

Budgetary Control: A Tool for Cost Control in Manufacturing Companies in Nigeria

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Abstract

This study deals with budgetary control as an effective tool for cost control in manufacturing Companies in Nigeria. The study examined the impact of budgetary control on cost control, profitability of manufacturing companies, the reasons for deviations and how these variances are reported as a means of control in budgeting and also examined whether the manufacturing companies can reduce cost as well as maintain the quality of their products and services. The survey method was used and the companies encompass staff members of Cadbury Nigeria PLC, Friesland Foods Wamco Nigeria PLC and Nestle Nigeria PLC. The study employs the use of questionnaire instrument for the purpose of data collection and the data collected were tested with chi-square statistics through a Statistical Package for Social Sciences. It was discovered that budgetary control contributes to the profitability of manufacturing companies and it was also discovered that there are deviations from planned budget. It was also discovered that manufacturing companies can reduce cost and maintain high quality products. The study recommended that realistic forecasts should be made and that there should be sound planning with effective and efficient formulation of policies and strategies

Keywords: Budgetary Control, Manufacturing Companies, Cost Control

Introduction

Budgeting is one of the ways of controlling cost in manufacturing organisations. Cost control is a systematic review of the resources a company uses to achieve its primary objective of profitability; therefore, it can also be referred to as cost management. For cost to remain within reasons, it is desirable to compare expenses against industry benchmark which is a good indicator of competitive standing.

Arnold (1987) believes in performance measurement through the comparison of various indices. However, it is a clear fact that enterprises are in business to make profit. The worth of the firm at the end of the year is determined through the financial statement prepared by the management. Such financial statements show a combined summary of the effect of social constraints, management policy decisions and risk return trade-offs characteristics of the firm (Ogunjimi: 1980).

One of the benefits of cost control is the ability of a company to keep cash flow at necessary levels of operations, that is, with cost control, excessive amount of cash are not too tied up in inventory, it prevents over supply of stock or over staffed departments and this keeps cash available for other purposes including navigating economic waves, expansion needs or repairs and maintenance of equipment. Many manufacturing companies use outside assessments to analyse their efficiency including the result of cost control effort, this does not only bring new viewpoints to the process, but also provide important internal review. Sometimes it is difficult to be objective when you deal with management of a business on a day to day basis, but professional analysts can bring a broader scope to operations resulting in improved cost control strategies.

Budget requires coordination throughout the organisation. Each department or unit within the organisation is responsible to prepare its part of the budget, which is then coordinated with the overall company budget. Budget assigns responsibility to the management in each unit. Budgeting is an integral part of planning process. Successful companies plan for their futures through the discipline of preparing an annual business plan, stipulating their financial and quantitative goals and strategies.

Cost control is a continuous process that begins with the annual budget. As the fiscal year progresses, management compares actual result to those projected in the budget and incorporates into the new plan the lessons learnt from the evaluation of current operations. Through the standard costing and budgeting process of cost control, management establishes overall objectives, defines responsibility centres and defines specific objectives for each responsibility centres and design procedures and standards for reporting and evaluation. For cost control to be effective, management has to construct budget because it lays out a road map to guide management's effort in accessing the effect of cost control techniques on revenue expected. It also states the number of assumptions about the relationship and interaction among the economy, market dynamism, the ability of its sales force and its capacity to provide the proper quantity and quality of products demanded.

The need for the efficiency and effectiveness in the allocation of the resources of an organisation gave rise to the need to make a budget.

A budget can be defined as a qualitative statement prepared and approved prior to the period of time of the policy to be pursued for the purpose of achieving a given objective.

Budget is an instrument used by an organisation in the achievement of its purpose of matching plans with resources available. The primary function of budget is to provide management with a projection of the activities necessary to reach the established goals. Budget also serves as a control device. A budget is a detailed plan for acquiring and using financial and other resources over a specified period of time. It represents a plan for the future expressed in formal quantitative terms. The act of preparing a budget is called budgeting. The use of budgeting to control a firm's activities is called budgetary control.

Budgeting according to Perin (1958) in Omolehinwa (2001) originated from the French word 'Bougette' meaning little bag. It was described as a leather bag, which the Chancellor of the Exchequer carried to the Parliament of Great Britain. The major historical function of budget both in government and private sector was to set limits for the expenses of expenditure in order to control expenditure within those limits.

Cost control is exercised through a variety of techniques such as inventory control, quality control, material cost control, labour cost control, production control, budgetary control, standard costing, etc. The advantages of cost control are as follows:

- (a) It helps in utilising the resources to the full extent.
- (b) It helps in reduction of prices which are benefited by customers.
- (c) It helps in competing successfully in the market.
- (d) It increases the profit earning capacity of the business.
- (e) It increases the goodwill of the business.

An average individual progress by using budgeting strategies but do not recognise this due to lack of formal awareness. However, it is widely believed that 'he, who fails to plan, plans to fail'. Hence, this has posed the need for effectiveness in strategic planning.

Planning is one of the key managerial roles in the decision making process. It is a process of establishing goals and objectives and course of action to be attained. The relevance of planning is to enhance corporate performance. It is important to note that planning is an aspect of control, since control starts from the planning stage.

Despite the measures that have been put in place in order to ensure that budgeting performs planning as well as control function, budgeting has still not been able to achieve all it has been designed for. This has therefore placed a challenge to the researcher on the need to identify the strengths and weaknesses of budgeting as an effective tool for cost control and to improve its performance and effectiveness in the Manufacturing companies.

This project work is centred on budgetary control as an effective tool for cost control in manufacturing industries.

Statement of the Problem

The sole aim of any business organisation is to make profit and most business owners believe that the best way to make profit is to increase sales and this brings up another conundrum. In order to increase sales, there must be a corresponding increase in cost because of the increased amount of work involved. These increased costs are what need to be curtailed.

Since the emergence of stewardship accounting as an emerging role in which most business organisations are operated, there has been need for management to minimise input, utilise available resources and maximise profit in the interest of the stakeholders of business organisation through budgetary control techniques.

Before the adoption of budgetary control system by manufacturing companies, a lot of arguments and criticisms have been made against the efficacy of budgetary control techniques.

The problem lies in the fact that:

- i. Whether there is a significant impact of budgetary control on the profitability of manufacturing firms in Nigeria.
- ii. Whether there is a relationship between planned and actual budget.
- iii. Whether there is a relationship between cost reduction and quality of products.

This study is therefore meant to show the impact of budgetary control on cost control in manufacturing companies in Nigeria.

Theoretical/Literary Reflections

Budget and Budgetary control are concepts traceable to the Bible days, precisely in the days of Joseph in Egypt. It was reported that 'and Joseph gathered corn as the sand of the sea, very much, until he left numbering; for it was without number' (Genesis 41: 49) KJV. Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine.

A budget can be viewed as a plan of dominant individuals in an organisation expressed in monetary terms and subject to the constraints imposed by other participants and the environment indicating how the

available resources may be utilised to achieve whether dominant individuals agree to be organisation's priority (Omolehinwa: 1991).

According to Horngren (2000), "Budgeting puts planning to where it belongs in the fore front of the managers' mind". Budgeting is primarily attention directive because it helps managers to focus on operating or financial problems early enough for effective planning or action.

Budgetary control is a simple way of comparing actual expenses with budgeted expenses and actual income with budgeted income for control purposes.

Budgetary control entails a predetermined plan, in financial terms to cover all phases of business activities and the operation of that plan in such a way that anticipated profit is as near as possible to realise profit achieved. This means that a budgetary control system is a planning tool as well as a control tool. A budget can also be defined as a comprehensive financial plan setting forth the expected route for achieving the financial, operational goals of the organisation (Meigs and Meigs: 1994). Meigs also defined budget as 'a summary statement of plans expressed on quantitative term. It guides an individual or an accounting entity in reaching financial or operational goals. This budget is a formal quantitative expression of management plan of creation or aid to planning, coordination, control and decision making. Bulls (1984) defined 'Budget is a statement in economic values expressed in monetary terms of what is expected, planned or anticipated to happen in a specified future planning period'.

Budgeting in the early days of its evaluation was primarily concerned with serving the purpose of legislative accountability (Johnson: 1992).

This chapter aims at exploring the theoretical framework of budgetary control as given by various authors and more importantly the human aspect of a budgetary control system.

Budgeting process

Jones and Pendlebury (1984), gives us some insight into the beginning of the budgeting cycle when they present a "Timetable for preparation of detailed revenue budget and capital programme" for a Local Authority. Jones and Pendlebury (1984) further showed that the process starts in June in the year preceding the budget period with the draft budget manual being sent to Finance Officers, who will discuss this draft with their departmental staff (with a view to adoption or amendment). The budgetary planning phase is completed in March (ready for an April start) when the printed budget book is published and the approved estimates are put into the financial control system. Colville (1989) presented budgeting for a Police Authority in the UK. The mobilisation and allocation of financial resources is undertaken through the budget and budgeting processes (Obioma: 2004).

Budget Period

Belkaoni (1991), the budget period is the period for which a set of budget is prepared. The budget period is of one year duration and will be designed to coincide with the organisation's financial or fiscal year. If we are with a project, then the budget will clearly be linked to that project. A month project will have a budget covering the whole project and will be three months budget (Belkaoni, 1991).

Most organisations will divide their budget period into calendar months (or periods), whereas others have thirteen period year call of an equal four week period. In certain situations, the budget period will be analysed according to some particular features of the work in that situation.

Administration of Budget in Manufacturing Companies

Budget Administration can be described as the whole process of budget supervision in order to ensure that the set goals and the objectives of the firm are achieved as planned (Davidson: 1999). The budgetary process in manufacturing companies usually commences with a strategic session held at an external venue involving all management staff.

According to Lucey (1990), budgeting itself is the process of estimating the needs of the firm for a future period based on past experience and future needs.

Budget monitoring or budgetary control is a process of comparing actual results with budgets to serve as a basis for performance evaluation and revision of budgets.

Budgetary Control

When there is a difference between the actual amount incurred or realized, and the corresponding budgeted (forecasted) figure, there is budget variance (Garisson, et al., 2003). Herath and Indriani (2007) investigated on the "roles of Budgetary Control System (BCS) as a component of the Management Control System (MCS) in creating and sustaining competitive advantage" and came up with a positive conclusion. They concluded that though Budgetary Control System could play a leading role in establishing an efficient Management Control System for creating a sustainable competitive advantage, budgeting will not function in isolation. "Instead, it can be used more effectively by strategically joining it with emerging strategic oriented knowledge enterprise"

(Herath and Indriani: 2007). Hirsch (1994) summarizes the causality of variance. Control is the process of ensuring that a firm's activities conform to its plan and that its objectives are achieved (Drury: 1996). Friedlob and Plewa (1996), put it clear that favourable budget variances are "generally signs of efficient, effective cost management and increases in net income".

Budgetary control therefore, is planning in advance various functions of business so that the business as a whole can be controlled. Ideally, budgetary control is operated with a system of standard costing because both systems are interrelated (Straats: 1998). Budgetary control relates expenditure to the person who incurs the expenditure so that the actual expenses can be compared with budget expense. Budget relates to a forecast amount of money to be received or incurred in respect of a country, council, district, company, division, local government or an operating unit, while standards relate to the cost price or sales value of a unit of product or services (Hammond: 1995). According to Adeniyi (2008) budgetary control is part of overall system of responsibility accounting within an organisation. It is a system of accounting in which cost and revenues are analysed in accordance with areas of personal responsibilities so that the performance of the budget holders can be monitored in financial terms.

According to Arora (2003), the objectives of budgetary control can be summarised under the following:

- To communicate expectations to all concerned with the management of the firm so that they are understood, supported and implemented
- To provide a detailed plan of action for reducing uncertainty and for the proper direction of individual and group efforts to achieve goals
- To coordinate the activities and efforts in such a way that the use of resources is maximised
- To provide a means of measuring and controlling the performance of individuals and units and to supply information on the basis of which the necessary corrective action can be taken
- To state the firms goals in clear, formal terms to avoid confusion and to facilitate their attainability

According to Lucey (1996), control is the ability which measures deviations from planned performance and provides information upon which corrective action can be taken either to alter future performance so as to conform to the original plan or to modify the original plan. Abel Aig Asein (2002) added that budget is a control mechanism as it entails setting up targets to be accomplished in a given period of time backed by the cost implementations. Williamson (1999), a budget is a statement setting out the monetary, numerical or non quantitative aspects of an organisation's plans for the coming week or month or year. Budgetary control is the analysis of what happened when those plans came to be put into practice, and what the organisation did or did not do to correct for any variations from these plans.

According to Ackoff as quoted by Abel, the following are budgetary control processes:

- Predicting the outcome of decisions in the term of performance measures
- Collecting information on actual performance
- Comparing actual results with predicted performance
- When a decision is shown to have been deficient, correcting the procedure that produced it and correcting its consequences where possible.

Budgetary control is a system of controlling costs which includes the preparation of budgets. Pandey (2002) views budgetary control as a system of controlling costs which includes the preparation of budgets. Budgeting is thus only a part of the budgetary control. Control is achieved through continuous reporting of actual progress and expenditures relative to plans (Shim and Siegel: 1994). The aim of budgetary control is to provide a formal basis for monitoring the progress of the organisation as a whole and of its component parts towards achievement of the objectives specified in budgets (Lucey: 1996).

Emmanuel et al. (1990) also state that four conditions must be satisfied before any process can be said to be controlled. Firstly, objectives for the process being controlled must exist. Without an aim or purpose control has no meaning. Secondly, the output of the process must be measurable in terms of the dimensions defined by the objectives. Thirdly, a predictive model of the process being controlled is required so that causes for non attainment can be identified and proposed corrective actions evaluated. Finally, there must be a capability for taking action so deviations from objectives can be reduced. According to Merchant (1985) provides empirical evidence that managers perform better when their superiors accepted a reasonable explanation for an unfavourable budget variance. McWatters (2008) also states that the unfavourable variances might not be seen to be harmful to the company when managers are required to provide justifications. Koontz and Weihrich (1998); Wildavsky (1975) put it clear that measuring actual performance against planned performance from time to time and taking remedial action on factors causing unfavourable deviations from the plan are important for maximizing the results anticipated through planning. Aborode (2005) puts it clear that rather than seeing budgets as a means of improving performance and achieving corporate objectives, it should be regarded as witch-hunting exercise.

Budgetary Control and Management

McLaney and Atrill (1999) argue that the value of the budget as a plan of what is to happen and as a standard against which actual performance will be measured, depends largely on whether and how skilfully this negotiation is conducted. Chenhall (2003), structure has been measured in terms of decentralization of authority, structuring of activities, interdependence and organic-mechanistic orientations (Chenhall: 2003). Collins, Munter and Finn (1987) discovered that subordinates use different game play patterns of coping with their superior's budgetary leadership style and interpersonal stress associated with budgeting. Rockness (1977) found that difficult budgets, a predictable reward structure, and formal feedback on results resulted in better performance and a higher level of employee satisfaction, while Brownell and McInnes (1986) discovered that participation and performance, although positively related, cannot be explained using the expectancy theory as a framework since the path between them through motivation explained very little about their relationship. According to (Subramaniam and Ashkanasy: 2001) budgetary participation refers to the involvement of managers in the budgetary process and their influence over the setting of budgetary targets. Garrison and Noreen (2000) suggested a different definition of management control as those steps taken by management that attempt to increase the likelihood that the objectives set down at the planning stage are attained and to ensure that all parts of the organisation function in a manner consistent with organisational policies. It is the 'out-of-line' items that need immediate managerial attention to determine causes and to take corrective action (Welsch, Hilton, and Gordon: 1988). They added that the process of participation may bring about a greater commitment by lower level managers to carry out the budget plan and 'meet the budget'. From a managerial point of view, the effort to develop, implement and operate a cost system is justifiable only when the cost information provides effective support for decision making (Johnson and Kaplan: 1987, and Krieger: 1997). Merchant and Manzoni (1989) found evidence that the vast majority of profit centres' budgets that they investigated are challenging, but with management team's consistent effort, very likely to be achieved. Merchant (1981) discovered that larger, more diverse, decentralised firms tend to use budgeting in an administrative manner with greater importance placed on achieving budget plans, greater middle management participation in budget related activities, more formal patterns of communication, and use of more sophisticated budgeting support.

According to (Pyhrr: 1999), to enable the top management to realise and adhere to its set of objectives, they must:

- Understand the nature and characteristics of budgeting
- Be willing to devote efforts required to make it operative
- Support the programme in all its ramifications
- Be convinced that this particular approach to managing is preferable for their situation
- View the result of planning process as performance commitments

Hope and Fraser (2003), the conditions are more uncertain and the environment is more competitive today than before, consequently budgets no longer meet executives' need of information in order to manage under these circumstances. Daum (2002), companies that want to survive in today's competitive circumstances need continuous improvement and flexibility. 'Change-leaders', leaders that are always open to changes and react fast to shifting conditions in the market are desirable. Poon (2001) states that budgetary participation provides a setting in which managers can exchange information and ideas to make budgetary planning and control more effective. Shields and Young (1993) give evidence that the larger the differences in information levels between subordinates and superiors, the higher the probability that subordinates participate in the budgeting process. Daum (2002), a budget is out of date when it is used and it does not provide helpful information for managers to make decisions. He added that obsolete guidelines prevent managers from taking actions. According to (Magner, et al., 1995; Nouris and Parker: 1998, Shields and Shields: 1998), budget participation can mean that subordinates communicate their information to their superiors, resulting in better budgets and decision-making.

Herath and Indriani (2007) investigated how the budgetary control system was used to create and sustain competitive advantage. Their claims were based on the works of: Porter (1990) who stated that sustaining competitive advantage demands that its sources be expanded and improved, by moving up the hierarchy to a more sustainable form, and (Jehle: 1999, Herath and Indrani: 2007,) quoted: '...The budget represents their numbers and their benchmarks against which their performance is measured. It's the quantification of the company's plan to realize competitive advantage. Competitive advantage is all about understanding what you need to achieve to differentiate yourself, gain market share, or somehow leave your competitors in the dust'. Shields and Shields (1998), participation is a process that can be used for planning and goal setting when there is environmental uncertainty, for motivating subordinates when there is task uncertainty, and for coordinating interdependence when there is task interdependence. Young (1985), there are dangers inherent in participative budgeting. Some managers may use the opportunity given by participation to reduce the standards demanded of them and to bias the estimates they submit. Emmanuel, Otley and Merchant (1990), budget participation is an essential part of budgetary control, but needs to be used with care and understanding. Brownell (1981) found that the link between participation and performance was dependent upon the personality of the manager involved.

Other intervening variables that were often used to explain the effects of budget participation on job performance were: budget adequacy and organisational commitment (Nouri and Parker: 1998), cultural background of the managers (Tsui: 2001), fairness perceptions and goal commitment (Wentzel: 2002). The results obtained by (Kren: 1992) and (Chong and Chong: 2002), proved to be consistent with the proposition that budgetary participation facilitates job relevant information acquisition by managers via budget goal commitment, and that job relevant information, in turn, is associated with improved performance. Chenhall (1986) claimed that the effects of participative budgeting on subordinates' satisfaction with their jobs and budgets are influenced by the configuration of authoritarianism between the subordinate and the superior. Dunk's (1992) study showed that these effects can also be influenced by the managerial level where participation is significantly more effective in enhancing job satisfaction of higher level managers than those in the lower ranks.

Methodology

The methodology adopted in this paper is descriptive design that focuses on the evaluation of the primary method of data collection. Data were sourced from both primary and secondary sources. Questionnaire was administered on 190 respondents. However, out of the total of one hundred and ninety (190) copies of questionnaires administered on the respondents, only 182 were filled and returned. The primary data were from literature respondents of management cadre of the ten randomly selected manufacturing companies. This represents 92% of the administered questionnaires. The analysis technique used in the study is the chi-square with 5% level of significance was employed in testing the hypothesis. That is to say, the two null hypotheses formulated were tested using the chi-square.

The decision rule is to accept the alternative hypothesis if the calculated value is greater than the critical value and reject if otherwise.

Chi-square is calculated with the help of the following formula.

$$X^2 = \frac{\sum (O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O_{ij} = represents Observed frequency

E_{ij} = represents Expected frequency

$E = \frac{\text{number of questionnaire}}{\text{number of response}}$

Level of significant = 0.05

Results and Discussion

This section of this study provides the relevant data for validating or rejecting the null hypothesis.

Hypotheses Testing

This section presents the results from the data analysis. This is done based on the stated hypotheses.

Hypothesis one

H_0 : Budgetary control does not contribute to the profitability of manufacturing companies.

The table (see Appendix 1), shows that the chi-square value (266.72) at 36 degree of freedom is significant at 0.05, ($p < 0.05$). Therefore budgetary control contributes to the profitability of manufacturing companies.

Hypothesis Two

H_0 : There is no deviation gotten from planned budget.

From the table (see Appendix 2), the chi-square value (74.98) at 27 degree of freedom is significant at 0.05, ($p < 0.05$). Therefore there are deviations gotten from planned budget.

Hypothesis Three

H_0 : Manufacturing companies cannot reduce cost and maintain high quality products.

The table (see Appendix 3), reveals that the chi-square value (134.60) at 18 degree of freedom is significant at 0.05, ($p < 0.05$). It follows that manufacturing companies can reduce cost and maintain high quality products.

Conclusion

A budget is seen as an effective tool for management in coordinating the affairs of the organisation. However, to prepare a budget, an organisation must know where it is heading to. Budget is futuristic in nature, it states what an organisation wants to achieve in the future. A system of budgetary control compels management to look into the future and use all techniques that can be used to shape the future. The budgeted figures must be compared with the actual results on timely basis throughout the year to ensure that management knows where deviations are occurring and to take corrective measures.

The budget should be seen as a guide that reflects management's thinking at the time it was prepared. However, the budget should be flexible in nature so that it will be able to accommodate necessary changes. The objectives of manufacturing companies should be to satisfy the needs of their customers as well as making profit. Budget is indeed an effective tool for cost control in manufacturing industries. It is not only good to have a good

budget in manufacturing industries but the combination of a good budget and good management will produce a good result.

Budget has helped management to systematically plan ahead and organise the company by placing economic and human resources in the most financially rewarding areas and to make various managers aware of the scarce resources.

Budgets have helped to coordinate the various segments of the company and achieve goal congruence. Budgetary control is extremely important and effective for management in piloting the affairs of the company.

Finally, it is important to note that budget serves as a tool used by management to control cost in manufacturing industries.

Recommendations

On the basis of the findings from this study, the following recommendations are made to the management of various manufacturing companies for improved budget performance:

- It is important to make a realistic forecast: The budget set by the management should be that which is attainable. The figures contained in the budget should be attainable no matter the prevailing economic circumstances. This is because the cause of variation between the budgeted and actual figures is unrealistic targets. If the targets are realistic, employees will strive hard to meet the target.
- Sound planning followed by a good budgeting system: It is necessary to prepare a budget manual which everyone will follow and refer to for guidance and information about the budgetary process.
- Punishments for failing to meet targets should not be too harsh. This might drive workers to engage in unethical practices just to ensure that budget targets are met.
- Formulation of effective and efficient policies and strategies: Management should formulate policies and strategies that can enable them to monitor and maintain effective control of their operation and attain the optimal level of performance.
- Employee participation should be involved in budget preparation because active participation of employees is more effective than when budget is being imposed on them.
- Budget should be set in such a way that it will lead to goal congruence.

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Appendix 1

Relationship between budgetary control and profit of manufacturing companies

Items	Responses				Total	Chi-square	Sig
	SA	A	U	D			
1	67(48.9)	40(44.0)	3(10.9)	0(6.2)	110(110.0)	266.72	0.00
2	74(48.9)	31(44.0)	4(10.9)	1(6.2)	110(110.0)		
3	54(48.9)	47(44.0)	8(10.9)	1(6.2)	110(110.0)		
4	45(48.9)	53(44.0)	8(10.9)	4(6.2)	110(110.0)		
5	57(48.9)	46(44.0)	4(10.9)	3(6.2)	110(110.0)		
6	64(48.9)	35(44.0)	5(10.9)	6(6.2)	110(110.0)		
12	55(48.9)	46(44.0)	5(10.9)	4(6.2)	110(110.0)		
14	52(48.9)	44(44.0)	7(10.9)	7(6.2)	110(110.0)		
15	28(48.9)	25(44.0)	32(10.9)	25(6.2)	110(110.0)		
16	35(48.9)	56(44.0)	14(10.9)	5(6.2)	110(110.0)		
17	34(48.9)	54(44.0)	12(10.9)	10(6.2)	110(110.0)		
20	23(48.9)	48(44.0)	32(10.9)	7(6.2)	110(110.0)		
29	48(48.9)	47(44.0)	8(10.9)	7(6.2)	110(110.0)		

Appendix 2

Relationship between deviation and planned budget

Items	Responses				Total	Chi-square	Sig
	SA	A	U	D			
7	37(32.7)	57(49.4)	9(17.0)	7(10.9)	110(110.0)	74.98	0.00
8	21(32.7)	44(49.4)	25(17.0)	20(10.9)	110(110.0)		
9	36(32.7)	60(49.4)	10(17.0)	4(10.9)	110(110.0)		
10	29(32.7)	42(49.4)	25(17.0)	14(10.9)	110(110.0)		
22	35(32.7)	45(49.4)	18(17.0)	12(10.9)	110(110.0)		
23	32(32.7)	52(49.4)	13(17.0)	13(10.9)	110(110.0)		
24	21(32.7)	45(49.4)	27(17.0)	17(10.9)	110(110.0)		
25	44(32.7)	54(49.4)	8(17.0)	4(10.9)	110(110.0)		
26	39(32.7)	48(49.4)	12(17.0)	11(10.9)	110(110.0)		
30	33(32.7)	47(49.4)	23(17.0)	7(10.9)	110(110.0)		

Appendix 3

Relationship between cost reduction and budgetary control

Items	Responses				Total	Chi-square	Sig
	SA	A	U	D			
11	53(41.9)	50(45.3)	5(16.1)	2(6.7)	110(110.0)	134.60	0.00
13	47(41.9)	53(45.3)	5(16.1)	5(6.7)	110(110.0)		
18	35(41.9)	42(45.3)	24(16.1)	9(6.7)	110(110.0)		
19	17(41.9)	50(45.3)	33(16.1)	10(6.7))	110(110.0)		
21	25(41.9)	38(45.3)	33(16.1)	14(6.7))	110(110.0)		
27	67(41.9)	36(45.3)	2(16.1)	5(6.7)	110(110.0)		
28	49(41.9)	48(45.3)	11(16.1)	2(6.7)	110(110.0)		

Appendix B

Crosstab of reducing cost and high quality products: The essence of this cross tabulation is to cross-tab the items with the responses in other to get the chi square value and to know whether or not there is a relationship between reducing the cost of production and maintaining high quality products.

Reduced cost * High quality Crosstabulation

		High quality				Total	
		SA	A	U	D		
Reduced cost	Item11	Count	53	50	5	2	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item13	Count	47	53	5	5	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item18	Count	35	42	24	9	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item19	Count	17	50	33	10	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item21	Count	25	38	33	14	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item27	Count	67	36	2	5	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
	Item28	Count	49	48	11	2	110
		Expected Count	41.9	45.3	16.1	6.7	110.0
Total		Count	293	317	113	47	770
		Expected Count	293.0	317.0	113.0	47.0	770.0

Appendix iv

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	134.596 ^a	18	.000
Likelihood Ratio	142.768	18	.000
Linear-by-Linear Association	.072	1	.788
N of Valid Cases	770		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.71.

4.3.2 **Crosstab of planned budget and deviation:** This helps to know the value of the chi square, it also determines whether or not there is a relationship between the planned budget and the deviations

Appendix v

Planned budget * Deviation Crosstabulation

		Deviation										Total
		Item7	Item8	Item9	Item10	Item22	Item23	Item24	Item25	Item26	Item30	
Planned SA budget	Count	37	21	36	29	35	32	21	44	39	33	327
	Expected Cou	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	327.0
A	Count	57	44	60	42	45	52	45	54	48	47	494
	Expected Cou	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	494.0
U	Count	9	25	10	25	18	13	27	8	12	23	170
	Expected Cou	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	170.0
D	Count	7	20	4	14	12	13	17	4	11	7	109
	Expected Cou	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	109.0
Total	Count	110	110	110	110	110	110	110	110	110	110	1100
	Expected Cou	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	1100.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	74.983 ^a	27	.000
Likelihood Ratio	77.381	27	.000
Linear-by-Linear Association	1.091	1	.296
N of Valid Cases	1100		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.90.

Crosstab of profitability and budgetary control: To crosstab the items to the responses in order to get the chi square value, it also helps to know whether or not there is a relationship between profitability and budgetary control of manufacturing industries.

Appendix vi

Profitability * Budgetary control Crosstabulation

		Budgetary control												Total	
		Item1	Item2	Item3	Item4	Item5	Item6	Item12	Item14	Item15	Item16	Item17	Item20		Item29
Profitabi SA	Count	67	74	54	45	57	64	55	52	28	35	34	23	48	636
	Expected C	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	636.0
A	Count	40	31	47	53	46	35	46	44	25	56	54	48	47	572
	Expected C	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	572.0
U	Count	3	4	8	8	4	5	5	7	32	14	12	32	8	142
	Expected C	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	142.0
D	Count	0	1	1	4	3	6	4	7	25	5	10	7	7	80
	Expected C	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	80.0
Total	Count	110	110	110	110	110	110	110	110	110	110	110	110	110	1430
	Expected C	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	1430.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	266.724 ^a	36	.000
Likelihood Ratio	236.240	36	.000
Linear-by-Linear Association	88.254	1	.000
N of Valid Cases	1430		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.15.

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