time to stop future occurrence of adverse variances.

Holland (2005) defines budgetary control as the establishment of mechanisms authorizing responsibilities of executive to the requirement of a policy and continuous comparison of actual results against plans, either to secure by individual action the objectives of that policy or to provide a basis for revision. In other words, budgetary control deals with regulating the activity of the business or organization to follow in the pattern that had previously been planned in the budget. Budgetary controls according to Kumar (2012) refer to the way of controlling organizations in which different budgets are formulated with which these particular organizations identify their weak or lacking areas and strategically work on them for the better.

usually include sales revenue, the sales of assets, issuance of stock and loans. Types under this classification include cash budgets which are simply a forecast of cash receipts and disbursements against which actual cash experience is measured, Capital expenditure budget which concentrates on major assets and the balance sheet budget which basically forecasts what the organization's sheet will appear like when all other budgets are met.

### **2.3 Different kinds of budgetary control systems.**

Generally there are different kinds of budgetary control systems used by different enterprises basing on their operations and some of these categories or types are discussed as follows below.



### **2.3.1 Top down budgeting.**

This starts at the top of an organization and is handed down to the lower departments. Under this type of budget control, enterprises create budgets basing on the combination of a forecasting for future revenues and expenses as well as actual budget results from the previous year. According to Folscher (2007), during the budgeting process , the top down budgeting guides the top management on how to get funds to finance the firm, the resources that are needed to run the business more to Brovard Hotel where top managers have to ensure that they find ways of getting the necessary resources such as labor to operate the business. In doing this, this would guide the enterprise to determine the various sources funds hence helping it to perform financially well.

### **2.3.2 Bottom up budgeting**

This is refined as the one that starts at the bottom of an organization. Under this type of budgetary control, the budget is decided upon by the lower level management after which it is presented to the top management for approval. This type makes financial management more efficient due to the fact that it is decided upon by the lower manager who exactly know how much is needed and in which department which makes it clear to follow up the financial performance of the particular departments and enterprises at large.

Responsibility accounting assumes that manager' influence costs and that the best way of controlling these costs is to hold these managers responsible for the costs they Influence (Garrison, Noreen & Seal, 2003). This means that bottom line or sectional managers are required to develop their own budgets and are then held responsible for meeting their targets. Bottom-up budget is most useful when lower-level managers actively are involved or engaged in the budgeting process. Participation adds reliability to the budgeting process and creates greater

commitment and accountability toward the budget, as budgets are set by management but the people to realize the budget standards are the staff.

Drury (2001) highlights that any control process which does not recognize human nature and its requirements may be counterproductive. That is participation must be emphasized; it has a huge potential for encouraging communication of organizational goals, improving attitude towards budgeting system and increasing subsequent performance. Hilton, et al. (2000) demonstrates, participative approach to budgeting since it can be more effective and people may be more motivated to achieve budgetary goals if they have consulted in the budget preparation.

Prior studies on the relationship between budgetary and financial performance have provided diverse results. Covaleski et al. (2003) found that, there exists a positive relationship between budgetary control and performance while other scholars found negative relationship. All in all, the key to successful performance necessitates the involvement of managers and personnel at all levels as it helps to ensure departments will attain targets and operate within the budget.

### **2.3.3 Negotiated budgeting.**

This is a type of budget that adopts both the top-down and participative styles of budgeting and creates an environment where there is shared responsibility for budget preparation. The budget process becomes collaboration between lower and top management rather than a one way exercise. In the combined approach, lower management submits the budget to upper management and then upper management modifies the submitted budget to reflect the operational knowledge that they have. Therefore, the approach chosen would to a large extent depend on the nature of the organization (Bratton & Gold, 2007). It is widely felt that budget

systems developed using participative or negotiated approaches would elicit greater support from workers and managers. .

**However there are other types of budgetary control that come as sub-types under the master budget as discussed below.**

1) Operating budgets, these relate to a planning of activities or operations of the enterprise such a production, sales, and purchases. The basic purpose of this budget is to achieve the expected performance of an individual and this can be achieved by comparing the actual performance of a responsible individual. The types included in this category include the sales or revenue budget which focuses on income the organization expects to receive from normal operations, the expense budget which outlines the anticipated expenses of the organization in a specified time period and the project budget which focuses on anticipated differences between sales or revenues and expenses.

2) Financial budgets; these provide detailed information on where the organization expects to get its cash for the next performance period and the planned expenditures. Sources of cash here usually include sales revenue, the sales of assets, issuance of stock and loans. Types under this classification include cash budgets which are simply a forecast of cash receipts and disbursements against which actual cash experience is measured, Capital expenditure budget which concentrates on major assets and the balance sheet budget which basically forecasts what the organization's sheet will appear like when all other budgets are met.

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which concentrates on major assets and the balance sheet budget which basically forecasts what the organization's sheet will appear like when all other budgets are met.

#### **2.3.4 Procedures while preparing budgetary controls.**

According to [www.myaccounting.com](http://www.myaccounting.com), it was stated that budgetary control process basically entails four typical steps or procedures followed by managers, and these are elaborated below.

1) The first step generally involves creation of a budget. This is defined simply as a set financial goals or aims which management wishes to achieve in conjunction with the organizational values. These goals also vary accordingly per organizational settings.

2) Having created the budget, the second step is one that entails comparison procedures, analysis and interpretation procedures whereby during these procedures, management practically focuses on the actual performance results in relation to the budgeted goals through observing the budget.

3) Having made the necessary comparisons, the next step is endeavoring to maintain and strengthen the more favourable ones whilst uplifting and improving the lacking ones to satisfactory levels for better performance. In the presence of a budget report, it therefore becomes easier for management to easily identify and focus on lacking or underperforming areas.

4) The fourth which is the final step is the one that happens at the end of an accounting period. At this moment, management is availed with the opportunity to look through the entire proceedings of the completed period upon which they base to make plans and preparations for the next period. This also involves further detailed comparisons of the previous or original

budget with the actual performance as well as strategies used to overcome any problems that may have arisen all through the previous period. This further becomes a base to making stronger plans and laying more effective strategies in preparation to any similar problems that may arise in the next period. classification include cash budgets which are simply a forecast of cash receipts and disbursements against which actual cash experience is measured, Capital expenditure budget which concentrates on major assets and the balance sheet budget which basically forecasts what the organization's sheet will appear like when all other budgets are met.

## **2.4 Financial performance**

Performance refers to the extent to which an organization's goals and objectives are achieved effectively and efficiently while financial performance is a general measure of a firm's overall financial health status over a given period of time. According to San and Heng (2011), performance can be measured by using variables such as firm's cash flow, working capital, cost base, borrowing as well determining the firm's growth.

Organization's performance (OP) is partly dependent on its technology, processes, systems and employees. It is concerned with efficiency and effectiveness of operations. It is an indicator which measures how well an enterprise achieves their objectives, (Hamon, 2003). An organization can assess its OP according to the efficiency and effectiveness of goal achievement (Robinson, & Last, 2009).

However, Stoner (2003), as cited by Mawanda (2008), states that, performance refers to ability to operate efficiently, profitability, survive grow and react to environmental opportunities and threats. In agreement with this, Sollenberg and Anderson (1995) assert that performance is

measured by how efficient the business is in use of financial resources in achieving its objectives.

## **2.5 Challenges faced with budgetary control systems of medium enterprises of Brovard hotel**

Budgets controls have myriad of challenges that can at times be a hindrance towards achieving the overall effects of budgetary control. According to Margah (2005) many of the increasing problems experienced by organizations attempting to manage their budgetary control procedures have been laid at the door of the budget as discussed below.

### **2.5.1 Ties to Compensation**

While budgets may be an effective tool to motivate employees, managers should communicate strict expectations regarding ethics in budgeting. For example, managers who are compensated based upon achieving a level of sales relative to a budget target may be tempted to shift sales from a current period to a later period during periods of high revenue. Managers having trouble making bonus targets could resort to fabrication or fraud to make the grade in companies where budgetary performance is strongly linked to bonus compensation, managers must be especially vigilant.

### **2.5.2 Departmental conflicts.**

Budgetary control systems always reinforce departmental barriers rather than encouraging knowledge sharing and this may arise due to lack of co- operation between departments as they are preoccupied with their own budgets hence a challenge in budget formulation and implementation.

### **2.5.3 Employee acceptance (apathy)**

This is one of the most difficult challenges during budgetary control process as some members of the worker force may be difficult to motivate because they may not want to participate since the budgets be perceived by them as a pressure device imposed by top management and can have an adverse effect on employee morale.

### **2.5.4 Inadequate management support**

This becomes a challenge when the enterprise lacks enough support from the management with a positive attitude towards budgeting and providing a direction to budget implementation and control for example the management may fail to provide support to workers in terms of capital, resources needed during the operation hence making budget implementation and control difficult.

### **2.5.5 Lack of flexibility of budgetary control structures.**

This challenge arises where the management fails to realize the need to embrace flexible and adaptable budgetary planning and control systems which have the ability to respond quickly to environmental changes and complexities yet a good budgetary planning and control system must involve not only an analysis of capital allocation requests, but also an analysis of all the capital needed to generate information such as market research, prior implementing budgeted activities.

### **2.5.6 Setting goals**

Managers involved in creating budget targets -- the financial goals used in the budgeting process often struggle to determine the appropriate level of aggressiveness. Some managers argue that

targets should be extremely challenging, and that employees should have to stretch to make their goals. Others say that this practice is demotivating and that budget goals should be achievable by employees who exert reasonable effort. In either case, managers should consider graduated levels of success. Instead of evaluating employees as achieving or not achieving a budget goal, managers can evaluate them with a tiered system. A worker who misses a budget target by a large amount would be considered off-target, one who achieves the budget goal would be on-target, and an employee who exceeds expectation would be considered above target.

## **2.6 Possible solutions to the challenges faced with budgetary control systems of medium enterprises of Brovard Hotel in Masaka district**

### **2.6.1 Participation of members.**

Budget preparation and control are done at the top level. However, involvement of all persons, including at the lower level is necessary in framing the budget and its implementation for the success of budgetary control. Hilton, et al. (2000) noted that in practice, budgets are executed at the lower level. With experience, they can offer practical suggestions that can lead to success. Therefore, the success of budgetary control system depends more on active participation of all employees of the organization.



### **2.6.2 Clear and realistic goals**

A budgeting system operates better where the objectives and goals of the organization or enterprise are unambiguous. That is, the objectives and goals must be clear and understood to insure consistency in the enterprise. In absence of clear goals, employees will lack a proper direction. Thus, the financial manager or budget officer must ensure that objectives and goals are properly laid down, as well as departmental goals must align with organization corporate goals. In addition, previous studies by Yuen (2004) also states that clear goals promote the performance of employees by urging them to do the best.

### **2.6.3 Ensuring flexibility of budgetary control structures.**

Future is uncertain. Despite the best planning, still there may be occurrences that may require adjustments. Budgets should work in the changed circumstances therefore; flexibility in budgets is required to make budgets work under changed circumstances. As otherwise it may not make for better control and comparison of actual and budgeted figures if flexibility is lacking (Drury, 2001).

### **2.6.4 Adequate management Support**

Amoako and Acquah (2008) conceptualize that, for budgetary control system to be successful, it must be initiated and supported by management. A company will be able to implement its budget plans efficiently if management has a positive attitude towards budgeting and provides direction for budget implementation and control thus adequate management support should be emphasized in Brovard hotel in order to ensure proper

### **2.6.5 Proper Communication**

Proper communication is also a condition for effective budgetary control system, because communication creates understanding among employees. The flow of information should be quick so that the budget is implemented hence two-way communication is important. What is required to be achieved and how it is to be achieved should reach the lowest level. Similarly, Holland (2005) added, upward communication in respect of implementation difficulties should reach the top level to sort out without loss of time. The performance reports from various levels help the top management in monitoring and evaluating the general performance of the organization.

In conclusion, the general analysis of this chapter is to help the researcher note the detailed meaning of budgetary control systems with their financial performance indicators, the challenges faced by these budgetary controls and how they can be solved.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0. Introduction**

This chapter basically examined the research design required for the study, the study population, the area of study, the sample size and selection, as well as the techniques, the data collection method to used, data management and analysis, reliability and validity of the data collection tools, ethical considerations and finally limitations to the study.

#### **3.1 Research Design:**

Sekeran (2009) defines a research design as the scheme, outline or plan that is used to generate answers to research problem. He adds that a research design is the master plan specifying the methods and procedures for collecting and analyzing the needed information. Therefore, the researcher used the longitudinal research design for this particular study and Amin (2015), defends this research design as one which involves periodic follow ups of the targeted sample list involving repeated observation of results over time. The researcher therefore made repeated studies of several medium sized business enterprises of Brovard Hotel as regards their usage of budgetary controls as this necessitated better analysis procedures and comparisons over time for better calculation of their financial performance.

### **3.2 Area of the study**

The study was carried out at Hotel Brovard located along Masaka – Nyendo road, Katwe Butego division in Masaka district. The location was chosen because it would enable the researcher to easily reach the target population thus reducing the costs such as transport.

### **3.3 Study population**

Under the population of the study, the researchers' target population covered the medium sized enterprise of Hotel Brovard in Masaka district; the accessible population comprised of approximately forty five (45) people within this hotel. The actual population thus involved a few individuals from this particular ME ranging from managers to the employees (waiters and waitresses), security guards, accountants, and customers from whom the researcher ensured free-willed and voluntary provision of information for a successful research procedure.

### **3.4: Sample size and selection:**

Sampling is defined by Amin (2005) as the process of selecting elements from a population to represent it. The size of the study's sample consisted of 45 members. Out of the forty five (45), the researcher selected thirty (30) members from Brovard hotel regardless of the gender who acted as respondents from the ME. These were interviewed and also requested to fill questionnaires that were availed to them which helped to ensure a variation of information for better analysis and comparison purpose.

### **3.5: Sampling techniques:**

The researcher in this regard used the simple random sampling technique. Ochieng (2009) describes this techniques as one in which each individual of the population is given equal opportunity to be chosen as a sample for the research exercise. The researcher therefore selected randomly from the individuals targeted ME who acted as the most appropriate samples for the efficiency of the research exercise as to the effect of budgetary controls on the financial performance of the medium enterprises

### **3.5: Methods of data collection:**

The researcher involved several most efficient and reliable data collection methods for this research and these basically included questionnaire methods, interview methods which were basically primary data sources, and document analysis which was for secondary analysis. These were briefly expanded on below.

#### **3.5.1 Questionnaire method**

According to Leedy (1984), questionnaires are appropriate instruments widely utilized by researchers to obtain facts about current conditions, practices and also to make inquiries concerning attitudes and opinions. In this research procedure, the researcher utilized the questionnaire method under which questionnaires were distributed amongst respondents within the target population. There were prizes questions to enhance the response rate of individuals. The reason for this method was to necessitate data collection over a shorter period of time and from a under collection over a shorter period of time and from a under range of respondents as

emphasized by Amin (2005).The other identified reason was that this method provided quicker collection of data and better comparison procedures.

### **3.5.2 Interview method:**

Ochieng (2009) describes this method as one involving the researcher drafting a series of questions in regard to the study topic at hand after which these questions are used as a basis for collecting or obtaining information from respondents. The researcher designed an interview guide which contained both closed and open ended questions. These questions were related to the topic under the study because they helped the researcher to collect adequate information from the respondents. Open ended questions were designed or administered to knowledgeable persons while closed questions were administered to those people who could not read and write which enabled the researcher to collect the required data effectively. These forms were used by the researcher because of their characteristics that they encourages collection of un based data which is yet more valid and also from the face-to –face interaction, more clarity was realized as well as extensive understanding of the validity within a response.

### **3.5.3 Document analysis.**

This is a method that involves reviewing existing documents especially from previous researches, text books, internet, written reports as well as articles or newspapers to be used as an aid for data collection. This is basically secondary data and according to Amin (2005), secondary data collection is one of the most widely used methods in collecting data because these are usually easier to access. The researcher thought that this would be an even more reliable method

if a few documents as regards budgetary controls and financial performance of Hotel Brovard were used.

### **Reliability and Validity**

These are two essential concepts to bear in mind especially when the most sufficient research tools to be used for a particular research exercise. Amini (2005) defines validity as the appropriateness of an instrument used while reliability was defined as that particular instruments used while reliability was defined as that particular instruments consistency in measuring that it is intended to measure. The researcher therefore ensured validity through usage of content as a procedure which Odiya (2009) describes as one under which attention is directed onto the extent to which results from usage of a particular tool correspond with the content relating to a given theory it was designed to measure.

### **3.8 Ethical consideration.**

It was assumed that for all researches carried out, there should be procedures borne in mind to avoid the research exercise from becoming a risky procedure or a source of troubles in any way to either the respondents or the researchers themselves. (Fowler, 2009). This therefore calls for maximum confidentiality as well as assurances to the respondent. The ethical considerations for this research involved the following

- a) Privacy, the respondents were well assured of the total protection of all their information without letting it be scattered just anywhere.
- b) Anonymity, the researcher fully ensured no exposure of respondents whether by name or location or in any other form unless it was willed by the respondents.

c) Consent with awareness, in this regard, respondents were first informed about the purpose of research and too further ensured that they were willing to participate wholly without doubts.

### **3.9 Limitations**

The researcher faced several limitations throughout this research exercise and some of them included the following;

❖ Limited time for the research exercise, with the research having to be handed in almost after only a few months the researcher noticed already that the time was so limited for a fully particular analysis to be made.

Financial challenge, this basically was felt in the efforts to move around collecting data as the researcher wanted to reach out to several individuals within the enterprise which the researcher failed to reach due to the financial limitations.

### **3.10 Conclusion**

In conclusion this chapter basically provided the most relevant bits of the study as it generally embarked on providing a systematic preparation to providing an all-around basis for collection and extracting the purpose of the research at hand for the benefit of Me in Masaka district at Hotel Brovard in relation to their budgetary controls usage in uplifting their financial stat



## **CHAPTER FOUR:**

### **DATA PRESENTATION AND DISCUSSION**

#### **4.0 Introduction**

This chapter presents the findings of the study and discussion. The researcher in this chapter used tables, frequencies and percentages to present the information collected from the field.

#### **4.1 Background information**

Brovard Hotel was used as a case study where the first section deals with the background information of respondents while the second section presents findings in relation to the objective one which is, to identify the different types of budgetary control systems used by medium enterprises of Brovard hotel in Masaka district.

The third section presents findings in relation to objective two which is to find out the challenges faced by the budgetary control systems of Brovard hotel in Masaka district.

The fourth section presents the findings to the third objective of the study which is to find out the possible solutions to the challenges faced by budgetary control systems of the enterprise.

Thirty copies of questionnaires were given out to different respondents by the researcher and only 25 out of 30 which is 83% of the questionnaires were collected back from both the workers and customers of Brovard hotel.

The questionnaires being collected by the researcher were made in three forms, which were for the employees, customers and the managers of Brovard hotel in Masaka district. Data in relation to the study questions that were formulated is presented in this chapter.

#### 4.1.1 Gender distribution of respondents

The gender distribution of respondents was established. This aimed at knowing how the females and males actively participate in the running of the enterprise and how they perceive budgetary control systems. The study targeted both females and males which gave a variety of findings that were gender balanced as shown in table 1 below.

**Table 1: showing gender distribution of respondents**

Gender	Frequency	Percentage (%)	Cumulative percentage
Female	16	64	64
Males	09	36	100
Total	25	100	

**Source: primary field data 2018**

The study revealed that the majority of respondents were females as compared to the males.

The number of females who participated in the study was represented by 16 (64%) and 09(36%) of the respondents who were males. This is because Brovard hotel deals more in activities that require more women such as serving food, peeling and cooking which most men cannot do.

#### 4.1.2 Age of distribution of respondents

The age distribution of the respondents in the study was also an important factor in the process of understanding the effect of budgetary controls on the financial performance of medium enterprises. This was because different age groups understood this effect differently. According to the study findings, the respondents' views were as follows.

**Table 2: showing the age distribution of respondents**

Age group	Females	Males	Frequency	Percentage (%)	Cumulative percentage (%)
20-25	03	01	4	16	4
26-30	06	04	10	40	14
31-35	02	04	6	24	20
36-40	05	00	5	20	25
Total	16	09	25	100	100

**Source: Primary data 2018**

Basing on the above table,40% of respondents ranged between the age of 26-30 years followed by 24% who were between 31-35, 20% of respondents were between the age of 36-40 and 16% were between 20-25 years. Respondents who were between the age bracket of 26-30 represented the highest percentage because the enterprise employs more youths who are able bodied in the running of its operations compared to old people who may be weak and slow in performing certain activities.

#### **4.1.3 Education level of respondent**

In order to get valid information from all categories of people, different levels of education were considered during the study as indicated below.

**Table 3: showing education level of the respondents**

<b>Education level</b>	<b>Female</b>	<b>Male</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage</b>
Bachelors degree	02	00	02	08	08
Diploma	03	00	03	12	20
Certificate	05	02	07	28	48
Primary	02	04	06	24	72
Others(who did not go to school)	04	03	07	28	100
Total	16	09	25	100	

**Source: Primary data 2018**

Basing on the level of education, it is revealed that most of the respondents had attained a certain level of education. The level of education varied from bachelors to primary. The percentage of those who were not educated is 28%. This shows that employees at Brovard hotel had attained different levels of education and it also indicated that at least 08% of the employees had a bachelors degree and also 12% had a diploma and therefore, these people had some knowledge on how to manage business using different budgetary control systems compared to those who were not educated.

#### **4.1.4 Level of occupation**

This was also considered during the process of collecting data from respondents because it helped the researcher to know the different tasks performed by different people at the work place.

**Table 4: showing the occupation level of respondents**

<b>Occupation level</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage (%)</b>
Manager	2	08	08
Cashier/ accountant	1	4	12
Employees	20	80	92
Security guard	2	08	100
Total	25	100	

**Source: Primary data 2018**

Basing on the above information in the table, it is shown that 80% of respondents were employees of the organization, 8% managers and security guards and 4% cashier. Employees had the biggest percentage of respondents because they are the ones who make up an enterprise with a variety of activities to be performed by them using different budgetary control systems that enable the enterprise to minimize costs and maximize profits.

**Table 5: How long have you worked with your current position.**

The study intended to determine the length of working experience by the respondents in their current positions among those who could be involved in the formulation and implementation of the budget. The results are as presented below.

<b>Years of working experience</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage %</b>
Less than one year	3	12	3
1-5 years	15	60	18
6-10 years	4	16	22
Over 10 years	3	12	25
Total	25	100	100

**Source: Primary data 2018**

The data in table 5 above shows that 12% had worked for less than a year, 60% had worked for 1-5 years, 16% of the total respondents had worked for 6-10 years, while

12% of the respondents had worked for over ten years. This implied that majority of the respondents had worked for more than one year with the organization and therefore had extensive experience with the organization and helped to reveal various aspects on implementation of the budgetary control systems. Again this is supported study done by Flynn (2006) who noted that most of the respondents experienced in their jobs, effectively perform their jobs.

#### **4.2 Presentation and Discussion of findings**

The study focused on the budgetary control systems used by medium enterprises taking a case study of Brovard hotel located along Masaka Nyendo road in Masaka district. A sample of 30 respondents from Brovard hotel was selected and questionnaires distributed to them.

#### 4.2.1. Types of budgetary control systems used by the enterprise

The objective one was to find out the different kinds of budgetary control systems used by medium enterprises specifically focusing on Brovard hotel in Masaka district.

##### 4.2.1.1. Respondents views on whether BH uses top down budgeting as a budgetary control system.

The study respondents were required to indicate whether BH uses top down budgeting as a budgetary control system. This was purposely to establish whether they had any knowledge concerning the effect of budgetary controls on the financial performance of medium enterprises.

**Table 6: Showing whether top down budgeting is one of the budgetary control systems used by BH.**

Response	Female	Male	Frequency	Percentage (%)	Cumulative percentage (%)
Yes	15	7	22	88	88
No	00	2	2	8	96
Not sure	01	00	1	4	100
<b>Total</b>	16	9	25	100	

#### Primary field data findings 2018

From table 6 above study findings revealed that the biggest percentage of 88(100%) of the study respondents said BH uses top down budgeting as a budgetary control system in its enterprise. After establishing that almost the study respondents said yes that BH does uses top down

budgeting this implied that FP of BH was better because control systems were highly depended on.

#### **4.2.1.2 Respondents views on whether bottom up budgeting in BH has helped to improve its financial performance.**

This was mainly to establish whether BH uses bottom up budgeting which is considered to be the most important part in organization to achieve good FP which is a key goal for all organizations or enterprises. It was essential in that it helped researcher determine whether BH has this kind of budgetary control system.

**Table 7: Showing whether bottom up budgeting has helped BH to improve its financial performance.**

<b>Response</b>	<b>Female</b>	<b>Male</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage (%)</b>
Strongly agree	03	02	05	20	20
Agree	08	02	10	40	60
Not sure	02	04	06	24	84
Disagree	03	00	03	12	96
Strongly disagree	00	01	01	04	100
Total	16	09	25	100	

**Source: Field data findings 2018**

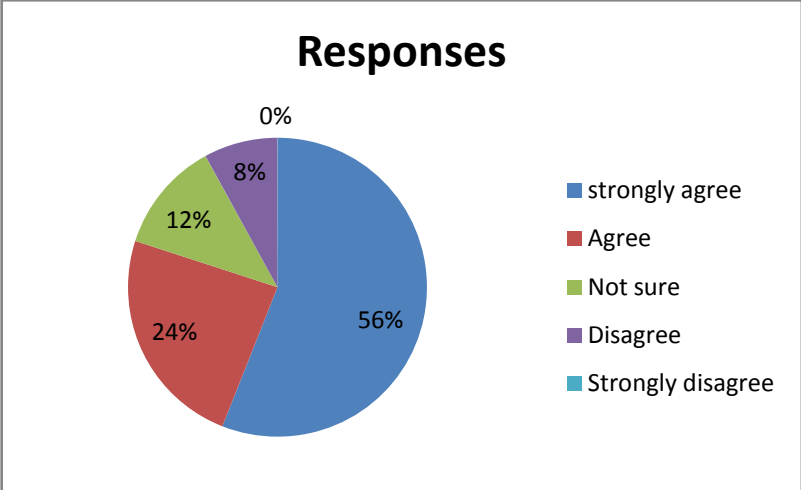


From the information in the table above that was collected from the field, it shows that the highest percentage which was 40% of respondents agreed that bottom up budgeting has helped BH to improve its financial performance followed by 24% who were not sure because customers were also involved during the process of collecting data.20% of the respondents strongly agreed, 12% disagreed, and 4% strongly disagreed that bottom up budgeting has not helped BH to improve its financial performance.

**4.2.1.3 Negotiated budgeting helps BH to ensure that there is a shared responsibility between top management and lower management.**

The study also wanted to show how negotiated budgeting has helped to ensure that there is a shared responsibility between the top management and lower management. This can be mentioned as below

**Figure 2: showing respondents’ views on whether negotiated budgeting BH helps to ensure that there is a shared responsibility between the top management and lower management**



Source: field data findings 2018

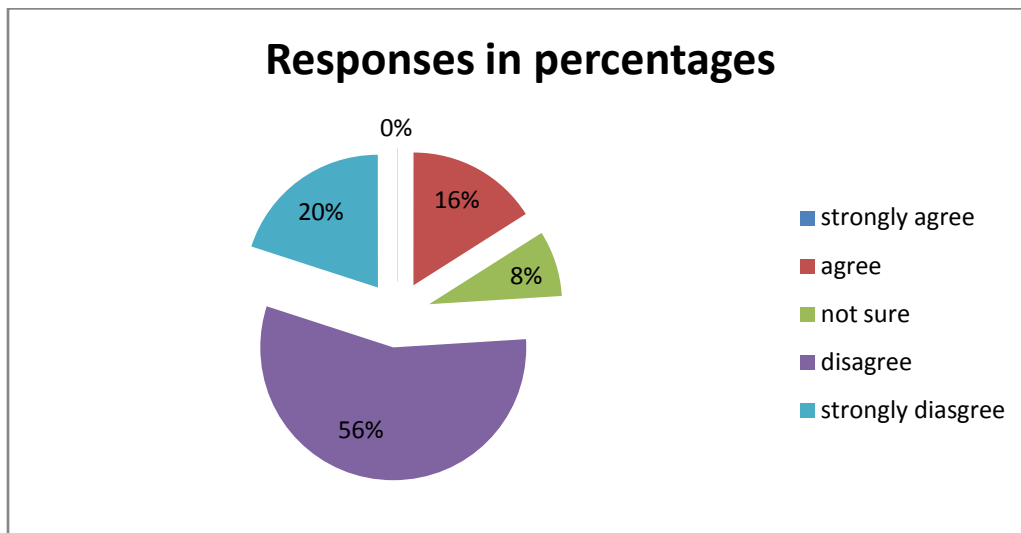
Basing from the above pie chart, it is revealed that 14(56%) of the respondents strongly agreed that negotiated budgeting helps BH in sharing responsibilities, 6(24%) also agreed, 3(12%) of the respondents were not sure, and 2(8%) of the respondents disagreed with the statement. Therefore, since the biggest percentage strongly agreed with the statement, this implies that there is a shared responsibility in BH which helps to ensure greater support from workers and managers.

### 4.3 Challenges faced with the budgetary control systems of BH

There were a number of responses regarding the challenges faced with the budgetary control systems of BH. The findings were as follows below.

#### 4.3.1 Inadequate management support

**Figure 3: Showing respondents responses on whether inadequate management support affects the budgetary control systems of BH.**



Basing on the figure above, it is revealed that there was no respondent who strongly agreed that inadequate management support in BH affects its budgetary control systems, 4(16%) of the

respondents agreed with the statement, 2(8%) respondents were not sure with the statement, 14(56%) of the respondents disagreed with the statement, and 5(20%) of the respondents strongly disagreed with the statement which means that this BH no average had some management support to effect its budgetary control systems. Therefore, this challenge was not highly affecting its budgetary control systems.

**4.3.2 Responses from the respondents on whether failure of managers to communicate strict expectations from employees contributes to poor organizational performance.**

Data from the field was collected and analyzed in regard with the respondents’ responses on whether failure to communicate strict expectations from employees contributes to poor organizational performance. The findings were as follows below

**Table 8: showing respondents responses on whether failure to communicate strict expectations from the employees contributes to poor organizational performance.**

<b>Responses</b>	<b>Female</b>	<b>Male</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage (%)</b>
Strongly agree	09	06	15	60	60
Agree	05	02	07	28	88
Not sure	00	00	00	0	88
Disagree	02	00	02	08	92
Strongly disagree	00	01	01	04	100
Total	16	09	25	100	

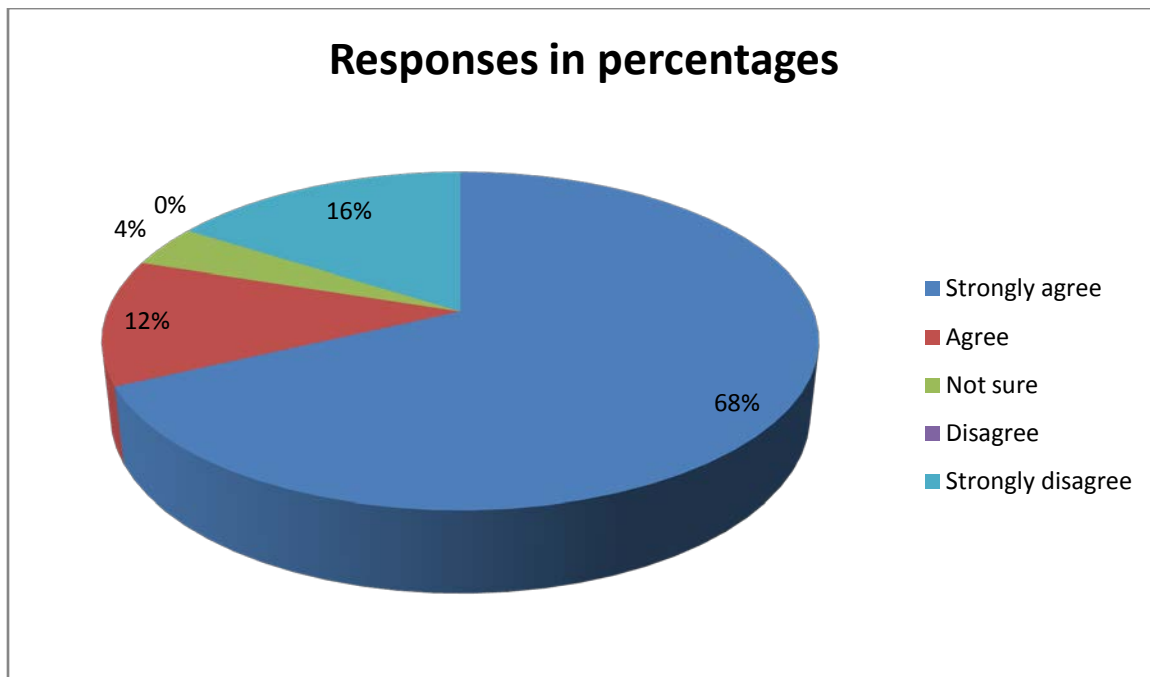
**Source: Primary data 2018**

The table above shows that 15(60%) of the respondents strongly agreed that failure to communicate strict expectations from the employees contributes to poor organizational

performance, this was followed by 7(28%) of the respondents who also agreed with the statement, there were no respondents who were not sure of the statement, 4% respondents disagreed with the statement, and 8% respondents strongly disagreed with the statement. This implied that the highest percentage agreed with the statement which means that it was collect.

### 4.3.3 Absence of clear and realistic goals and objectives within the enterprise leads to lack of proper direction by the employees

**Figure 4: Showing respondents responses on whether absence of clear and realistic goals and objectives within the enterprise leads to lack of proper direction by the employees.**



**Source: Primary data 2018**

Of the 25 respondents that were effective,17(68%) strongly agreed that absence of clear and realistic goals and objectives within the enterprise leads to lack of proper direction by the employees,3(12%) also agreed with the statement,1(4%) were not sure and 4(16%) respondents

strongly disagreed with the statement. This implied that challenge was true basing on peoples responses towards it.

#### **4.4 Solutions to the challenges faced with budgetary control systems of BH**

There was a need to find out the necessary solutions to the challenges faced with budgetary control systems of BH.

##### **4.4.1 Creation of clear and realistic goals in an enterprise helps to promote consistency of performance.**

The study wanted to know whether creation of clear and realistic goals in BH helps it to promote consistency of performance by the employees. The results were as indicated in the table below.

**Table 9: Showing responses from the respondents on whether creation of clear and realistic goals in BH can help to promote consistency of performance by the employees.**

<b>Responses</b>	<b>Female</b>	<b>Male</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage (%)</b>
Strongly agree	05	06	11	44	44
Agree	09	03	12	48	92
Not sure	00	00	0	0	92
Disagree	02	00	02	08	100
Strongly disagree	00	00	00	00	100
Total	16	09	25	100	100

**Source: Primary data 2018**

From the table above, the findings show that 11(44%) of the respondents strongly agreed with the statement, 12(48%) also agreed with the statement, and 8% of the respondents did not agree that consistency of performance by employee can be promoted through clear and realistic goals and objectives.

#### **4.4.2 Proper communication in BC creates clear understanding of what is required to be achieved and how it can be achieved.**

The study also wanted to find out whether proper communication in budgetary controls of BH can create clear understanding of what is required to be achieved and how it can be achieved.

**Table 10: Showing respondents responses on whether proper communication in budgetary control systems of BH can create clear understanding of what is required to be achieved and how it can be achieved.**

Responses	Female	Male	Frequency	Percentage	Cumulative percentage	
Strongly agree	10	07	17	68	68	
Agree	02	02	04	16	84	
Not sure	00	00	0	0	84	
Disagree	00	04		16	100	
Strongly disagree	00	00	0	0		

**Source: Primary data 2018**

Basing on the table above, it is revealed that 68% of the respondents strongly agreed with the statement, 16% also agreed and even 16% of the respondents disagreed with the statement. This indicates that proper communication should be considered as a solution for overcoming the challenges mentioned.

#### **4.4.3 Adequate management support initiates successful implementation and control of budget plans.**

The study wanted to prove whether adequate management support helps to initiate successful implementation of budget plans as it was emphasized in the literature review

**Figure 5: Showing respondents vies on whether adequate management support can help BH to initiate successful implementation of its budget plans.**

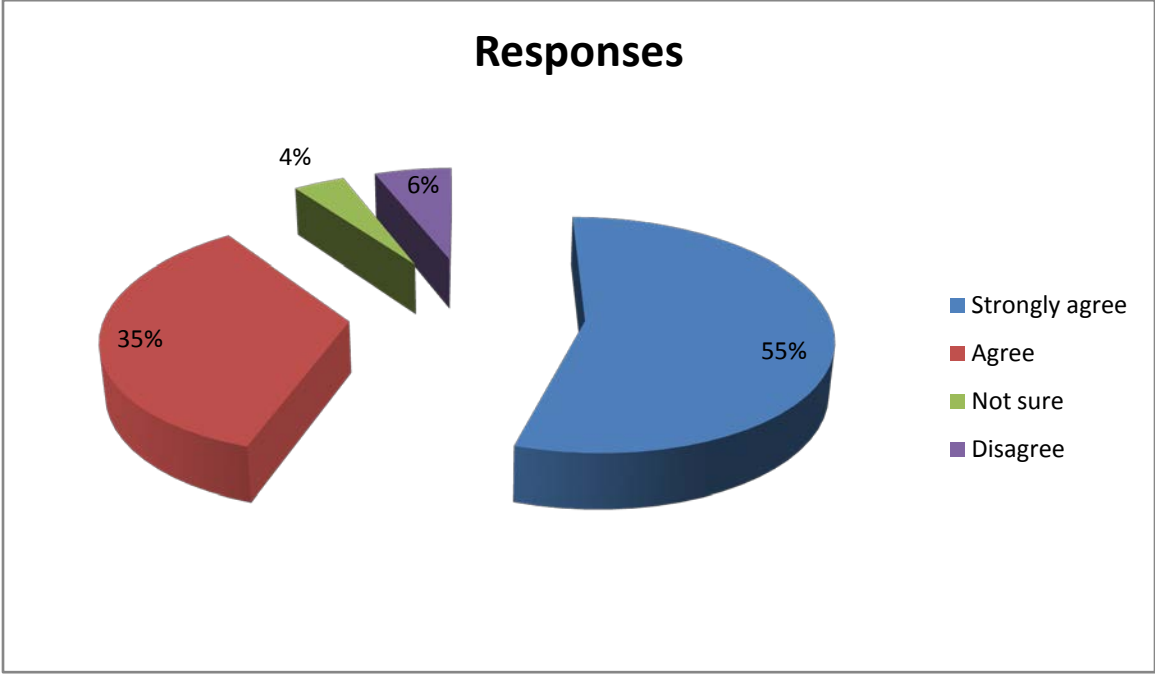


Figure 5 above indicates that 55% of the respondents strongly agreed that adequate management support initiates successful implementation of budgets and control, 35% agreed, 4% were not sure with the statement while 6% did not agree. This shows that respondents appreciate adequate management support since it leads to successful implementation of budget plans hence success of budgetary controls.

**4.4.4 Involvement of all persons in framing and implementation of budgets.**

This was the last solution to the challenges and the study wanted to prove whether this was a right solution. The responses from the respondents were as follows below.



**Table 11: Showing responses on whether respondents agreed that involvement of all persons in framing and implementation of budgets ensures their success.**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative percentage (%)</b>
Strongly agree	18	72	70
Agree	5	20	92
Disagree	2	8	100
Total	25	100	100

**Source: Primary data 2018**

Table 11 shows that 72% of the respondents in BH strongly agreed that involvement of all persons in framing and implementation helps to ensure success of budgetary controls, 20% agreed with the statement and 8% of the respondents did not agree with the statement. This means that since the biggest percentage agreed with the statement there it was valid.

### **Conclusion**

This chapter highlighted the findings obtained from the data collected from different respondents. The findings presented were in line with the research objectives which were discussed in chapter two. Data was presented in tabular form, and pie charts showing variances in frequencies and percentages.

The findings in this chapter were then used in chapter five to provide a summary, conclusions, and recommendations to the study as well as making suggestions for further research areas.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter presents a summary of the major findings of the study, draws conclusions and gives recommendations from the study and area of further research.

#### 5.1 Summary

This study started with the foresight of the entire study consisting of the introduction of the subject matter of the research work which is the effect of budgetary controls on the financial performance of medium sized enterprises taking a case study of Brovard hotel in Masaka district.

The review of Literature was collected using the set objectives which were, to find out the different types of budgetary control systems used by the enterprises.

To find out the challenges faced with the budgetary control systems of BH in Masaka district.

To find out solutions to the challenges faced with budgetary control systems majorly in BH

In collecting data, the study used a research methodology which involved the use of questionnaires, interviewing and secondary data got from various books from the library and from the internet which made data collection and analysis easier .The study involved 25 respondents of which 9 were males and 16 were females.

The study revealed that Brovard uses more female employees as compared to male employees. Majority of the employees had worked in the BH for one to five years. The findings also revealed that BH had some employees with bachelor's degree and also with certificates which

meant that its finances are well catered for by those individuals. Research further more found out that the major challenge affecting budgetary control systems of the enterprises is failure to communicate strict expectations from the employees which leads to poor performance. However this could be solved by involving all persons in framing and implementation of budgets in order to ensure success of budgetary controls and also ensuring proper communication of what is required to be achieved and how it can be achieved.

## **5.2 Conclusions.**

Basing on the objective one, which was to find out the different types of budgetary control systems used by the enterprises, the study revealed that negotiated budgeting was the most preferred type of control by the respondents because it involves shared responsibilities between the managers and employees hence leading to proper formulation and implementation of budgets.

Data was collected using tools such as questionnaires which were being distributed to different respondents and provided appropriate answers related to the topics, data collected was fed into tables, pie charts and presented in form of figures and tables in chapter four. Therefore, this chapter was based on the research questions and study objectives.

The study concluded that the budgetary control systems of BH need to be more improved upon in order to enable it accumulate more capital for running its day to day operations. It also needs to publicize more its enterprise so as to make members all over the world aware of the services.

## **5.3 Recommendations**

In the view of the study findings and conclusion reached, the study recommends the

following to Brovard Hotel and other related organizations or enterprises with respect to budgetary control:-

### **5.3.1 Top management support**

In order for Brovard hotel (BH) and other related organizations to implement its budgetary controls and achieve the intended financial goals there must be a support of top management. The management should provide the material and non-material support to budgetary control officers. Doing so; Brovard enterprise will be in the position of implementing its budget effectively.

### **5.3.2 Communication of strict expectations from employees by the managers.**

The study recommends that in order to ensure proper implementation of budgetary controls at BH, managers together with the top management should communicate properly to the employees what they expect them to do in order to ensure better performance of the enterprise.

### **5.3.3 Training and development**

The study recommends that training should be given Brovard hotel staff and any other stakeholder of annual financial budget implementation this can be through attending seminars' and organizing workshops that are related to budgetary control. Also, National Board of Accountants and Auditors (NBAA) can be involved by the enterprise so that they can provide training to the stake holders of budgetary control hence improving and increasing on its performance.

#### **5.3.4 Involvement of all persons in framing and implementation of budgets.**

Basing on the study findings, the study recommends there should be involvement of all persons in framing and implementation of budgets in order to ensure success of budgetary controls since the findings revealed that this technique was not clearly realized in the in the budgetary control systems of Brovard hotel yet it greatly affects its performance

#### **5.3.5 Risk assessment and management**

The study recommends that in order to effectively implement the budget and achieve budgetary control there must be risk assessment and control. This may cover quality, quantity and time. This can be achieved through the support from Government by ensuring on time release of the fund needed to implement various financial issues. The budget is useless if there is no sufficient funds in the organization that can enable it achieve the intended objectives.

Lastly enterprise should employ more workers who are qualified for improved financial performance since the findings showed that the enterprise has few employees with advanced education. This can be done through the process of selection and recruitment process that will help in the selection of people with skills and knowledge that will improve on their performance due to increased output.

#### **5. 4 Suggested areas for research**

The study focused on the effect of budgetary controls on financial performance of medium sized enterprises for comprehensive and exhaustive study to draw conclusion, the study suggested the following for research.

- The relationship between budgetary controls and employee performance of organizations or enterprises in Masaka district.
- The impact of tax revenue rates on the financial performance of enterprises in Masaka district.

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## APPENDICES

### QUESTIONNAIRE FOR RESPONDENTS

Dear respondent,

I am **Najjuma Mary** a student of Uganda Martyrs University pursuing a bachelor's degree in Business Administration and Management. As part of completion requirement for the ward of Bachelors Degree in Business Administration and Management, am undertaking a research by using your institution as a case study on the topic:

**“The effect of budgetary controls on the financial performance of medium sized enterprises”**

Please be assured that this is purely an academic exercise and thus the information you provide will be treated with the utmost confidentiality and will not linked to you in any way. It would therefore be most appreciated if your answers to the following questions are as candid as possible.

#### SECTION A: RESPONDENT BACKGROUND INFORMATION

1)Gender of respondent

Male

Female

2)Age group

20-25

26-30

31-35

36-40

**3) Education level**

Manager

Diploma

Certificate

Primary

Others (those who did not go to school)

**4)Occupation**

Manager

Cashier

Employees

Security guard

**5) How long have you worked in your current position.**

Less than 1 year

6-10 years

1-5 years

over 10 years

**SECTION B: DIFFERENT TYPES OF BUDGETARY CONTROL SYSTEMS USED**

**MEDIUM ENTERPRISES.** Use the information to choose or tick the right alternative that fits your opinion on the effect of budgetary controls on the financial performance of medium enterprises as follows.

Strongly agree= SA, Agree= A, Not sure= NS, Disagree= DA, Strongly disagree= SDA

Statements	SA	A	NS	DA	SDA
6)Top down budgeting is one the different types of budgetary control systems used by Brovard Hotel					
7)Bottom up budgeting in Brovard Hotel has helped to improve its financial performance					
8)Negotiated budgeting in Brovard Hotel helps to ensure that there is a shared responsibility between the top management and lower management					

**SECTION C: CHALLENGES FACED WITH BUDGETARY CONTROL SYSTEMS OF BROVARD HOTEL**

9)	Statements	SA	A	NS	DA	SDA
	Inadequate management support is one of the challenges affecting budgetary control systems of Brovard Hotel.					
10)	Failure of managers to communicate strict expectations from employees contributes to poor organizational performance.					
11)	Absence of clear and realistic goals and objects within the enterprise lads to lack of proper direction by the employees					

**SECTION D: SOLUTION TO THE CHALLENGES FACED WITH BUDGETARY CONTROL SYSTEMS OF BROVARD HOTEL**

	Statements	SA	A	NS	DA	SDA
12)	Proper communication in budgetary control creates clear understanding of what is required to be achieved and how it can be achieved.					
13)	Adequate management support initiates successful implementation and control of budget plans.					
14)	Involvement of all persons in framing and implementation of budgets helps to ensure success of budgetary controls.					

**SECTION E**

1) What other budgetary control systems does the enterprise use?

.....

2) What challenges does the enterprise face with those control systems?

.....

3) Explain ways how you financial performance of Brovard hotel can be more improved

4) What is your recommendation on the effect of budgetary controls on financial performance of medium enterprises?

.....

5) What is your conclusion about the effects of budgetary controls on the financial performance of medium enterprises?

.....

**THANKS FOR YOUR CO-OPERATION.**

## **APPENDIX 2: INTERVIEW GUIDE**

Respondents interview schedule.

1 Gender of respondent

2 Age of respondent

3 Education level

4 Occupation

5 Respondents length of service in the current position

6 Top down is one of the different types of budgetary control systems used by Brovard Hotel

7 Bottom up budgeting in Brovard Hotel has helped to improve its financial performance

8 Negotiate budgeting in Brovard Hotel helps to ensure that there is a shared responsibility between the top management and lower management

9 Inadequate management support is one of the challenges affecting the budgetary control systems of Brovard Hotel

10 Failure of managers to communicate strict expectations from employees contributes to poor organizational performance

11 Absence of clear and realistic goals and objectives within the enterprise leads to lack of proper direction by the employees

12 Proper communications in budgetary control creates understanding of what is required to be achieved and how it can be achieved.

13 Adequate management support initiates successful implementation and control of budget plans.

14 Involvement of all persons in framing and implementation of budgets helps to ensure success of budgetary controls.

***THANKS FOR YOUR CO-OPERATION.***

### APPENDIX 3: BUDGET

A budget showing costs that were incurred during the study

<b>DETAILS</b>	<b>QUANTITY</b>	<b>UNIT COST</b>	<b>AMOUNT</b>
Airtime for Data	10	1,000	10,000
Pens	10	500	5,000
Ream of papers	2	15,000	30,000
Transport costs	10	5,000	50,000
Binding costs	2	2000	4,000
Printing	146	500	73000
CD	1	1,000	1,000
<b>Total</b>	<b>181</b>	<b>2,5000</b>	<b>173000</b>