



ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA IN ACCOUNTING AND FINANCE PROGRAM

**Assessment of Budgetary Control Mechanism of foreign
charities operating in Addis Ababa Ethiopia**

BY
GIRMAYE SHAWUL

ADVISOR
ZENEGNAW ABIY (PhD)

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**ASSESSMENT OF BUDGETARY CONTROL MECHANISM OF FOREIGN
CHARITIES OPERATING IN ADDIS ABABA ETHIOPIA**

**A Thesis Submitted to the School of Graduate Studies of St. Mary University in
Partial Fulfillment of the Requirements for the Degree of Masters in Accounting &
Finance**

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ID SGS/0041/2007A**

APPROVED BY BOARD OF EXAMINERS

_____	_____
Dean, Graduate Studies	Signature & Date
_____	_____
Advisor	Signature & Date
_____	_____
External Advisor	Signature & Date
_____	_____
Internal Advisor	Signature & Date

DECLARATION

I, undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Zenegnaw Abiy (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution to learning any degree.

Name: Girmaye Shawul

Signature _____

Date _____

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor: Zenegnaw Abiy (phd)

Signature _____

Date _____

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LIST OF ABBREVIATIONS/ACRONYM

AABE	Accounting Auditing Board of Ethiopia
AAU	Addis Ababa University
ABB	Activity Based Budgeting
ABC	Activity Based Costing
ABM	Activity Based Management
CSA	Charity Society Agency
GM	General Motors
HQ	Head Quarter
IPSAS	International Public-Sector Accounting Sector
NGO	Nongovernmental organizations
ROA	Return on Asset
ZBB	Zero Based Budgeting

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ABSTRACT

The purpose of this paper is to assess the budget control mechanism of foreign charity organizations operating in Addis Ababa Ethiopia. The study used a descriptive research design to explore the assess budget controlling mechanisms of selected foreign charity organizations. Out of the total number of 334 organizations the researcher used statics formula to determine sample size on Yamane (1967). As per the result of the formula 77 organizations selected the researched adopted convenience sampling method the data collection instrument was a questionnaire which adopted from literature reviews. 50 (fifty) Organizations respond the questionnaire means the total of 100 (hundred) questionnaire was analyzed to this thesis. Reliability test was conducted to previously done piloting the instrument & the validity checked the consistency of the instruments in Cronbach's Alpha result was 0.831 for questionnaire prepared to finance departments and management questionnaire was 0.649. The result from the analysis shows on budget formulation approach has participatory approach, some of the organizations there is the tendency of preparing budget with no operational plans, budget realignment in selected organization they are doing realignment of budget, there is the tendency of budget overstating budget lines amounts. This study recommends organizations include in their policies and procedures sections that make action plans the compulsory prerequisites for any budget setting, design and implement internal control procedures to ensure that budget preparation requirements are strictly adhered to by administrative and management staff involved in the process and that any instances of breaches of these procedures are identified, recorded, communicated and at last corrective actions are taken, design and implement control activities to monitor and investigate the actual reasons for such variances to take action , Include internal control procedures designed and implemented to prompt finance and management staff involved in the budget preparation process to realistically and exhaustively identify all the relevant assumptions for the preparation of the budget.

Key Words: Budget, Control Mechanism, Foreign Charity organizations,

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The word budget got from old French word bougette, handbag is a measured money related arrangements for an inevitable fiscal period .A financial plan is the aggregate of cash dispensed for a reason and the outline of expected uses a long side recommendations for how to meet them .Financial plan is an essential apparatus for organizations to empower them to see where they have to go Planning ,how to go there (Coordination), how they are getting along to accomplish their arrangement (Communication) ,where they are (Control) how they are getting along to accomplish their arrangement (Evaluation) ,and how workers are getting along (Inspiration) (Drury, 2012).

Budgeting plan to be the quantitative articulation of a proposed plan of activity by organization for a predefined period and a guide to organizing what should be done to execute that arrangement (Horngren et.al., 2004)

Budgets serve as an instrument for controlling of expenditure and avoiding deficits it helps truth with organizations staffs and operating activity notifying management to monitor actual income & expenses in associating them to the amounts budgeted measuring the non -profits general financial condition in the time budget allow management to measure and guide current and long term financial health & operational success (Dropkin et.al, 2007).

Currently Ethiopia adopts new financial reporting standard namely International Public-Sector Accounting Standard. Where the standard put (IPSAS-24) budget as a mandatory in comparison with actual expense and hence, it is one of the requirements to deliver to Accounting and auditing board of Ethiopia (AABE) under proclamation #847/2014 stated that financial reporting standards include budget reporting which shows that budget Vs actual variance analysis it is major compliance issue to get license renewal from AABE. Thereby, the study will assess on budgetary control mechanisms of foreign charities organizations operate in Addis Ababa Ethiopia.

1.2 Statement of the problem

According to Joshi and Abdulla (1996), budget control is used by utmost organizations as a tool for appropriate management of funds in the organization and its events. A firm with well formulated budgetary controls easily assigns its managers the responsibility for the use of designated financial resources to realize their assigned functioning objectives. Budget controls provides comparisons of actual results against budget plan. Departures from budget can then be examined and the explanations for the variances can be divided into controllable and non-controllable factors, this essential is falling inefficiencies and poor budget practices important to efficient allocation of scarce resources.

Budgets are mostly more significant to not-for profit organizations than to profitable enterprises because a not-for profit organization's budget is a blueprint of how it expects to use its limited resources to further its programmatic mission ,while it is nice for a commercial organization misses its budgeted that anticipates a profit increase .on the other hand ,if a not -profit organization misses its budgeted projections by a large amount, it could find itself in serious financial difficulties (Ruppel,2007).

Similarly, Silva and Jayamaha (2012) stated that organizations must be well armed with familiar and skilled employees who are well familiar with budgetary control measures to successfully implement the budgetary control courses and allocation. Employees play an integral role in the process of planning, monitoring control and evaluation processes of budget implementation this extremely subsidizes to monitoring budget expenditures and accountability in the use of the budget.

As per the Ethiopian Charities and Society Agency regulation No.2/2003 all Non-Governmental organization (NGOs) are required to present budget details and breakdowns that show 70/30 percent for program and administration costs respectively. Accounting and auditing board Ethiopia (AABE) regulation 847/2014 mentioned on (IPSAS 24) law requires NGOs to present budget details and breakdowns in financial report. Thus, this is a clear indication as budgeting is key pillar for Non- Governmental organization.

Despite the above importance, the area attracts the researcher and hence, the researcher get previously done study Haimanot (2016) identified the gaps on budget preparation, approval and control procedures in Gullele sub-city, Tilahun (2010) identified planning & budget departments personnel's lack of trainings, weak compliance reports delivered from audit reports. With this ground and researcher best knowledge concerns, budget and budget control mechanisms in non-governmental organizations and the area is almost untouched. In its consequence, most of NGOs give prior attention whether allocated money burnt or not instead of checking with budget, they face difficulty to conduct performance analysis based on budget and actual expenses, due to lack of proper budgeting budget realignment is impossible if there is shortfall in the middle of project implementation and it also create a gap to meet government statutory compliance.

Therefore, the above knowledge gap and problems trigger the researcher to conduct the study in tittle assessment of budgetary control mechanism of foreign charity organization in Addis Ababa, Ethiopia.

1.3 Basic research question

In line with the above problem and knowledge gap the research developed the following research questions:

- What kind of budgetary approach on budget formulating?
- How effective budget control mechanisms a cross the organizations?
- How does the budget realignment activity?
- How often organizations conduct budget versus actual expenditure analysis?
- Does each department and branch office do performance auditing practice to control their assigned budget?

Therefore, this paper tries the above research questions and address the critical problem by suggesting possible recommendation in the future.

1.4 Objectives of the Study

1.4.1 General objective

The general objective of the study is to assess the budget preparation and control mechanism of selected foreign charity non-governmental organizations operates in Addis Ababa Ethiopia.

1.4.2 Specific objectives

Based on the general objective the study has the following specific objectives;

- To study what type of budgeting system they follow
- To assess budget control mechanism process used by selected organizations
- To identify the techniques of budget realignment/modification made by selected organizations
- To check expenditure control mechanism used by the selected organizations
- To assess budget allocation base for organizational activity and performance measurement techniques used by selected organization.

1.5 Scope of the study

The study is focus on foreign charity organizations having office at Addis Ababa Ethiopia. Furthermore, the area of this paper is assessment of budget control mechanism.

1.6 Limitation of the study

The qualities of one research are highly depending on various reasons and below are some of the limitations of the study.

Lack of co-operation the researcher experienced a lot of unwillingness to cooperate among most of the respondent organization, some never responded and others even delayed in responding to the questionnaires. It was difficult to have face to face communication this was the main challenge during the whole research period.

Time constraints was a limitation as the research involved distributing questionnaires to different organizations most of whom were busy to spare enough time respond. The duration within which the research was undertaken was also short leading to so much strain in time management.

The Likert scale that was used might have produced some bias as it is possible that the respondents provided non-committal answers by responding to neutral range of scale. Some respondents were biased while giving information due to reasons such as privacy and busy schedules at their work place.

1.7 Significance of the Study

The research adds some insight about budgetary control mechanism of foreign charities related to Ethiopia literature. In connection, this study is significance for foreign non-governmental organization, Charity and Society Agency, donors and future researchers.

The assessment of current practices on budgetary control mechanism of selected organization could help the regulatory body (Charity and Society Agency) in identifying gaps which could lead to the issuance of supportive guidelines to help the organizations comply with the requirements as there is a need to improve the budgetary control mechanism's in the future.

Similarly, it benefits the top managers or line departments or branch office to extend awareness in terms of how to improve its budgetary control mechanisms. Additionally, it will give deep insight about the challenges they face on budgeting and budgetary control and the way forwards. In the same taken, the study will have posed challenges on the stated topic and hence benefits to donors who after identifying the challenges faced by the organizations will come forward to prevent it by making policies which guide the organizations throughout the whole budgetary control mechanisms in project implementers.

Besides, the study helps as a guideline for those who will conduct their study on similar topic and it gives brief information for the donors, implementing partners and beneficiaries about the issue. Finally, the study will benefit the researcher to obtain new knowledge about the problem under study and gives clear picture about the discipline called research.

1.8 Organization of the study

This study is organized in to five chapters. The first chapter states the introduction of the study. Chapter two presents the literature review regarding the research area in assessment of budget & its control mechanism for non-governmental organization. Third chapter outlines the research methodology. The research results are presented in chapter four. The last chapter draws conclusions & recommendations that highlighting future research areas.

CHAPTER TWO: REVIEW OF LITERATURE

INTRUDUCTION

This chapter summarizes the studies from theoreticians and other researchers who have carried out their research in the areas of budget. The specific areas covered are functions of budgets, objectives of budgeting, human behavior and budgeting, budget approaches, budget techniques, budget parameters, budget process, budget committee, budget control, role of budget and empirical studies, literature gaps, conceptual frameworks.

2.1 Functions of budgets

According to Drury C. (2012) budget serve many useful purposes like planning, coordination, communication, motivation and evaluating the performance of managers. The major planning decisions will already have been made as part of the long-term planning process. However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long-range plan. Without the annual budgeting process, the pressures of day to day operating problems may tempt managers not to plan for future operations. The budgeting process ensures that managers do plan for future operations, and that they consider how conditions in the next year might change and what steps they should take now to respond to these changed conditions (Drury C., 2012).

Budget serves coordination means serves as a vehicle through which the actions of the different parts of an organization can be brought together and reconciled in to a common plan. Drury C. (2012). Without any guidance, managers may each make their decisions, believing that they are working in the best interests of the organization. Coordination is meshing and balancing all aspects of activity and all units of the organizations in the best way for the organization to meet its goals (Horngren C.et al 2012).

Communication

If an organization is to function effectively, there must be definite lines of communication so that all the parts will be kept fully informed of the plans and the policies and constraints, to which the organization is expected to conform. Everyone in the organization should have a clear understanding of the part they are expected to play in achieving the annual budget. This process will ensure that the appropriate individuals are made accountable for implementing the budget. Through the budget, top management communicates its expectations to lower level management, so that all members of the organization may understand these expectations and can coordinate their activities to attain them (Drury C., 2012). Similarly, Horngren C. et al (2012) describe communication is, making sure those organizational goals are understood by all employees.

Drury C. (2012) motivation the budget can be a useful device for influencing managerial behavior and motivating managers to perform in line with the organizational objectives. A budget provides a standard that under certain circumstances, a manager may be motivated to strive to achieve. However, budgets can also encourage inefficiency and conflict between managers. If individuals have actively participated in preparing the budget, and it is used as a tool to assist managers in managing their organizations, it can act as a strong motivational device by providing a challenge.

Challenging budgets improve employee performance because employees view falling short of budgeted numbers as a failure most employees are motivated to work more intensely to avoid failure than to achieve success. Creating a little anxiety improves performance, but overly ambitious and unachievable budgets increase anxiety without motivation because employees see little chance of avoiding failure.

Control

Budget assists managers in managing and controlling the activities for they are responsible. By comparing the actual results with budgeted amounts for different categories of expenses, managers can ascertain which costs do not conform to the original plan and thus require their attention. This process enables management to operate a system of management by exception which means that a manager's attention and effort can be concentrated on significant deviations from the expected results.

Performance Evaluation

A manager's performance is often evaluated by measuring his or her success in meeting the budgets. In some organizations bonuses are awarded based on an employee's ability to achieve the targets specified in the periodic budgets or promotion may be partly dependent up on a manager's budget record.

2.2 Objectives of budgeting

According to Warren et al. (2009) budgeting involves establishing specific goals, executing plans to achieve the goals and periodically comparing actual results with the goals. In doing so, budgeting affects the following managerial functions: planning, directing & controlling.

Planning involves setting goals as a guide for making decisions. Budgeting supports the planning process by requiring all departments and other organizational units to establish their goals for the future. These goals help motivate employees. In addition, the budgeting process often identifies areas where operations can be improved or inefficiencies eliminated.

Directing involves decisions and actions to achieve budgeted goals. Budgeting aids in coordinating management's decisions and actions to achieve the organizations budgeted goals. A budgetary unit of an organization is called a responsibility center. Each responsibility center is led by a manager who has the authority and responsibility for achieving the center's budgeted goals.

Controlling involves comparing actual performance against the budgeted goals. Such comparisons provide feedbacks to managers and employees about their performance. If necessary, responsibility centers can use such feedback to adjust their activities in the future.

2.3 Human behavior & budgeting

In the budgeting process organization, team and individual's goals are recognized. Human behavior problems can arise if the budget goal is unachievable (too tight), the budget goal is very easy to achieve (Too loose) or the budget goals of the organization conflict with the objectives of employees (goals conflict).

Setting Budget goals too tightly: Employees and managers may become discouraged if budgeted goals are set too high. That is, if budgeted goals are viewed as unrealistic or unachievable, the budget may have a negative effect on the ability of the organization to achieve its goals.

Reasonable, attainable goals are more likely to motivate employees and managers. For this reason, it is important that employees and managers be involved in the budgeting process. Involving employees in the budgeting process provides employees with a sense of control and, thus, more of a commitment in meeting budgeted goals. Finally involving employees and managers also encourages collaboration across departments and responsibility centers. Such collaboration increases awareness of each department's importance to the overall goals of the organizations.

Setting Budget goals too Loosely: Although it is desirable to establish attainable goals, it is undesirable to plan lower goals than may be possible. Such budget "padding" is termed budgetary slack. Managers may plan slack in the budget to provide a "cushion" for unexpected events or improve the appearance of operations. Budgetary slack can be reduced by properly training employees and managers in the importance of realistic, attainable budgets.

Slack budgets may cause a "Spend it or lose it" mentality. This often occurs at the end of the budget period when actual spending is less than the budget. Employees & managers may devote the residual budget on unnecessary purchases to avoid having their budget reduced for the next period.

Setting conflicting budget goals: Goal conflict occurs when the employees or managers self-interest differs from the company's objectives or goals. Goals conflict may also occur among responsibility centers such as departments.

A budget is expressed in financial terms; it is a financial reflection of the organization's annual operating plan. The budgeting process implies setting strategic goals and objectives, developing forecasts for revenues, cost, production, cash flows and other important factors. Moreover, it is a process in which the budget is determined in several rounds of dialogue between higher and lower management levels. Over the year the organization checks regularly if the target is reached (De Waal et al.,2011).

Budgeting is the cornerstone of the management control process in nearly all organizations (Hansen et al, 2003) and is traditionally described as a common accounting tool that organizations use for implementing strategies (Ostergren & Stensaker, 2011). The purpose of budgeting is to give those targets and plans financial values, making the progress easily measurable and to transform the strategic ideas into understandable operative actions (Hanninen, 2013).

To avoid the human factor problems that affect budget decisions, good attitudes which are the key to successful budgeting need to be developed among employees, where management explain to its staff that budgets are the most effective way of corporate planning and control (Peirce, 2004).

Most firms use budget control as the primary means of corporate internal controls, it provides a comprehensive management platform for efficient & effective allocation of resources. Budgetary controls enable the management team to make plans through implementing those plans and monitoring activities to see whether they conform to plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization (Carr & Joseph, 2000).

Budget is amongst the key tools for application of the purposes and rules of the organizations. Similarly, budget offers the basis for conclusion making in the organizations. Budgeting plays importance not only to organizations but also to individuals on how to spend in relation to the revenue available. Further, budgets play other managerial roles such as planning, controlling, communication and motivation. A well voiced budgeted system allows the organization to influence its goals more successful (Drury, 2004).

Budgeting and budgeting control occupies an important place among techniques used in planning and control functions of an organization. In budgeting he focuses is not only to prepare the budget but more importantly to have a follow up operation for budgeting and act according to known data. In addition, budgets are also known as a financial expression of a country's plan for a period (Falk, 1994).

Briston (1981) says that budget control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better implementation in accordance with approved work programmers.

Budget as a quantitative statement, for a defined period, which may include planned revenues, expenses, assets, Liabilities and cash flows. A budget provides a focus for the organization, aids the co-ordination of activities and facilities control. Planning is achieved by means of a fixed master budget, whereas control is generally exercised through the comparison of actual costs with a flexible budget (Lucey 2002).

According to Saleemi (1990), budget is defined as a financial or qualitative statement prepared and approved and approved prior to a defined period. It may include income, expenditure and the employment of capital.

Budgeting is one of the most successful and useful management accounting techniques that can reap handsome rewards if properly understood and implemented (Suberu ,2010). It facilitates effective utilization of available funds, improve decision making and provide a bench mark to measure organization performance. The success and importance of budgeting relates to the identification of organizational goals, allocation of responsibilities for achieving these goals, and consequently its execution (Drake & Fabozzi, 2010).

2.4 Budget approaches

Incremental Planning a way to deal with planning in which existing tasks and the current planned remittance for existing exercises are taken as the beginning stage for setting up the following yearly spending plan and are then balanced for foreseen changes. Detail spending plans the conventional configuration for spending plans in philanthropic associations, in which uses are communicated in significant detail, yet the exercises being embraced are given little consideration (Drury, 2012).

A conventional way to deal with budget and the one that is probably present in some bit of each association spending today is line items, or question of use, budget details is gotten from the present year's financial plan by adding sums anticipated that would be required by line things (Earl R.et .al, 2010).

Rolling budget, a way to deal with budget in which the yearly spending plan is separated into months for the initial three months and into quarters for whatever remains of the year, with another quarter being included as each quarter closes (Drury, 2012).

Zero-based budgeting an approach to budgeting in which projected expenditure for existing activities starts from base zero rather than last year's budget, forcing managers to justify all budget expenditure, also known as priority based budgeting (Drury, 2012). Similarly, (Earl R. et.al ,2010) in there accounting for governmental and nonprofit entities book describes about ZBB as name indicates, the basic concept of ZBB is that the very existence of each activity must be justified each year, which is a move toward program budgeting.

2.5 Budgetary Techniques

According to Adams et al (2003) budgetary techniques refer to the budgeting approaches that have been adopted by various organizations to achieve various goals.

Activity Based Budgeting (ABB)

Activity based budgeting (ABB) is like activity based costing (ABC) and activity based management (ABM). It contains planning and controlling laterally the lines of value addition activities and processes. Resource and wealth distribution conclusions are consistent with ABM analysis, which contains structuring the organization's actions and business processes so that they improved meet clients and outside need. ABB can be applied in all manufacturing and functions, including facilities businesses and overhead functions.

The major role of ABB include :a planning procedure connected to the organization's strategic objectives, a use of well- proven activity analysis techniques -the heart of all activity based classifications, identification of cost improvement opportunities ,analysis of unrestricted spending options and priority ranking ,formation of performance goals for control ,combination with activity planning and accounting to deliver effective control, a participative process to control and sustain continuous improvement.

The advantage of ABC are highlights the cost of activities, puts resource allocation in the situation of increasing/dwindling action levels, inspires new rational: how can the activity be carried out more effectively (process improvement)? links to TQM (total quality Management) activity, as the activity cost can be related to the service level achieved. Facilitates cost cutting by taking the activity level in to account, thus making cost targets more realistic to achieve, enables trend examination and benchmarking of costs to take place, apply in routine process control.

Furthermore Horngren (1991) it contains essential the activities that inspire the financial facts in every activity and apply the step of activity to agree how much source should be assigned, how well it is being managed and to explain variances from the budget. ABB recognize that, it is activities, which drive costs, and the aim is to control the costs directly rather than the costs themselves. Also, not all activities add value so it is essential to differentiate and examine activities for their value adding potential.

Planning, Programming and budgeting system

It includes the modified plans that emphasis on the end objective and the gross classes of yield. That is general objectives and targets are set up in the first place, trailed by distinguishing proof of projects important to accomplish the wanted goals and expected advantages. All projects to be vanished are positioned and select the minimum cost modified to achieve (Hanley, 1990).

Value based budgeting

This is a proper and organized approach for managing the formation of shareholders value over time. All expenditure plans are evaluated as project appraisals and assessed in terms of the shareholders' value they will create. This helps to link strategy and shareholder value to planning and budgeting.

Profit planning

It is about planning the future financial cash flows of profit centers (profit wheel). It gives the possibility to assess whether an organization or unit generates sufficient cash flows, creates economic value and attracts sufficient financial resources for investments. It also ensures consideration of an organization's short term and long-term prospects when preparing its financial plans.

Zero based budgeting (ZBB)

Zero based planning is likewise known need based planning, it requires that all exercises are supported and organized before choices are taken identifying with the measure of assets allotted to every movement. Zero based spending plan being gone along as though the projects were being propelled out of the blue considering money saving advantage examination. Along these lines, the financial plan from each cost lines, the financial plan from each cost focus ought to be produced using zero. (Lucey ,2002)

Zero base budgeting is a technique of repeated evaluation of programs and services the initial point for the budget initial year zero. It is to some extent more modest budgetary format which eliminates the assumption that each agency should receive approximately the same amount of money that it received last year. (Nice 2002)

2.6 Budget parameter

To proceed with planning, they showed that there must be parameters and the spending board of trustees is responsible for giving starting spending parameters that set the way for the financial plan and administer its basis. A long these lines, the board of trustee's issues spending parameters after watchful contemplations on the general stand point of the economy and the market; the association's key objectives, long haul design, key activities and expected working aftereffect of the present time frame; corporate choices or arrangements (Blocher et.al, 2010).

2.7 Budget setting process

It is the process of budget & its control can be strong the organizations survivals the first step will be assign responsible personnel who has real authority within the organizations operations in the meantime communicate budget guild lines to relevant managers to aware of what the organizations plan and how the for the coming budget period is intended to work towards them.

The process is think twice limiting factors identified ahead the necessary actions taken to reduces its budgetary systems of the organizations the process goes too draft the budget formulations and co-ordinate budgets with others respective units gave the room to review to satisfy the budget complement one another this process pass to prepare the master budgets consolidates all subsidiary budgets and usually comprises the awards amounts planned to overall organizations expenditures in meantime communicate the final budget to all interested parties to their implementations. The resort is monitoring the budgeting activity will have been pointless unless managers actual performance is compared with the planned activities (Petter et al. 2005).

2.8 Budget committee

The budget committee members should contain high level executives who speak to the real units of the associations .Its principle part is to ensure that financial plans are practically settled and that they are composed satisfactory .The ordinary strategy is for the useful heads to display their financial plan to the panel for endorsement .On the off chance that the monetary allowance does not mirror a sensible level of execution ,it won't be endorsed and the utilitarian head will be required to modify the financial plan and re submit it for endorsement .It is essential that the individuals whose execution is being estimated ought to concur that the updated spending plan can be accomplished ,something else ,on the off chance that it is difficult to accomplish ,it won't go about as a motivational tool .In the event that spending go about as a modifications are made, the budgetees ought to at any rate feel that they were given undertaking hearing by the board (Drury C., 2012).

2.9 Budget control

Budget control was to a great extent designed when all is said in done engines (GM) in the 1920's as a large portion of the advanced administration control frameworks (Johnson and Kaplan,1987, Kaplan,1984). Johnson (1978) outlines the primary attributes of the administration control frameworks of GM. GM's organizations accounting system framework completed three things to enables administration to achieve "unified control with decentralized obligation. In the first place, it gave a yearly working estimation that looked at every division's ex-stake working objectives with top administration's money related objectives. This instrument made it workable for top administration to facilitate every division's normal execution with broad money related strategy. Second, the administration accounting system framework gave deals reports and adaptable budgeting plans that demonstrated quickly if real outcomes were going astray from arranged outcomes. They indicated, besides the acclimations to current activities that division chiefs should make to accomplish their normal execution objectives. The business reports and the progressed adaptable spending framework given to control of every divisions real execution. Third, the administration of accounting system framework enabled top administration to be dispensed the two assets and administrative remuneration among divisions in view of uniform execution criteria. This all the while empowered a high level of programmed consistence with organizations wide money related objectives and enormously expanded the division director's decentralized self-rule (Johnson ,1978).

Budget control is an arrangement of management control in which the genuine salary and going through are contrasted and arranged wage and spending, so the organization can settle on choices if plans are being taken after and if those plans should be changed keeping in mind the end goal to make a benefit. Budgetary control is the one of best system of controlling, administration and back in which each division's financial plan is made with evaluated data. Then, the administration leads a similar investigation of the assesses information with unique information and fix the duty of representative if fluctuation won't be ideal associations can utilize budgetary control in gauging procedures to make arrangement and spending plan (Epstein and McFarlan, 2011).

Effective control is a key administration role which guarantees that endeavors created at all levels are comparable with those required to guarantee the long-term future adequacy and achievement of the organization (Stewart, 1997).

Budgetary control is the formation of budgets connecting to the tasks of experts to the requirements of policy, and the nonstop comparison of the actual with the budgeted results, either to secure by individual action the objective of the policy or to provide a basis for its revision (Gopal, 2009).

Budgeting plans are intended to do an assortment of capacities arranging, assessment of execution, coordination of exercises, usage of plans, control, correspondence, inspiration, distribution of assets, distinguishing proof of potential bottlenecks, approval of activities and meaning of objectives and goals. Approval of activities appears to prevail in government planning and non- for profit making planning where budgeting presumptions fill in as approval and roofs for administration activities. Budgeting indicates how each piece of the association identifies with the requirements of the entirety. Budget in this way requires accountable manager for the entire and every individual responsible for parts examine the monetary allowance together to touch base at better outcome (Horngren 2007).

2.10 The role of budget

The budget may fill in as a formal approval to management to spend a given measure of cash on exercises and clarify what every supervisor oversees (Anthony and Govindarajan, 2001). Clearly spending plans are a critical channel of conveying certain kind of data that will empower managers in various parts of the organization to organize their exercises more proficiently. Overall control is supported when people participate and alter in their exercises to help what is required in different parts of the organization (Emanuel, 1990).

Budgeting & budgetary control is a fundamental & necessary tool in the management and administration of every organization, irrespective of size, corporate objectives and form of ownership. It is an integral part of short range planning and control in most organizations (Wood & Sander, 1998). Budgets as financial plans that set out anticipated revenues and estimated expenditures over a certain period have long been in use. Since their inception in the 1920's every serious organization has made them the central part of their planning & control system (Drury 2004).

Howell and Sakurai (1992) define budget as a plan of dominant individuals in an organization expressed in monetary terms and subject to the constraint imposed by the participants and the environments, indicating how the available resources may be utilized, to achieve whatever the dominant individuals agreed to be the organizations priorities' fascinating thing about this definition is that recognition is given to the constraint confronting budget by other participants who are to ensure that objectives, targets and goals stated in the budget are actualized.

According to Drury (2006) budgetary control process is a systematic and continuous one which is considered by the following stages: establishing targeted performance or level of activity for each section of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitor actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action.

Budgets are management instrument that puts executives in control of the financial health of their organizations. It is an objective measure of the financial structure of a company's operation and a tool that forces management to be accountable in a structured and objective way. Budgets as management tools by themselves are neither good nor bad. How managers administer budgets is the key to their value. Budgets as plans are pointless unless there is a periodic check on what is being achieved. Problems can arise at any points during the implementation of a plan. Unless a specific check is made during the implementation of plans, they can go unnoticed for so long that they will be impossible to remedy (Abertnethy & Brownell,1999).

Furthermore, budgets help additional purposes for well managed organizations. It has the role of financial and operational guidance of management and others staff need to implement organizational visions in giving lights to managers to measure and shape current and long term financial health operational effectiveness, guide the acquisition and use of resources, tools for controlling expenditure and avoiding deficits, helps integrate administrative, staff and operational activities, it also serve as basis for performance reviews and in some cases, compensation criteria (Dropkin et.al, 2007).

2.11 Empirical Review

A study by Serem (2013), studied the budgetary control in non-governmental organizations and its effects on their performance. The study target population involved of 7,127 non-governmental organizations as providing in the non-governmental organization board of Kenya and apply convenience judgmental sampling procedure 30 NGO's were nominated as a sample size from both local and international organizations with H.Q. in Nairobi and its surroundings. The study findings established that a weak positive effect of budgetary control on performance of NGO's in Kenya and suggested the need of informing employees on budgetary controls to improve its consequent effect of performance.

A study by Covalleski et al. (2003) have stressed, organizations requirement to pay serious care to budgeting and budgetary controls as main essentials of management control and a vital instrument in smoothing the success of organization goals and as a basis for performance review. Also, strategically for an organization to path successfully, there are four serious reasons: organizational objectives or where it plans to go, plans or how it plans to accomplish such objectives, coordination or where separate plans fit in the complete organizational objective and control that is whether operations conform to the plan of operations relating to that period. Further, the study also points out that, budget preparation and the controlling process shall be managed effectively and efficiently to accomplish organization targets within the given resource constraint.

A study showed that budgetary process has been a part of management control system of the organizations. The process encourages managers to plan, reflect the stakeholders elaborate, provides information for improved decision making, increases and enhances communication and coordination among units and for evaluation or control. This empirical study on Sri Lanka Apparel industry based the data collected to prove the study was using ROA (Return on Asset). Based on the mined from the firm's financial statements, correlation coefficients and regression analysis displayed that budgetary process have significant associations with the organizational performance (Silva and Ariyaratna, 2012).

Appropriately, Evans Frimpong-Manso (2014) said that budget and budget control occasions helps as a premise of arranging, controlling expense of activities and assessing execution of laborers of the organization in cape Drift, Ghana in four chose timber firms. For a budget planning to be a viable one, sound authoritative acknowledgment ought to be considered. Budget consequently, fills in as diagram for any association to follow in an upcoming period frequently for one-year time frame at most.

Despite the commendable advantages of planning its arrangement, usage and execution should be given genuine idea. In the planning of the financial plans, organization should give genuine idea to the outside condition, rising innovations, authoritative structure and size and additionally culture of the association and the setting where the timber firms work.

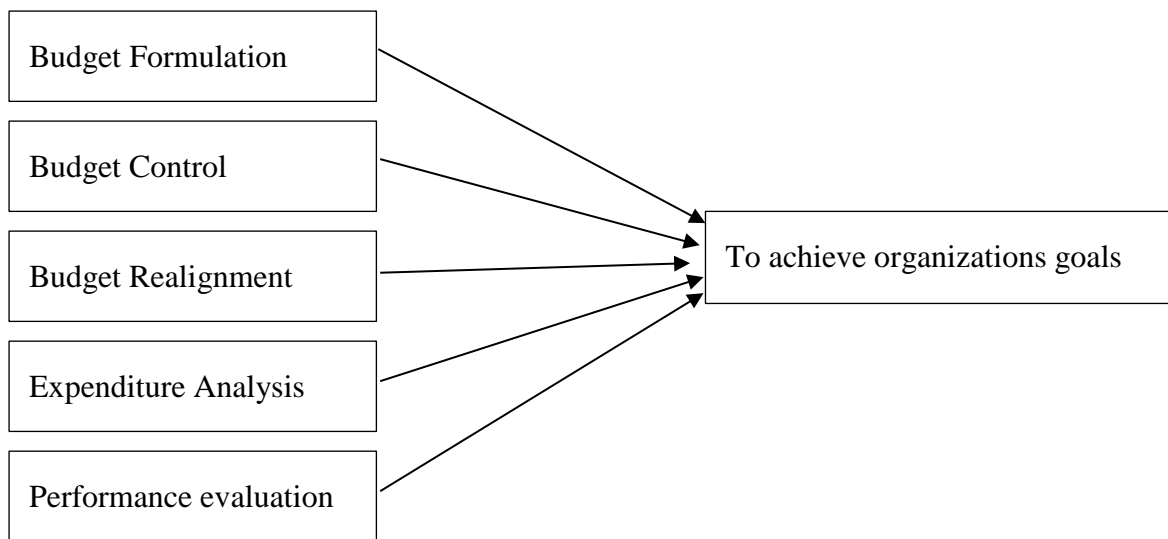
2.12 Summary and research gap

Budget is a major tool for implementations of the objectives and policies of the organizations to the specific period. It also provides the basis for decision making in the organizations. The same is true on individuals on how to spend in relation with their incomes. successful budgets gave to the organization different characters planning, controlling, communication and motivation those characters are the last resort is to safeguard the organizations resources.

Study documented in Ethiopia (Tilahun, AAU (2010), Haimanot, SMU, (2016)), those studies emphases on governmental entities their findings are almost similar. Studies conducted so far regarding the assessment of budget control mechanisms in foreign charity organization somehow limited and are in unorganized way to knowledge of the researcher the effort of finding out research materials mainly empirical studies related with the topic.

2.13 Conceptual framework

Figure 1. Conceptual framework



Source: Own source

CHAPTER THREE: RESEARCH METHODOLOGY

The intent of this chapter is giving brief outline of the underlying principle of research methodology and the choice of the appropriate research method for the study.

3.1 Research design

Research design can be suitably defined if we classify them as exploratory research design, explanatory research design & descriptive research design.

Exploratory research designs the main purpose of such studies is that of expressing a problem for more precise investigation or developing the working hypothesis from an operational point of view. The major importance in such studies is on the finding of ideas and perceptions it is suitable must be flexible enough provide opportunity for considering different aspects of a problem under study (Kothari, 2004).

Churchill (1991) notes that descriptive study can be used when the purpose is to describe the characteristic of certain items, estimate proportions of people who behave in certain ways and make specific predictions exploratory in nature. This design attempt to collect data from members of the population and described existing phenomenon with reference to budgeting controls.

Explanatory is one which the researcher first conducts qualitative research, analyses the results and then builds on the results to explain them in more detail with qualitative research. It is considered explanatory because the initial quantitative data results are explained further with the qualitative data. (John W. 2014)

A descriptive study design where be employed to answer questions related to budgetary control mechanism of selected organizations. Descriptive study is chosen because it describes about the current states of affaires of a phenomenon which is in line with this study, the current handling of budget preparation and its control mechanism.

3.2 Research approach

Depending on the philosophical posture, strategies of inquiries and specific methods, a research approach can be categorized as quantitative research approach, qualitative research approach and mixed research approach. The discussion in the subsequent sections 3.2.1 qualitative research approach while sections 3.2.2 and 3.2.3 presents respectively qualitative and mixed methods research approaches.

3.2.1 Quantitative research Approach

Quantitative research approach is grounded in the post positivism knowledge claim that primarily reflects the scientific method of the natural sciences. This paradigm adopts a deductive approach to the research process. The researcher gathers data from the real world setting and then analyses the data statically to support or reject the hypothesis (Blanchi and Durrhein, 1999). Researcher who adopt a more deductive approach use theory to guide the design of the study and the integration of the results. In line with, this, the overall objective of quantitative research is to test or verify a theory, rather than to develop one. Therefore, the theory offers a conceptual framework for the entire study, and it also serves as an organizing model for the entire data collection procedure (Welman and Kruger 2001). Shaw (2006) sees quantitative techniques as an attempt to test a hypothesis by incorporating it into the research design and responding to it by measuring its strength and weakness that give numerical measurements to the data collected.

Quantitative research is one in which the investigator primarily uses positivists claims for developing knowledge and its strategies of inquiries are associated with experimental and survey research methods. Creswell (2009) mentioned that experimental research seeks to determine if a specific treatment influence an outcome. This impact is assessed by providing a specific treatment to one group and withholding it from another and then determining how both groups scored on an outcome. Therefore, pure experiment enables the researcher to manipulate an independent variable to see the effect on the dependent variable with the random assignment of subjects to treatment conditions while quasi experiments uses non- randomized designs and it is a single subjects design.

3.2.2 Qualitative approach

Qualitative research approach is centered on the interpretive social paradigm. Qualitative methodology of investigation tends to be based on recognition of the importance of the subjective, experiential 'life world' of human beings (Blanchi and Durrhein, 1999). Shaw (2006) described that qualitative research seeks to come to terms with meaning rather than frequency because they discover or uncover issues in order to generate ideas and hypothesis. This paradigm therefore focuses on context and capture ways in which people interpret events, experiences and relationship.

Easterbyet et.al (1991) mentioned that the task of the qualitative methodologist is to capture what people say and do as a product of how they interpret the complexity of their world, and to understand events from the view points of the participants. Creswell (2009) pinpointed that qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences meanings socially and historically constructed, with an intent of developing a theory or pattern) or advocacy /participatory perspectives. Qualitative research approaches have its own strengths and weaknesses. The advantages of a qualitative research approach is to provide a more realistic feel of the world that cannot be experienced in the numerical data and statically analysis and interpretation of collected information. Further, it provides a holistic view of the phenomena under investigation and the researcher have an ability to interact with the research subjects in their own language and on their ow terms.

Despite the above advantage, qualitative research design has its own limitations. First, it required much time for data collection, analysis and interpretation i.e., the researcher should spend a considerable amount of time in the research setting in order to examine holistically and aggregately, the interactions, reactions and activities. Second, lack of standardized rules in the research design and the emphasis on giving meanings and interpretations to events and things reduces the objectivity. Third, in qualitative research the researcher (arrives on different conclusions based on the same information depending on the personal characteristics of the researcher (subjectivity) and in ability to investigate causality between different research phenomena. Four, the findings of qualitative research cannot be statistically generalized for a broader population of interest for it is based on small and unrepresentative number of investigated cases (Babbie,1995).

3.2.3 Mixed research approaches

Triangulation is about exposing potentially conflicting perspectives to analysis and showing that data can be integrated and cross-referenced to highlight consistency. Pervez and Kjell (2005) stressed that to enhance validity, there is a need to collect or analyze data through triangulation and where correctness or precision is important. Hence, it is quite logical to collect information through different methods and angles. Babbie (1995) mentioned that a combination of qualitative and quantitative approaches should be viewed as an acceptable methodological approach for research occupying a variety of epistemological positions.

Creswell (2009) defined that mixed approach is one in which the researcher tends to base knowledge claims on pragmatic grounds (e.g. consequence-oriented, problem-centered and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problem. Thus, the researcher follows the mixed approach because the questionnaire has close ended & open-ended questions in every section of the questionnaire it helps gather more data from respondents.

3.3 Source and method of data collection

Primary source of data is used to conduct this study. The primary data is collected through structured questionnaires. The questionnaires were distributed to selected organizations staff by focusing on management and finance personnel to assess the process of the budget & controlling mechanisms. Moreover, questionnaire was designed using a five-point Likert scale ranging from strongly agree to strongly disagree that was used in measuring the extent of the responses provided. To minimize cost, save time, and make analysis easy the researcher used structured questionnaires.

3.4 Population of the study

As of December 15, 2017, there were 3,265 (three thousand two hundred sixty-five) as per the email document sent to the researcher Chsainfo@gmail.com Charity and Societies Agency registration & Documentation directorate official email. They are categorized in to Adoption foreign charity, consortiums, Ethiopian charity, Ethiopian Residents charity, Ethiopian resident's society, Ethiopia society & Foreign charity. These organizations are diverse in different regions. As of December 15, 2017, the specific population of foreign charities in Ethiopia was 396, of which 334 organizations found in Addis Ababa. Thus, the researcher focuses on organizations they have offices in Addis Ababa so total population for this study was 334.

3.5 Sampling techniques and sample size

This study has employed convenience sampling techniques to select samples of the study under consideration. Convenience sampling as one of sampling techniques (non-probability sampling techniques) is used by researchers regardless of its limitations. This technique is employed due to the accessibility and proximity of the subjects to the researcher. The main limitation (weakness) of this technique is that the results arrived at using convenience sampling may end up in biased results. However, convenience sampling is a generally accepted qualitative study (Glaser & Strauss, 1967) quoted in (Humphrey and Lee ,2004). Therefore, it may not perfectly represent the population. However, the researcher found convenience sampling technique most appropriate for this study. The researcher was used (Yamane ,1967) a simplified formula for proportions statically to know sample size from 334 foreign charity organizations operation has in Addis Ababa.

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

N=Total Population=334

E= confidence level =0.10

$$N = \frac{334}{1+334(0.1)^2}$$

$$N = \frac{334}{4.35}$$

N =77 organizations

Accordingly, as per the above sample size determination the study included 77 organizations. Data were collected from management and finance departments of the selected organizations as mentioned in the data collection section of this paper. Two different questionnaires were used to collect data from management and finance departments. Data were collected from the selected organizations by considering one staff from each of the departments, one from finance and one from management. Accordingly, a total of 154 respondents were included in this study.

3.6 Data collection method

This research used questionnaires as a method of collecting data. The questionnaires were developed based on the literature reviews. To collect the required information for this thesis, self-administered drop and pick up questionnaires was used. In addition, questionnaires were distributed using email and personally distributed the questionnaire who have colleague and willing contact persons, which in turn were distributed to employees involved in the budgeting process especially from management and finance department personnel. Questionnaire distributed using email were collected in person and as well via e-mail. The questionnaires which were used by this research as a mail source of data collection instrument were structured questionnaires.

The questionnaires were prepared in English language as the participants were considered professionals working in foreign Charity and the medium of communication is English language in their work place. Thus, Amharic questionnaire not prepared because of this purpose.

The first part focuses on Personal information such as Sex, level of education, Position, job experience, Work Position & total experience specific to budget related experience. The second part focuses on specific questions regarding budget & its controlling mechanism.

The questionnaire was developed based on the Likert -scale method so that the responses can be analyzed statically. In developing the questionnaire respondents were expected to answer the questions based on their knowledge as Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly disagree (SDA). A response of strongly agree takes 5 points, agree takes 4 points, Neutral takes 3 points, disagree takes 2 points and strongly disagree takes 1 points.

3.7 Measurements of validity and reliability

According to De Vellis (1991) Cronbach's Alpha coefficient is typically equated with internal consistency. The Cronbach's Alpha is interpreted as a coefficient Alpha and its value ranges from 0 to 1. when calculating Cronbach's reliability coefficient, reliabilities less than 0.6 are considered poor, reliability within 0.7 ranges are measured acceptable and those coefficient over 0.8 are measured in good category Sekaran (2000).

Based on the above criteria's, Cronbach's Alpha reliability coefficient was calculated to estimate the reliability of the data collection tool and results are given in table 1 below.

Table 1. Cronbach's Alpha reliability coefficients for variables assessments of budget control mechanisms of foreign charity organizations

Category	Cronbach's Alpha results	Items	Status
Finance	0.831	25	Good
Management	0.649	29	Acceptable

Source: Calculated from the research survey, SPSS

Accordingly, to check validity of the questionnaire the researcher was pre- tested in other organizations have similar type of respondents before the time of the survey and relevant corrections was made.

3.8 Methods of data analysis and presentation

Data analysis is the process of evaluating data using analytical and logical reasoning to examining each component of data provided and data presentation is making an interpretation of the larger meaning of data in the collection of process. Therefore, the raw data obtained from the questionnaires will be presented using tables and charts. Following that the researchers will use descriptive type of data analysis to draw conclusion and inference about the study. Likewise, percentage will be used to make comparison and inference about respondent response.

3.9 Ethical consideration

Ethical reflections of confidentiality and privacy were addressed. A concerted and conscious effort was made always to uphold this promise. A guarantee was given to the respondents that their and organizations names were not exposed in the research report. And they are assured on the questionnaire paper that the information provided will be accessible only to the undersigned researcher only.

CHAPTER FOUR: PRESENTATION OF DATA AND DISCUSSION OF FINDINGS

Introduction

In this section of the study, the findings are presented and discussed for each of the sections of the research objective areas identified in Chapter 1. Data for this study was collected by means of questionnaire distributed via emails and collected in person from organizations responding to the questionnaire.

From the total of 154 questionnaires distributed, for Management and Finance staff respondents of the 77 selected organizations, 101 (66%) eligible responses were obtained (please refer to the table below for details). Except for one questionnaire response received incomplete from a management staff respondent that was ruled out as ineligible, all of the collected responses were eligible for the purpose of the study.

4.1 Profile of respondents

Selected organization have received two questionnaires each, one for senior management and the other for a finance department staff. The advantage of distributing the customized questionnaires for finance and management staff is that the study can benefit by getting the views of both financial and non-financial managers on the budgetary control mechanism of the responding organization.

4.1.1 Work position of respondents

The finance department staff respondents with in the selected organizations are, in most cases, 28 (56%) employed as experts, and partly serve as part of the management of these organizations (Table 2). This indicates that the finance staff respondents are relevant subjects for the study as they are involved in the budget 0074 process of their organizations.

Table 2. Work position of finance staff respondents

Position	Number	Percentage
Management	22	44.0
Experts*	28	56.0
Total	50	100.0

**included in this category are accounts officers, budget officers and compliance officers*

Similarly, much of management staff respondents, 41 (82%) held management positions and the rest, 9 (18%), are employed as experts (Table 3). Based on the above results management staff respondents are involved in the budget preparation and control in their organizations. With such a capacity, they can provide the study with the relevant information.

Table 3. Work position of Management staff respondents

Position held	Number	Percentage
Management	41	82.0
Expert*	9	18.0
Total	50	100.0

**included in this category are the program advisors, coordinators and monitoring & evaluation officers*

4.1.2 Years of experience of respondents

Concerning the years of experience of finance department respondents most respondents, 20 (40%), stated that they have work experience that is between 6 to 10 years. The next significant number of respondents were the 15 (30%) finance staff participants with 11 to 15 years of work experience. The total of the above two experience related categories of respondents covers 70% of the total participants (Table 4). The cross analysis of work experience of respondents alongside their response to the question of their budget experience is shown in Figure 4.1 below for further understanding of the relevance of these parameters to this study.

Table 4. Years of Experience of Finance staff respondents

Years of experience	Number	Percentage
1 to 5 years	7	14.0
6 to 10 years	20	40.0
11 to 15 years	15	30.0
Over 15 years	8	16.0
Total	50	100.0

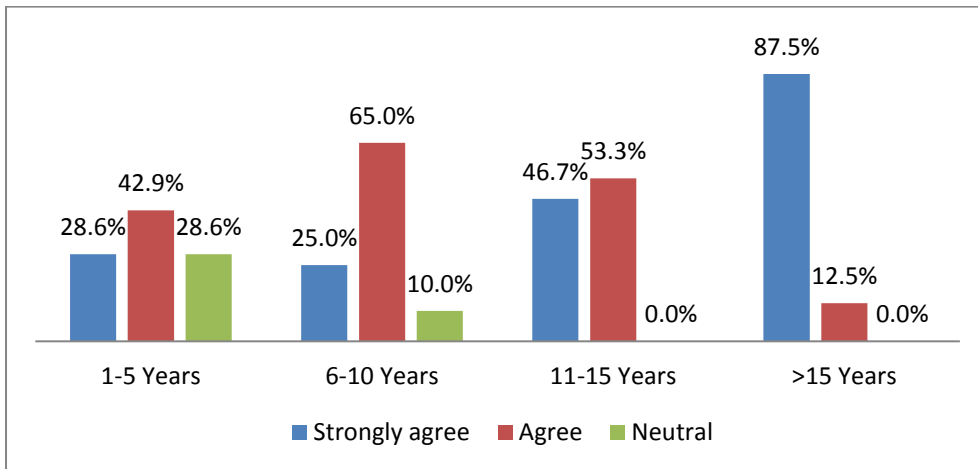
Majority of the management staff, 19 (40.4%), respondents stated that they have 11 to 15 years of experience. The next significant number of respondents, 17 (36.2%), are those who stated that they have 6 to 10 years of work experience.

Table 5. Years of Experience of Management staff respondents

Years of experience	Number	Percentage
1 to 5 years	0	0.0
6 to 10 years	17	36.2
11 to 15 years	19	40.4
Over 15 years	11	23.4
Total	47	100.0

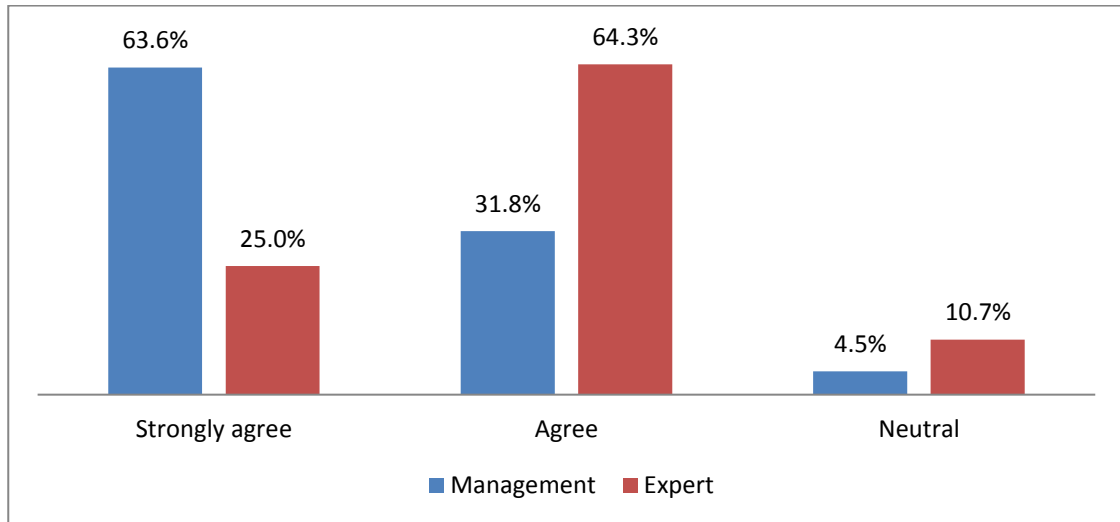
The following cross tabulation page and associated chart indicate that there is a strong relationship between work experience of finance department staff to their response as to how familiar they are with budget knowledge. Interestingly, 8 (100%) of the finance staff stated that they are familiar with budget knowledge as compared to the 5 (71.5%) respondents with work experience of less than 5 years. This implies that the participants in this study possess adequate work experience and budget knowledge that they can contribute towards the better assessment of the research questions.

Figure 2. Cross analysis of finance staff work experience and budget knowledge familiarity



In the case of management staff, as demonstrated below in Figure 4.2, out of the respondents with abundant years of work experience across the categories, more than 85% of them have familiarity with budget knowledge, that is 95.5% for management and 89.3% for experts. This indicates that responses received from these participants appropriately contribute to the research objectives of this study.

Figure 3. Cross analysis of management work position and budget knowledge familiarity



4.1.3 Level of Education of Respondents

Out of the total 50 finance department staff participated in the study 28 (56%) answered to have post graduate level of education and the rest, 22 (44%), replied as having a bachelor degree (Table 6). This indicates that all the 50 finance staff respondents in this study possess adequate level of training to answer the questionnaires presented to them.

Table 6. Level of Education of Finance staff respondents

Level of Education	Number	Percentage
Bachelor Degree	22	44.0
Masters	28	56.0
Total	50	100.0

Whereas, majority of the management staff respondents, 41 (82%), from selected organizations specified that they have bachelor degree and 9 (18%) replied that their level of education is at master's degree level (Table 7). Based on the above result all management staff respondents have the expected level of qualification to provide relevant answers to the questionnaire.

Table 7. Level of Education of Management staff respondents

Level of Education	Number	Percentage
Bachelor Degree	41	82.0
Masters	9	18.0
Total	50	100.0

4.2 Budget formulation

Table 8. Response on Budget formulation related question to finance departments

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
You are familiar with budget knowledge	21(42%)	25(50%)	4(8%)	0(0%)	0(0%)	4.3	0.6
You are familiar budgetary control	21(42%)	28(56%)	1(2%)	0(0%)	0(0%)	4.4	0.5
The overall organizations administrative activity budgeted	16(32%)	15(30%)	8(16%)	11(22%)	0(0%)	3.5	1.5
The budget process is participatory	17(35%)	16(33%)	3(6%)	11(22%)	2(4%)	3.5	1.6
Budget demands prepared by your office is based on approved plans for each activity	16(33%)	25(51%)	6(12%)	2(4%)	0(0%)	4.1	0.9
Budget is prepared for each program	21(42%)	22(44%)	2(4%)	5(10%)	0(0%)	4.1	1.2
In your organization budget serve as risk saver roll	15(31%)	18(37%)	11(22%)	2(4%)	3(6%)	3.8	1.1

In the questions that dealt with the knowledge and familiarity of respondents on budget and budget control 46 (92%) and 49 (98%) responded affirmatively respectively, with a mean score of 4.3 and 4.4 for finance staff. Most organizations, 33 (67.3%) affirmative response for finance, and with a mean score of 3.5, have participatory budget processes in place. It is helpful to the study that data from responses of participants with adequate budget knowledge may be meaningful and reliable. The results also indicate that participatory and consultative approaches to budget preparation are followed in most of these organizations with the exception of the 13 (26.5%) respondents disagreeing with the existence of participatory budget process in their organizations, showing relatively higher score of standard deviation of 1.6. The variation in responses indicate that some organizations may not practice participatory budgeting.

Based on the 31 (62%) affirmative responses from finance staff, most organizations budget overall administrative activities. On the question of basing the budget demand on approved plans of activity, 41 (83.7%) of finance staff responded affirmatively. On the question of preparation of budget for each program, 43 (86%) of finance staff responded affirmatively. This is also indicated with the mean scores of at least 3.5 for these questions that signifies majority of the responses are affirmative. The above results demonstrate that for most organizations budgets are prepared based on approved plans of activity, which helps to justify budget figures realistically.

This finding is consistent with the assertion made in *The Manager*, a publication of the Management Sciences for Health that stated budget being a financial plan containing the expenses, and most of the time, the source of fund of a characterized activity, program, project or organization. It is also a plan that enumerates program objectives by guiding the allocation of financial and human resources (MSH 1999).

In addition, in most organizations budget is prepared for each program. Funds allocated in the budget are program specific and therefore the spending of such funds can be controlled with less effort.

On the question whether budget is used as risk prevention measure, majority of the finance staff, 33 (67.3%), agreed with a high mean score of 3.8 showing that most respondents replied positively. It will be relatively easy to prevent expenditures from budgeted funds if they are unrelated to any program. This strengthens the basis for budget control.

Table 9. Budget formulation responses from Management Staff

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	\bar{x}	σ
You are familiar with budget knowledge	28(56%)	22(44%)	0(0%)	0(0%)	0(0%)	4.6	0.5
The overall organizations expenditure budget allocation of the various working units of the organization is based on the volume of activities	21(42%)	23(46%)	5(10%)	0(0%)	1(2%)	4.3	0.8
The organization management is following the practice of reducing the proposed budget without discussion with lower managers	3(6%)	4(8%)	7(14%)	27(54%)	9(18%)	2.3	1.1
Budget role in your organization help to day to day operation smooth	23(47%)	24(49%)	2(4%)	0(0%)	0(0%)	4.4	0.6
Budget is a quick reference to activity plans	28(56%)	20(40%)	2(4%)	0(0%)	0(0%)	4.5	0.6
The budget demands prepared by your office is based on approved plans and programs	30(60%)	18(36%)	1(2%)	1(2%)	0(0%)	4.5	0.6
Budget is prepared for each program	21(42%)	24(48%)	3(6%)	2(4%)	0(0%)	4.3	0.8
The budget process is participatory	15(30%)	21(42%)	5(10%)	9(18%)	0(0%)	3.8	1.1

Regarding the question asking about the familiarity of respondents with budget Knowledge 50 (100%) management staff responded affirmatively. This is also indicated by the lowest standard deviation score of 0.5 for this question implying that there is a wide consensus on the respondents' budget knowledge. Most organizations, based on 36 (72%) of management staff, have participatory budget processes in place. This is also indicated by the high mean score of 3.8. Majority of the management staff, 36 (72%), responded negatively to the question whether management exercises cutting of budget figures without consulting lower management.

However, the respondents who disagreed with the existence of participatory budget process in their organizations are a minority, 9 (18%), but is worth noting that the situation is different in some of the selected organizations. The relatively higher standard deviation score of 1.1 indicates the variation in responses to this question. There is a similar case with the responses received from finance department staff on this question.

According to Tanase G. 2013, ‘participatory budgets allow the exchange of useful information between management and subordinates, allows an efficient allocation of resources, support the adoption of accurate and realistic budgets, motivate employees, clarify their goals and objectives, increase the confidence in superiors, budgets and procedures, sustain organizational commitment, increases subordinate’s accountability and give them sense of satisfaction, accomplishment and control.’

Adequate knowledge of budget on the respondent’s side is an advantageous factor to the study. In general, participatory and consultative approaches to budget preparation are followed in most of these organizations.

Some 48 (96%) management staff respondents agreed that budgets in their organizations are quick references to activity plans and 47 (96%) of them agreed that budgets help to run the day to day operations smoothly. This has been confirmed with the higher mean scores of 4.5 and 4.4 respectively for these two questions. Concerning the preparation of budget for each program 45 (90%) of management staff responded affirmatively. On the question whether budget demands are based on approved plans and programs, 48 (96%) of the management staff agreed. The uniformity of the affirmative responses by most respondents is also indicated by the lower standard deviation score of 0.6 and a high mean score of 4.5.

The results obtained from the above questions consistently show that most selected organizations exercise reliable budget formulation practices.

4.3 Budget control

Table 10. Budget control responses from finance departments

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Budget control reduces the risk of disappointment (missing targets) in your organization	22(44%)	21(42%)	3(6%)	3(6%)	1(2%)	4.2	1.1
In your organization budget serves an action control to think a head	14(28%)	26(52%)	7(14%)	2(4%)	1(2%)	4.0	0.9
Your office exercises budget control mechanism activities	15(30%)	24(48%)	7(14%)	3(6%)	1(2%)	3.9	1.0
Recent budget utilization of your office is sufficient	7(14%)	22(45%)	8(16%)	12(25%)	0(0%)	3.2	1.4
All disbursement is sufficiently documented	20(42%)	20(42%)	5(10%)	1(2%)	2(4%)	4.2	0.9
Your organization presents timely & complete budget utilization report	18(36%)	22(44%)	5(10%)	4(8%)	1(2%)	4.0	1.1
Budget consumption reports are coherent with plans	14(28%)	20(40%)	8(16%)	7(14%)	1(2%)	3.7	1.3
Procurement plans help organizations performance	19(39%)	17(35%)	10(20%)	2(4%)	1(2%)	4.0	1.0
Your office has an interest to request budget without plan	4(8%)	16(32%)	8(16%)	17(34%)	5(10%)	2.7	1.4

On the question if budget was used as action control tool, majority of the finance, 40 (80%), respondents replied affirmatively. In addition, finance staff agreed in majority to the question whether budget control reduces risk of missing targets and whether there are distinct budget control activities in place in their organization, 43 (86%) and 39 (78%) respectively. The mean scores for these two questions are 4.2 and 3.9 indicating that the majority agreement with the existence of control activities and tendencies of risks reduced using budgets. For the most part of the respondents, 29 (59.2%) for finance, recent budget utilization in their organization where sufficient and on the coherence of budget consumption reports with action plans, 34 (68%) finance staff replied affirmatively. The higher standard deviation score of 1.3 for this question indicate that with these varied responses, some organizations may have poor planning or weak control practices. The overall results above indicate that in most of the selected organizations reasonably dependable budget control mechanisms are in place in respect of planning and controlling of their activities.

The above results are coherent with Kemp and Dunbar (2003) who stated that at the point when the budget is confirmed and set up in the accounting system, we say that the funds are allocated but haven't been spent yet. To track our expenditure, we must work at a more exhaustive level by monitoring each of the expenditures we make.

One of the main objectives of procurement planning is to ensure that procurement activities are in line to the program or organizational budget. Regarding to the questions whether procurement plans contribute to better performance, 36 (73.5%) respondents replied affirmatively. This indicates that most organizations have sound procurement planning and execute them in accordance with operational plans and budget.

This result confirms the assertion made by Missoni and Alesani (2014) who stated that in the budgeting stage, the organization recognizes proposition for allotment of funds related to assets in the next budgetary period across its areas of intervention and administrations and by class of contribution (for instance salaries, supplies, consultancies). This has considerable importance to guarantee the continuity of administrative and program activities and adequately plan procurement and hiring processes.

On the item that asks whether disbursements are sufficiently documented, most of the finance staff, 40 (83.3%), responded affirmatively. Greater part of respondents from finance departments, 40 (80%) with a mean score of 4.0, confirmed that their organizations present timely and complete budget utilization report. These results show that for most of the selected organizations, budget utilization is recorded and reported appropriately and on a timely basis.

The diverse responses were obtained with regard to the question addressing the requesting of budget without the corresponding plan. The number of respondents who agreed to this question being 20 (40%), the same number of respondents, 22 (44%), disagreed. A small number of respondents 8 (16%) stated their neutrality. The above result is also shown with the high standard deviation score of 1.4 showing the variation in responses and a mean score of 2.7 that is relatively lower than other questions in this section showing that some of the responses were not affirmative. This indicates that in some of the selected organizations there is a tendency of preparing budgets with no supporting operational plans.

Table 11. Management staff responses on budget control

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Budget serves as an action control to think the future ahead	18(37%)	30(61%)	0(0%)	1(2%)	0(0%)	4.3	0.6
Budget assists managers in managing and controlling activity	19(38%)	29(58%)	1(2%)	1(2%)	0(0%)	4.3	0.6
Recent budget utilization is sufficient	10(20%)	21(43%)	6(12%)	11(22%)	1(2%)	3.6	1.1
Budget consumption reports coherent with plans	16(32%)	24(48%)	5(10%)	4(8%)	1(2%)	4.0	1.0
Procurement plan helps organization performance	15(31%)	27(55%)	4(8%)	3(6.1%)	0(0%)	4.1	0.8
Procurement plan has follow with organization plan	18(36%)	22(44%)	2(4%)	8(16%)	0(0%)	4.0	1.0
All disbursement is sufficiently documented	28(56%)	19(38%)	1(2%)	2(4%)	0(0%)	4.5	0.7
Your office has an interest to request budget without plan (Off budget activity)	3(6%)	6(12%)	6(12%)	27(54%)	8(16%)	2.4	1.1

Highest number of management staff respondents, 48 (96%), agreed that budget was used as action control tool. Most management staff, 48 (96%), on the other hand agreed that they make use of budgets in managing and controlling organizational activities. This is also indicated by the high mean score of 4.3 for both questions signifying the agreement of the wide majority of respondents. Most of the management staff respondents, 31 (62%), agreed that recent budget utilization in their organization where sufficient and on the coherence of budget consumption reports with action plans, 40 (80%) of them answered agreeably. The selected organizations are therefore making use of sensible budget control tools.

Regarding to the questions whether procurement plans contribute to better performance, 43 (84%) respondents replied affirmatively. Similarly, 40 (80%) of management staff agreed that procurement plans are in line with organizational plans. The majority of affirmative responses were also indicated with the high mean scores of 4.1 and 4.0 for these two questions respectively. These results point out that procurement plans are effectively utilized to strengthen the budget control system of most of the selected organizations.

Some 47 (94%) management staff respondents agreed that disbursements are sufficiently documented. This majority consensus of existing good control of disbursements is also indicated by the low standard deviation score of 0.7 and a high mean score of 4.5. These results show that for most of the selected organizations, expenditures are recorded and reported properly and on a timely basis.

4.4 Budget realignment

Table 12. Finance staff responses on budget realignments

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
There is a wide mismatch between plan & actual result in your organization?	4(8%)	15(30%)	9(18%)	19(38%)	3(6%)	2.6	1.5
Factors leading to budget variances are examined	12(24%)	30(60%)	4(8%)	2(4%)	2(4%)	4.0	0.9
Actions taken on all major variances	8(16%)	33(67%)	3(6%)	3(6%)	2(4%)	3.8	1.0

Regarding the mismatch of budgeted and actual results, diverse replies were obtained from finance staff respondents where 19 (38%) agree to the existence of wide mismatch and 22 (44%) disagreed, while 9 (18%) respondents are neutral. The variation in responses can be observed in the high standard deviation score of 1.5 and an intermediate mean score of 2.6.

On the responses provided for the examination of variances and acting on major variances identified, most finance staff, 42 (84%) for the former and 41 (83.7%) for the later, with high mean scores of 4.0 and 3.8 respectively, agreed that variances are examined and actions are taken on significant deviations. The higher mean scores indicate the wide agreement of respondents to the existence of variance examination practices.

The above results show that the selected organizations practice of examining variances and taking actions is at an acceptable level. However, the variations in responses of finance staff regarding the prevalence of wide mismatch between planned and actual results may indicate that organization specific circumstances play a vital role in this case.

Table 13. Management Staff responses budget realignments

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Do you agree that there is a wide mismatch with plan & actual result in your organization?	1(2%)	16(32%)	5(10%)	21(42%)	7(14%)	2.7	1.1
Factors leading to budget variances are examined	15(30%)	31(62%)	2(4%)	2(4%)	0(0%)	4.2	0.7
Actions taken on variances occurred in the organization	15(30%)	26(52%)	7(14%)	2(4%)	0(0%)	4.1	0.8

The existence of wide mismatch between planned and actual results are confirmed by some, 17 (34%), of the management staff respondents while most respondents, 28 (56%) disagreed to the existence of such wide mismatch in their organization.

On the question whether budget variances are examined and action are taken on major variances, most of the management staff, 46 (92%) and 41 (82%) respectively, replied affirmatively. Small number of respondents stated their neutrality and disagreed. The mean scores for these two questions, 4.2 and 4.1 respectively, further confirm the agreement of the majority to the presence of the practices of examination of variances and taking actions accordingly.

Based on the above results, we can understand the prevalence of wide mismatch between planned and actual results in some of the organizations. This was also the case with the results obtained from the responses of finance staff. The causes of significant budget versus actual variances may be organization specific and diverse in nature, however, frequent occurrence of these type of variations may also indicate the existence of some weaknesses in the budget formulation and control mechanisms of the organizations in question.

4.5 Expenditure Analysis

Table 14. Finance staff responses on expenditure analysis

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Budgetary control becomes possible with continuous comparison of actual performance with that of budget	22(42%)	26(52%)	1(2%)	1(2%)	1(2%)	4.3	0.8
Unfavorable variances provide top managers an early warning of potential problems and justification for either reconsidering the organization strategy or for interacting in the operating affairs subordinate managers in your organization	15(30%)	30(60%)	3(6%)	2(4%)	0(0%)	4.1	0.8

Finance staff replies to the question of application of budget versus actual comparison for the purpose of budget control were significantly, 47 (94%), affirmative with a high mean score of 4.3 showing the agreement of the majority. Similarly, most finance staff, 45 (90%), agreed that top management in their organization, further shown with a mean score of 4.1, utilize existing unfavorable variances as an early warning for potential operational obstacles.

Table 15. Management staff responses on expenditure analysis

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Budgetary control becomes possible with continuous comparison with actual Vs budget	26(52%)	22(44%)	1(2%)	0(0%)	1(2%)	4.4	0.7
Negative variances provide top managers an early warning	27(54%)	21(42%)	0(0%)	2(4%)	0(0%)	4.5	0.7

Concerning the utilization of actual versus budget comparison for budget control substantial management staff respondents, 48 (96%), agreed to the existence of such practice in their organization. Correspondingly, on the question of top managers getting early warning signs with negative variances, nearly every one of the respondents 48 (96%) replied with agreement. The high mean scores of 4.4 and 4.5 for these two questions respectively further indicate that the majority of the management staff responses for these questions were affirmative.

The results obtained from both sections on expenditure control indicate that appropriate practices exist in most of the selected organizations where actual versus budget comparisons are carried out and resulting information is utilized to identify potential operational risk areas in order to take precautionary action.

The results above are consistent with the assertion made by Drury (2012) that stated by examining the causes behind the deviations, managers might have the capacity to recognize inefficient aspects, for example, the procurement of sub-par quality materials. At the point when the causes behind the incompetence have been discovered, proper adjustments can be made to alleviate the situation.

4.6 Performance evaluation

Table 16. Finance staff responses on performance evaluation

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	\bar{x}	σ
Plans are used as performance standards to implement the management by exception form of control in your organization	21(42%)	20(40%)	6(12%)	2(4%)	1(2%)	4.1	1.0
Budgeted targets are linked to performance evaluations in your organization	8(16%)	23(47%)	10(20%)	5(10%)	3(6%)	3.5	1.2
Budget provides a useful means of informing managers/ employees of how well they are performing in meeting targets that they have previously set in your organization	15(30%)	25(50%)	5(10%)	4(8%)	1(2%)	3.9	1.1
The amount of budget prepared for each program line item is over estimated	5(10%)	18(36%)	7(14%)	18(36%)	2(4%)	2.8	1.5
Your office has an interest to request budget without plan	2(4.1%)	17(35%)	7(14%)	17(35%)	6(12%)	2.6	1.4
There is difference on charity prior year plan with audited report submitted to charity to renew licenses	4(8.7%)	18(39%)	9(20%)	12(26%)	3(7%)	3.0	1.4
Staffs motivation contributes for budget burn rate	16(34%)	22(47%)	6(13%)	3(6.4%)	0(0%)	4.0	1.0

As shown on the above table, with regard to the question if plan of action being used as performance standards, most of the finance staff, 41 (82%), of selected organizations agreed. The mean score of 4.1 confirms that the majority of respondents agree that plans of action have been used as standards for evaluation. Respondents who agreed that budgeted targets are linked to performance evaluation were the majority with 31 (63.3%) and 8 (16.3%) respondents disagreeing to the existence of such a link in their organization. The mean score of 3.5 indicates the majority of the responses of finance staff were affirmative in respect of link of budgeted targets to performance evaluation. Participants were asked whether budget in their organization serves as performance indicator as far as meeting operational targets, for which most finance staff, 40 (80%), replied affirmatively with a mean score of 3.9 reaffirming the majority of respondents agree to the question. This implies that most of the selected organizations have budget mechanism that is interconnected to performance assessment. Evaluating performance through budget analysis gives management information needed to make necessary operational fine-tuning for better results.

These results agree with the assertion made by Robert S. Kaplan et.al (2012) stating that budgeting enables the organization to assess whether forthcoming plans are attainable and can possibly accomplish the organization's goals. When done appropriately, budgeting facilitates activities towards accomplishing the organization's targets.

On the question that deals with prevalence of overestimated budgets for program line items, divided replies were received from respondents, where 23 (46%) agreed and 20 (40%) disagreed. This result is also confirmed by its highest standard deviation score of 1.5 indicating the varied results which may include organization with practices of overestimating budget. Likewise, when asked if budget was request without any existing plan, 19 (38.8%) agreed and 23 (46.9%) disagreed. The differences in resulting responses are indicated with a high standard deviation score of 1.4 meaning that some organizations may request budget without getting any action plan ready. These replies indicate while operational circumstances and program nature of organizations may vary, deliberate overestimation of budget requirement and tendency to request budget without plans may be classified as substandard practices. The overall differentiated responses received may serve as an indication of existence of such undesirable practices in the selected organizations, even though further study is needed to estimate to what extent such practices are applied.

Variation in charity plans and actual figures based on the audited statements were admitted having existed according to 22 (47.8%) of finance staff respondents. Some 15 (32.6%) respondents disagreed to the presence of such variations in their organizations. This result is confirmed with the high standard deviation score of 1.4 showing that planned and actual charity figures varies in some organizations. This indicates that only some of the organizations experience the variations which may be attributed to inefficiency in planning or the occurrence of some extraordinary circumstance that alters the original variables assumed during planning.

While 38 (80.9%) of the respondents agreed to the contribution of staff motivation to favorable budget burn rate, only 3 (6.4%) disagreed. The affirmative tendency of the responses for this question were indicated by the high mean score of 4.0. The rate at which budgets are spent in most of the selected organizations is affected by level of staff motivation.

Table 17. Management staff responses on performance evaluation

Questions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	μ	σ
Plans are used as performance evaluation	19(38.8%)	21(42.9%)	2(4.1%)	7(14.3%)	0(0%)	4.1	1.0
Budgeted targets are linked to performance evaluations in your organization	10(20%)	25(50%)	5(10%)	9(18%)	1(2%)	3.7	1.0
The amount of budget prepared for each activity line is over estimated	3(6%)	17(34%)	5(10%)	23(46%)	2(4%)	2.9	1.1
There is difference on charity prior year plan with audited report submitted to charity to renew licenses	3(6.4%)	13(27.7%)	14(29.8%)	14(29.8%)	3(6.4%)	3.0	1.1

The 40 (80%) management staff respondents agreed to the use of plans as performance evaluation tools in their organizations. And 35 (70%) of them agreed to the question whether budgeted targets are linked to performance evaluations. This is further indicated by the high mean scores of 4.1 and 3.7 respectively for these two questions, meaning that most organizations used plans as performance evaluation and their budgeted targets are linked to performance evaluation. Consistent with the response of their finance department colleagues, management staff of the selected organizations confirmed the practicality of stable association between budgeting and performance evaluation in their respective organizations.

The results above confirm the assertion made by Drury (2012) stating that a manager's achievement is regularly assessed by estimating his or her achievement in meeting the budget. In some organizations, rewards are granted based on an employee's capacity to accomplish the objectives determined in the budget, or raise of position awarded might be somewhat dependent upon a manager's spending record. The budget thus, provides a valuable insight to managers how far their subordinates and their own efforts are meeting the targets set out.

Management staff respondents gave fluctuated responses to the question whether activity line budget amounts are overestimated, where 20 (40%) agreed and 25 (50%) disagreed. This has been shown with an intermediate mean score of 2.9 and a standard deviation score of 1.1 indicating the existence of budget overstatement. This is an indication that in some of the selected organizations there is a practice of overstating budget line amounts. This is also consistent with the replies received from finance staff respondents.

As presented on Table 17 above, 16 (32%) management staff respondents agreed to differences being arisen between prior year planned charities and charities reported in audited reports submitted, while 17 (34%) disagreed to its occurrence in their organizations. Interestingly, 14 (28%) respondents stated their neutrality on their reply to this question. This erraticism of responses, further shown with the relatively higher standard deviation score of 1.1 even with the mean score of 3.0, indicates that difference in planned and reported charity in experienced by some of the organizations as a result of inefficiency in planning or due to alteration of the original context assumed during planning stage.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

On this chapter, we summarize and highlight our findings in the conclusion section. The section that follows is the recommendations that this study makes based on the findings. The last section deals with directions for further research on the topic.

The study upon which this research paper was based focuses up on the assessment of five areas of budget control mechanism of selected charities. The identified areas are budget formulation, budget control, budget realignment, expenditure analysis and performance evaluation. The assessment of these areas was conducted in terms of survey responses obtained from finance and management staff's awareness, understanding and experiences of actual practice in respect of budget control mechanism. The results show that staff of selected charities from both categories possess sound awareness and understanding about the budget control mechanisms in their respective organization and that these organizations have consultative, participatory and overall reliable budget formulation processes. Majority of the selected organizations have reliable budget control mechanisms in place in respect of planning and controlling of their activities. In addition, the results show that most of these organizations are making use of sensible budget control tools and document and report expenditures appropriately. Most organizations have practices in place to examine budget versus actual results and actions are taken on significant variances. Managers can identify potential risk areas by way of budget control activities and can take preventive actions to mitigate such risks in most of the selected charities. The results also show that in most organizations there is well established relationship between budgeting and performance evaluation.

This research has identified several areas of improvement where the existence of some practices was identified that weaken the organizations' budget control mechanisms. The identified weaknesses were some organizations tend to prepare budgets without the corresponding action plans, deliberate overestimation of budget, recurrence of wide mismatch between budgeted and actual results, and failure to practice a participatory budget process. The researcher, as shown on section 5.2 of this paper, has suggested some recommended actions to rectify the identified weaknesses.

5.1 Conclusions

The research study focused on foreign charity Non-Governmental Organizations having office at Addis Ababa, Ethiopia. The purpose of the study was to evaluate the budget preparation & control mechanism of the selected foreign charity non-governmental organizations. The study concentrates on the areas of budget formulation, budget control, budget realignment, expenditure analysis and performance evaluation to answer the research question.

These areas were covered in the questionnaires prepared where sets of questions were presented to respondents to collect data accordingly. In the following sections, the summary of the study findings is presented along with concluding remarks from the researcher for each of the areas the study concentrated.

5.1.1 Budget formulation

A set of questions were presented to respondents using questionnaires to examine how the selected organizations, formulate their budget. The results from questions on the knowledge and familiarity of respondents on budget and budget control Finance and management staff have adequate knowledge and familiarity with budget and budgetary control. Furthermore, results indicated that participatory and consultative approaches to budget preparation are followed in most of these organizations.

Most organizations, according to results, prepare budgets based on approved plans of activity. In addition, in most organizations budget is prepared for each program. Funds allocated in the budget are program specific and therefore the spending of such funds can be controlled more systematically.

The results obtained from the questions of this area of concentration consistently show that most selected organizations exercise reliable budget formulation practices.

5.1.2 Budget control

For most of the selected organizations reasonably dependable budget control mechanisms are in place in respect of planning and controlling of their activities. In addition, procurement plans were contributing towards better budget control and that these plans are line with the program or organizational budget for most organizations.

Based on the results obtained, in some of the selected organizations there is a tendency of preparing budgets with no supporting operational plans indicated by the varied responses received, that is, 20 (40%) agreed, 22 (44%), disagreed and 8 (16%) stated their neutrality.

The selected organizations are making use of sensible budget control tools. In addition, for most of the selected organizations, expenditures are documented and reported appropriately.

5.1.3 Budget realignment

In most cases, results show that the selected organizations practice of examining variances and taking actions is at an acceptable level. Variations in responses of finance staff regarding the prevalence of wide mismatch between planned and actual results may however indicate that organization specific circumstances should be taken in to account in order to find the appropriate and relevant solutions.

The causes of significant budget versus actual variances may be organization specific and diverse in nature, however, frequent occurrence of these type of variations may also indicate the existence of some weaknesses in the budget formulation and control mechanisms of the organizations in question.

From the obtained results, we can understand that for most of the selected organizations management makes adequate effort in order to take action of significant variances.

5.1.4 Expenditure Analysis

The results obtained on expenditure control indicate that appropriate practices exist in most of the selected organizations, 45 (90%) for finance and 48 (96%) for management staff, where actual versus budget comparisons are carried out.

Similarly, management in most of these organizations resulting identify variances as explanations for potential operational risk areas to take preventive action.

5.1.5 Performance evaluation

Most of the selected organizations have budget mechanism that is interconnected to performance assessment. This has been supported with the consistent results obtained from the responses of finance and management staff of the selected organizations.

Majority of the responses received from finance department and management staff of the selected organizations confirmed the practicality of stable association between budgeting and performance evaluation in their respective organizations.

In some of the selected organizations, there is a practice of overstating budget line amounts. This result is consistent with the replies received from finance and management staff.

The responses received on the difference in planned and reported charity was varied across the organizations indicating that inadequate planning mechanism are in place and in some other cases the original context assumed during planning stage have been changed.

5.2 Recommendations

The focus of the research study being to assess the budget preparation & control mechanism of the selected foreign charity non-governmental organizations, the following are the recommendations of the researcher to find solutions to some of the identified areas of improvement from the side of the selected organizations.

Preparing budgets without any related action plan

The study has evaluated that in some of the selected organizations there is a tendency of preparing budgets with no supporting operational plans. This practice may create an environment where budget control becomes very difficult or even impossible. Operational plans are the basis for funds requested by making use of the budget. Budgets cannot be reasonably compiled without the corresponding activities already planned. Therefore, it is recommended that these organizations should:

- Perform their own internal assessment to identify whether there are budget sections prepared without corresponding action plan.
- Examine which organizational units are responsible for such budgets and for how long has the practice been existing to assess the extent of the effects of the mal practice.
- Include in their policies and procedures sections that make action plans the compulsory prerequisites for any budget setting.
- Design and implement internal control procedures that ensures supervisors perform a review of any budget setting activity in order to confirm that it has originated from a corresponding action plan.

- Design and implement internal control procedures to ensure that budget preparation requirements are strictly adhered to by administrative and management staff involved in the process and that any instances of breaches of these procedures are identified, recorded, communicated and at last corrective actions are taken.

Wide mismatch between planned and actual results in the budget process

In some of the organizations, according to the results obtained, there is a wide mismatch between planned and actual results in their budget process. This can be an indication of possible weakness with in the budget preparation, utilization or reporting mechanisms in place.

Therefore, it is recommended that, management of the concerned organizations should:

- Assess in which sections of the budget these wide mismatches are mostly reflected, how often are these wide mismatches occurring, measure the monetary effect of this wide mismatches in relation to the overall fund budget;
- Design and implement internal control procedures that assert the conduct of regular review by supervisors over the budget preparation process to ensure that the assumptions made are accurate and appropriate, and that proper budget realignment procedures and related approval of senior management is required for any need of spending of funds more than the originally set budget
- Design and implement control activities to monitor and investigate the actual reasons for such variances to take action.

Overestimation of budget

The study results obtained confirmed the existence of the practice of budget overestimation in some organizations. This practice is often unreasonable and inexcusable. It is recommended that the budget process should:

- Include internal control procedures designed and implemented to prompt finance and management staff involved in the budget preparation process to realistically and exhaustively identify all the relevant assumptions for the preparation of the budget. Under such assumptions, the budget prepared will be reasonable and in case of any requirement to alter assumptions and consequently realign the budget, a proper mechanism with authorizations should be followed;

- Be subject to control activities designed and implemented to ensure that budget figures are reviewed by supervisors for reasonability in such a way that they prevent any over estimation of budget. Such an overstatement should be avoided in order to prevent possibility of misappropriation and overspending of funds received accordingly and may also damage the organizations relationship with the international charity donors.

Where participatory budgeting process is required

The results of the study indicate that some organizations may fail to implement a participatory budgeting process. From the total number of selected organization, responses received confirming the lack of participatory budget are a minority. However, the frequencies are in numbers that the researcher decided not to ignore.

It is therefore recommended that the concerned organizations should:

- Conduct management meetings and organization wide skills training programs to raise the awareness of management and subordinate staff, with special emphasis on those directly involved in the budget preparation process, concerning the advantages of a participatory approach to budget preparation. Among the numerous advantages of a participatory budgeting process the organization will gain the commitment and dedication of lower management and subordinates as well as cooperation of staff towards budget control mechanisms;
- Design and implement policy and procedures sections that address the practical involvement of program and organizational unit supervisors and key staff members in the setting of budget assumptions and submission of relevant approved operational and program plans as well as to obtain feedback from these staff members on preliminary budget figures prepared before final budget discussion and approval meetings are held.

5.3 Direction for further research

One of the limitations of this research, as identified in the first section of the study, is that due to the constraint of time and budget the study has focused on foreign charity non-governmental organizations only. However, there are other types of charity organizations in Ethiopia which also require similar research support to identify possible challenges in their budget system and get the relevant solutions. Further research is therefore required to perform similar studies on the other types of charity organizations in Ethiopia.

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ANNEXES:

St. Mary University
Masters of Business Administration
Department of Accounting and Finance

Dear Respondents

The researcher is undertaking a research entitled “Assessment of Budgetary control mechanism of Foreign charity organizations.” The objective of this questionnaire is to gather first-hand information in the above-mentioned issue at the grass root level. The researcher would like to assure you that the information you are going to provide will be exclusively used only for academic purpose and will remain confidential. Therefore, you are kindly requested to respond the questions freely and openly to the best of your knowledge.

The questionnaire includes all the directions necessary to complete the response without assistance. Since the success of this study depends on the cooperation of all targeted respondents, the information that will be obtained from the questionnaire will not identify individual’s respondents in the study. Hence, your response will be used in aggregate. I would also like to assure you that the information you provide will be accessible only to the undersigned researcher only.

Your honest & thoughtful response is helpful.

This questionnaire has four pages including this page.

Thank you for your participation.

If you have any question regarding this thesis questionnaire please call on

+251-911-982 983

Girmaye Shawul

(MBA in A & F Candidate)

Finance Department

I. Demographical information

- I.1 Sex A. Male B. Female
- I.2 Level of education A. Diploma B. Degree C. Masters D. Other(Specify)
- I.3 Total years of work experience _____
- I.4 Total years of work experience specific to budget management
- I.5 Work position A. Management B. Expert

Kindly put a tick (✓) sign for your opinions

II. Questions related with budget and budget controlling mechanisms

A. Questions related with formulating a budget

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.1	You are familiar with budget knowledge					
2.2	You are familiar with budgetary control					
2.3	The overall organizations administrative activity budgeted					
2.4	The budget process is participatory					
2.5	Budget demands prepared by your office is based on approved plans for each activity					
2.6	Budget is prepared for each program					
2.7	In your organization budget serve as risk saver roll					

2.8 Are you normally involved in preparing the budget process? Yes No

if your answer is **No** who prepare the budget _____

2.9 Please mention any opinions & comments which is not mentioned above

B. Questions related with budget control

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.10	Budget control reduces the risk of (disappointment, missing targets) in your organization					
2.11	In your organization budget serves an action control to think a head					
2.12	Your office exercises budget control mechanism activities					
2.13	Recent budget utilization of your office is sufficient					
2.14	All disbursement is sufficiently documented					
2.15	Your organization presents timely & complete budget utilization report					
2.16	Budget consumption reports are coherent with plans					
2.17	Procurement plans help organizations performance					
2.18	Your office has an interest to request budget without plan					

2.19 Please mention any opinions & comments which is not mentioned above regarding to budget control

C. Questions related with budget realignment

S.No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.20	There is a wide mismatch between plan & actual result in your organization?					
2.21	Factors leading to budget variances are examined					
2.22	Actions taken on all major variances					

2.23 If your answer for 2.20 Agree or above please mention root cause to variances

External/Internal _____

External -----

Internal -----

2.24 Please mention any opinions & comments which is not mentioned above

D. Questions related with budget expenditure analysis

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.25	Budgetary control becomes possible with continuous comparison of actual performance with that of budget					
2.26	Unfavorable variances provide top managers an early warning of potential problems and justification for either reconsidering the organization strategy or for interacting in the operating affairs subordinate managers in your organization					

2.27 Please mention any opinions & comments which is not mentioned above

E. Questions related with performance evaluation

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.28	Plans are used as performance standards to implement the management by exception form of control in your organization					
2.29	Budgeted targets are linked to performance evaluations in your organization					
2.30	Budget provides a useful means of informing managers/Employees of how well they are performing in meeting targets that they have previously set in your organization					
2.31	The amount of budget prepared for each program line item is over estimated					
2.32	Your office has an interest to request budget without plan					
2.33	Is there difference on charity prior year plan with audited report submitted to charity to renew licenses					
2.34	Staffs motivation contributes for budget burn rate					

2.35 Please mention any opinions & comments which is not mentioned above

Thank you for time!

St. Mary University
Masters of Business Administration
Department of Accounting and Finance

Dear Respondents

The researcher is undertaking a research entitled “Assessment of Budgetary control mechanism of Foreign charity organizations.” The objective of this questionnaire is to gather first-hand information in the above-mentioned issue at the grass root level. The researcher would like to assure you that the information you are going to provide will be exclusively used only for academic purpose and will remain confidential. Therefore, you are kindly requested to respond the questions freely and openly to the best of your knowledge.

The questionnaire includes all the directions necessary to complete the response without assistance. Since the success of this study depends on the cooperation of all targeted respondents, the information that will be obtained from the questionnaire will not identify individual’s respondents in the study. Hence, your response will be used in aggregate. I would also like to assure you that the information you provide will be accessible only to the undersigned researcher only.

Your honest & thoughtful response is helpful.

This questionnaire has four pages including this page.

Thank you for your participation.

If you have any question regarding to this thesis questionnaire please call on

+251-911-982 983

Girmaye Shawul

(MBA in A & F candidate)

Management staffs Questionnaire

I. Demographical information

I.1 Sex A. Male B. Female

I.2 Level of education A. Diploma B. Degree C. Masters D. Other(Specify) _

I.3 Total years of work experience _____

I.4 Total years of work experience specific to budget management

I.5 Work position A. Management B. Expert

Kindly put a tick (✓) sign for your opinions

III. Questions related with budget and budget controlling mechanisms

A. Questions related with formulating a budget

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.1	You are familiar with budget knowledge					
2.2	The overall organizations expenditure budget allocation of the various working units of the organization is based on the volume of activities					
2.3	The organization management is following the practice of reducing the proposed budget without discussion with lower managers					
2.4	Budget roll in your organization help to day to day operation smooth					
2.5	Budget is a quick reference to activity plans					
2.6	The budget demands prepared by your office is based on approved plans and programs					
2.7	Budget is prepared for each program					
2.8	Budget is prepared for each program					

2.9 Please mention any opinions & comments which is not mentioned above

B. Questions related with budget control

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.10	Budget serves as an action control to think the future a head					
2.11	Budget assists managers in managing and controlling activity					
2.12	Recent budget utilization is sufficient					
2.13	Budget consumption reports coherent with plans					
2.14	Procurement plan helps organization performance					
2.15	Procurement plan has follow with organization plan					
2.16	All disbursement is sufficiently documented					
2.17	Your office has an interest to request budget without plan(Off budget activity)					

2.18 Please mention any opinions & comments which is not mentioned above regarding to budget control

C. Questions related with budget realignment

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.19	Do you agree that there is a wide mismatch with plan & actual result in your organization?					
2.20	Factors leading to budget variances are examined					
2.21	Actions taken on variances occurred in the organization					

2.22 If your answer for 2.19 Agree or above please mention root cause to variances

External/Internal _____

External -----

Internal -----

2.23 Please mention any opinions & comments which is not mentioned above

D. Questions related with budget expenditure analysis

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.24	Budgetary control becomes possible with continuous comparison with actual Vs budget					
2.25	Negative variances provide top managers an early warning					

2.26 Please mention any opinions & comments which is not mentioned above

E. Questions related with performance evaluation

S.No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2.27	Plans are used as performance evaluation					
2.28	Budgeted targets are linked to performance evaluations in your organization					
2.29	The amount of budget prepared for each activity line is over estimated					
2.30	Is there difference on charity prior year plan with audited report submitted to charity to renew licenses					

2.31 Please mention any opinions & comments which is not mentioned above

Thank you for time!