

ASSESSMENT OF BUDGET PREPARATION AND UTILIZATION OF AMHARA
DEVELOPMENT ASSOCIATION: 'THE CASE OF YILMANA DENSA WORDA BRANCH

A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,
ST.MARY'S UNIVERSITY COLLEGE.

IN PARTIALFULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF
BAHELOR OF SCIENCE IN ACCOUNTING.

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Id.No D4AC106239/2004A

June 2014

Yilmana Densa Worda Ethiopia

Acknowledgement

First of all I would like to thank my almighty God, who has help me in my entire life and to success in this academic area. Next to the God, I would like to forward my heart full thanks and appreciation for my Excellency friend Ato Mangiestu kefale who devoted his work time and full effort to go through the paper and brought for the effort to go through the paper and brought for the suggestion, comments and advices up to the end of this paper. I give my heartily thanks for my family to their financial as well as moral support in last but not least, I would like to forward heart fully gratitud To Rahel Alemayehu , who help me in writing of this paper and to my best friend, Debalk Tesfa, who devote his time, skill and moral for successful accomplishment this work, finally to all personal of the ADAYDWB.

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ABSTRACT

The study has conducted on Amhara Development Association in Yilmana Densa Worda Branch. The main objective of this study is to assess budget preparation and utilization to come up with possible solution through evaluates its budget preparation and utilization in previous years and finally to forward the finding and recommendation. The study used judgmental sampling method to collect primary data through questionnaires. It also used secondary data from annual budget report of the association. The researcher used percentage and table to interpret and analysis of data. The study has its own finding from among them: the association has on constant financial source, centralized budget preparation has effect on budget utilization that is less focus for sample activities which need later extra budget and the manager and accountants are those person who responsible for budget implementation. The researcher has also forward its own recommendation which is derived from the finding. Among them: the association should have constant source of fund like labor support from community, strength its budget preparation through including lower activities and increase the awareness of its personnel through training in order to improve its budget preparation and utilization in general.

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Chapter one

Introduction

1.1 Background of the study

The word budget is French word used to mean the money bag. It was introduced the first time in 1733. The word budget comes in to usage to mean public purpose which serve as a term for relevance and expenditure for the state. In Ethiopia context, budgeting is a recent phenomenon in the financial management system and it is also formal statement containing planned program and activities of the organization expressed in monetary to be implemented in a given period of time.

It also helps decision makers to determine public priorities, goal and objectives among thousands of programs and projects. (Lynn and freeman 1982)

Budgeting is process of allocating scare resource of to unlimited demand. Although budget and budgeting are to different word but typically play greater role in planning and control of government operation of non government operation than in those of private owned business. (Lynn and free man 1982)

Budgeting is very important to every organization governmental business organization and nongovernmental (non profit) organization.

They use budget as a means of planning utilization and controlling their Searle resource for unlimited needs to meet their goals efficiently budgeting sets standard against which actual performance enable the actual figure to the compared against which performance enable the actual figure to the compared against anticipated one. The means variance are shown and remedial action can be taken of a management by exception approach tend to develop that means it be a management by exception approach tend to develop the means it became clear here the problem have on which 1 management should concentrated.

1.1.1 Vision of Amhara Development Association Yilmana Densa Worda Branch

To see the people of the Yilmana Densa Worda being free from poverty and backwardness to an exemplary development actions in making this vision a reality.

1.1.2 Mission of Amhara Development Association Yilmana Densa Worda

Branch

Catechize the development endeavors of the people of education, health and other needs through mobilizing resources from members of the association, supports of parents and with the participation of the whole of the community.

1.1.3 Objective of Amhara Development Association Yilmana Densa Worda

Branch

Expand the scale of improve the quality education, and health service development infrastructure and the capacity of the people.

- Support the development efforts of people Yilmana Densa Worda by offering the necessary expertise, finance of material support.
- Encourage of support limiters interested work of those who have already devoted (their resource in developing the Worda)
- Support of collaborate with government, non government of gross roots organization in management gating the social of economic problems of the people.
- Work towards development of the cultures of the various nationalities in the worda. The various nationalities in the worda.

Provide the necessary protection, recognitions and support for cultural prosperity and development.

1.2 Background of the Organization

Amhara development association Yilmana Densa Worda Branch is indigenous not for profit organization established in may 1984 by the people of Yilmana Densa Worda Branch.

Amhara development association Yilmana Densa Worda Branch emerged as local nongovernmental organization to contribute to the economic and social progress of the Yilmana Densa Worda through the comminute participation and mobilization of resource from members, supporter and the donor dominates.

1.3 Statement of the Problem

Amhara development association Yilmana Densa Branch is indigenous non government organization that is not concerned with the profit. It tries to find the most efficient distribution of the found and other resource among the different problems to achieve their organizational goal. But Amhara development association Yilmana Densa Branch faced different programs regarding the budget preparation and utilization. There is the absence of the constant budget period, because the source of budget comes from members, income generating activity (example Hotel service, hall rent and training centers) and from donors who do not gave money at a constant time period.

Most activities of budgted expenditure are controlled on aggregate bases rater than in detailed. Because under the same project, sub-project use more over less expenditure than approved one when we control the detail budget. Each department did not participate in budget preparation program. And also those activity which are assigned to the may be left without included in budget preparation period. This resulted the imbalance between annual approved budget and the total expenditure which in later cause for improper budget utilization.

Research questions

- What are the criteria for budget distribution to the department in Amhara development association Yilmana Densa Branch?
- Does the Amhara development association in Yilmana Densa Branch have organization structure specifically in budget preparation and utilization?
- In what time interval budget utilization report has been submitted?
- What are the consequence of the transfer of budget from one department to and their department when the one department require additional budget for project?
- How many department one responsible for the preparation and utilization of budget in Amhara Development Association Yilmana Densa Branch?
- What the impacts of separation budget preparation by each department that is consolidated by the planning department by the people come from, kebele which are elected by the people of ADAYDWB?

1.4 Objective of the study

This study has both general and specific objective

1.4.1 General objective

The general objective of the study is to assess budget preparation and utilization in planning activities and come up with possible solution by properly evaluating the budget preparation and utilization in Amhara development association Yilmana Densa branch.

1.4.2 Specific objective

- To assess the process of budget preparation used and come up with the specific area of the problem.
- To discuss with the criteria considered in allocating budget to departments.
- To assess the supervision mechanism for proper budget utilization.
- To see the consequences of budget transfers among different department.
- To identify the department responsible is budget preparation.
- To explain the centralized budget preparation.

1.5 Significance of the study

The researcher has attempted to assess the budget preparation and utilization of in particularly on recurrent budget.

First, it may also used as reference by individual who are interested in understanding for their research on the issue. It may help the association to point out the main problem in the thematic area (study area) and to allocate resources in proper manner for every program and project to achieve the desired goals. Secondly, it may also be used as reference for potential researcher. Lastly it may also used for the researcher to get the award of bachelor of Art (BA) degree in accounting.

1.6 Scope of the study

The scope of this study focused on budget preparation and utilization especially on current budget of Amhara development association Yilmana Densa Worda Branch from year 2003-2005 E.C. it was conducted to identify the main problem of association with budget preparation and utilization of recurrent budget in Amhara development association Yilmana Densa Worda Branch. Which has large amount of capital budget implemented in different Kebel but due to different reasons, this study has focused in Yilmana Densa Worda Branch.

1.7 Limitation of the study

The study has faced the following limitation.

- ✓ Shortage of time in data collection.
- ✓ Unavailability of enough written material in the association.
- ✓ Unwillingness of those responsible persons in the association to give relevant information to conduct the study.

1.8 Methodology of the Study

1.8.1 Data Collection Method

The study has designed to evaluate the budget preparation and utilization in Amhara development association Yilmana Densa Branch. The researcher has used both primary and secondary data sources. The primary data source is questionnaire. Secondary data sources are books, budget documents, and annual budget report and internet access.

1.8.2 Sample design

The research has used judgmental sampling techniques to distribute the questionnaire because the total population size is 10 in the association who have good know how for accurate information about budget preparation and utilization.

1.8.3 Method of data analysis

The data collected from the Amhara Development Association Yilmana Densa Worda Branch, using questionnaire had interpreted and analyzed through using descriptive statics, like table and percentage.

1.9 Organization of the study

The section includes how the final researcher project in organized. Normally the final research has four chapter, chapter one includes back ground of the study, statement of the problem, objective of the study, significance of the study, scope of the study, limitation of the study, methodology and organization of the study itself. Chapter two, deals with preview of related literatures. Chapter three focused on data presentation, analysis and interoperation. Finally chapter four has contains conclusion and recommendation which is derived from the finding of the study.

CHAPTER TWO

RELATED LITERTURE REVIEW

2.1 Definition of Budget

A budget is defined as the format expression of plans goals and objectives of a management that converse all aspects of operations for designated time period.

The budget is tool providing forget and direction budget provides control over the immediate environment help to master the financial aspects of job and department and solve problems before they occur. (Jack. Shim and Joel. G. siegel 2005) budgeting basic and beyond, 2nd edition. As (Lynn and freeman 1982). Fund accounting theories and practices 2nd edition, defined budget is process of allocating scarce resource for unlimited demand. It should contain information about the type amount are be made and the proposed of financing them. It consists of statements; summarizing the anticipated activities of entry expression the number of object to be considered and amount of service to render and expression of plan to operation in birr and sent, hence budget quantitative expression of plan for the future in financial terms and for special terms and for specified period of time.

2.2 Advantages of Budgeting

Government administration often overlooks the planning aspect as control, device. The government and nongovernmental association will have certain objectives such as assignment of resource, money personal etc. for the accomplishment of those objectives the primary use budget is controlling the assigned resource ensuring that they are used for intended purpose.

The other advantage of budget is to provide information to decision makes and indicates to the member what decision have been made about the objective of the government and

non government association. (Irwin 1998) management control system, 9th edition and other non government with several benefits.

- Budget provide a means of communication managements plan throughout the organization
- Budget force manager think about and plan for the future in the absence of the necessity to prepare a budget to many managers would spends all of their time dealing with daily emergence
- The budgets process provides a means of allocation resource to those parts of the organizations, where then used most efficiently.(as ericetal 1997) garrison management accounting 10th edition

2.3 Budget Period

(Ericetal, 1997) garrison, management accounting 10th edition discussed as operating budgets are ordinary set to cover a one year period.

The period should correspond to the components or association fiscal year so that the budget figures companies divide their budget year so that the budget figures companies divide their budget year in to four quarters. The first quarter is then sub divided in two month and monthly budget figure are established. These figures and usually are established with considerable accuracy. The last quarter contain in the budget quarter totals only. As the year progress the figured for the second quarter are broken down to forth this approaches has the advantage require period and reappraisal of budget data throughout the year.

2.4 Approach to budgeting

Numerous budgeting techniques have be advance over the year to force program, managers or department heads to request only realistic budget or to reassess program, it should be designed to fit its environmental factors same up which may be unique its

environmental factors same up which may be unique its system should provided planning and control balance that are appropriate to it circumstances.

The several approaches to governmental budget include:

2.4.1 The performance budget approach

Performance budget is a budget where in expenditure is based primarily up on measurable performance of activities and work program, it may also in corporation other basis of expenditure classification such as characteristic and object class but these are given a subordinate status to activates performance and the primarily focus of the approach is on the efficiency with which existing activities are being carried out (Lynn and free man 1982) fund Accounting theories and practices 2nd edition.

2.4.2 Planning programming budgets approaches

As (Lynn and free man 1982) states planning programming approach emphasizing broad goals strategies and objects rather details of spending. It consider long range plans and then evaluate cost and benefits of different ways of meeting the goals and objectives of also emphasizes the government or nongovernmental association over all program rather than specific departments.

2.4.3 Zero-Base Budgeting

The newest approach to budgetary planning in zero bases budgeting. It comes on the science about 1970 from the profit-seeking sector of the economy that adapted by a few governments and was popularized when president carter, citing his Georgia experience with the approach, required its use for the federal government. The essential idea of zero base budgeting is that the continued existence of programs or activity is not taken for granted each service must be justified in its entirely every year.

Zero base budgeting is designed to force an annualize view of all programs activities and expenditure, to save money by identifying out dated programs and un necessary high

level of services, to cause a search for new ways of providing services and achieving objectives to improve the ability of management to plan and evaluate to provide the ability of managements to plan and evaluate to provide better justification for the budget and finally to improve the decisions made by executive and legislative branches of the government. (Lynn and free man 1982)

2.5 Types of Budget

There are many types of budget classification same of them are the following.

2.5.1 Capital or current budget

Sound government fiscal management requires continual planning for several periods in to the future. Most government are involved in program to provide certain goods and services continuously, in holding of buildings, land or others major item of capital out lay that dept service commitments. Although some prepare comprehensive multiyear plans which include all of these a more common practices for such plan to include only the capital out lay plans of the organization.

Such a plan generally covers a period of two to six years and it referred as a capital program each year the current segment of the capital program is considered for inclusion as “capital budget” in the current operations and debt service as well as estimate of all financial resource expected to be available during the current period.

Capital program a plan for capital expenditure to be included each year over a fixed period of years it sets from each project or contemplated expenditure in which the government is to have a part and specifics the full resources estimated to be available to finance the projected expenditures.

Capita budget is the annual budget prepared for and proposed capital out lays and the means of financing them for the current fiscal period. It is usually a part of current budget prepared for and effective during the present fiscal year or in the case of some state governments, the budget for the present biennium. (Lynn free man 1982)

2.5.2 Tentative or Enacted Budget

One of the most important biases for distinction between budgets is their legal status prior to approval by the legislative body various documents may be called budgets and have greater or lesser degree of finality. Capital program represent plans but not requests by the executive branch, they are subject to change from year to year. Similarly a department budget requests may be called a budget but may be changed several times by the department head or higher authority before it is include in chief executive final budget presented to the legislative.

Enactment of an appropriation bill by the legislative branch is the basis for its control over the executive branch. Only the legislative may revise the tremor conditions of this final budget. (Lynn, free man, 1982)

2.5.3 General or Special Budget

The budget of general government activities, commonly financed through the general, special revenue and debt service funds, are referred to as "general" budget. Appropriations are not normally required for trust and agency funds since the government is acting merely as a fiduciary in such situations; consequently formal budgets are rarely prepared for these types of fund. Special budget are commonly limited to these for capital project and special assessment funds internal service and enterprise funds are sometimes formally budgeted.(Lynn free man).

2.5.4 Fixed or flexible budget

Fixed budgets are those in which appropriations are for a specific (fixed) dollar amount and may not be exceeded because of changes in demand for governmental goods or services, on the other hand, expenditure authorized by flexible budgets are fixed per unit of goods or services, but are variable in total according to demands for either production or delivery of the goods or services fixed budgets are relatively simple to prepare and administer are more easily under stood that flexible ones lend themselves to the desire of "strong" legislature to limit to discretion of the executive (or the executive of this subordinates), are more readily adaptable to integrating

budgetary control techniques in to accounting techniques or systems and are in harmony with the in fact of allocating a fixed amount of resources among various departments.

Governmental find budget are more almost in variably of the foxed variety, flexible budget are more realistic when changes in the quantities of goods or services provided directly affect resources availability and expenditure requirements and when formal budgetary control (in the account structure) is not deemed essential, flexible budget are moralistic when changes in the quantities goods or services provided directly affect resources availability and expenditure requirement and when essential flexible budgets are appropriate for enterprise and internal service funds.(Lynn, free man, 1982)

2.5.5 Executive or Legislative Budget

Budgets are also some times categorized prepare. As noted earlier, budget preparation is usually considered on executive function through legislature may revise the budget prior to approval in some instances however, the legislative branch prepares the budget, possible subject to executive veto in other instances. The budget may originate with a joint legislative executive committee or with a committee comprised solely of citizen or constituents such budgets as frequently referred to by terms such as "executive budget" of "legislative budget" "joint budget" or committee budget" (Benard .p. Herbert, 1975) modern public finance 5th edition)

2.6 The Budget process

The Budget process in a non profit making preparation normally begins with the managers of the various activities calculating the exported costs of maintaining current on giving activity and then adding to those costs any further development of the service that are considered desirable.

The available resource of financing the proposed level of public services should be sufficient to cover the total costs of such services. In the case of a local authority the resources will be raised by law taxes and governmental of nongovernmental grants similar procedures are followed by churches, hospital and other nonprofit making organization in that they produce estimate for under taking their activities and then find

the means to finance then or reduce the activities to realistic level so that they can be finance from available financial resource. One difficult encountered in not profit making organization is that précis objectives are difficult to define in quantifiable way and the actual accomplishments are even more difficult to measure in most situations out puts cannot be measure in monetary terms. By output can mean the quality profit oriented sale revenues, the effect of this is that budget in nonprofit organization tend to be mainly concerned with the input of resources (i.e. expenditure and output (sale revenue)). In nonprofit organization there is no the same emphasis on what was intended to be achieved for a given in put terms with the estimated cash in puts in other words, there is little emphasis on me assures of managerial performance in terms of the results achieve.

(Cosine Druy 1992 management and cost accounting 3rd edition)

2.6.1 Budget preparation

Budget is an important tool for effective short term planning and control in organization, an approach budget and usually covers the one year and states the revenue and expenses planned for the year.

It has the following characteristics:

- It estimated the profit potential of business unit
- It is stated in monetary term and although may back up on non monetary amount
- It general covers a period of one year
- It is a management commitment manager agreed to accept responsibility for atting the budgeted objects.
- The budget proposal is reviewed and approved by in authority higher than budget tee.
- One approved, the budget can be charged only under specific condition.
- Periodically actual financial performance is compared to budget and variances are analyzed and explained. Irvin 1998 Management control system 9th edition)

1. Revenue Estimate

According to (tanner and cup, 1960) unless there is a possible source of revenue, expenditure planning is not possible based on revenue estimate from different sources expenditure is planned the budget officer must have an excellent idea of the revenue with tax currently provides by low yield at current rates.

Having produced such an estimate the budget officer and the chief executive can compare it which their knowledge of change on demand in the government such as comparison should provide the need of expenditure.

Thus before taking any steps to expenditure planning the possible source of revenue have to be know the revenue should of revenue have to know they should be estimate based on the possible sources.

2. Expenditure planning

Expenditure planning should be considered a year round activity it is an activity that occurs year after year the budget officer and his budget examines should be continually in the process of becoming acquainted with agencies whose budget they will work, analysis of agency operations. Including both what the agency does and how it does it are essential of the budget officers to given proper consideration to units request in many jurisdiction the budget officer has been assigned responsibility or doing work best described as that an operation analyst.

The assignment has come in many cases because of the qualification of the qualification of budget personnel in the other cases it has been and natural outgrowth of the intimate, yet independent knowledge and view point of the budget examiner. The budget office should also utilize relevant report of internal and it staff, independent auditor, management consultant or other in familiarized persons with agency operator.

It self expenditure planning includes steps preparation of budget instruction, call for departmental estimate, estimating other characters revision departmental estimate and preparation of budget document. (Tanner and Lynn 1960)

Government accounting 4th edition preparation of budget instruction:- the budget officer prepare estimate form and instruction and then distributed them to concerned department the budget officer will and the agency should include the budget cleaner over which the budget is going to be prepared and consumed, how to perform the mechanics of filling out the budget estimate from and how to make decision regarding amount to be requested. (free man and Lynn 1982)

Call for Departmental Estimate:- after receiving instruction from budget officer the chief executive call for departmental estimate is one of the first step in preparation of the budget following the object of expenditure /performance/ combination a departments first moving in preparing its estimate would be to accumulative and schedule work load data.

(Free man and Lynn, 1982)

Estimate of other charges:- same expenditure are ordinarily not allocated do any program or activity of an organization unit integrate on general long term debit and contribution to pension fund as an example of this these expenditure estimates are therefore prepared by the budget officer. However refinement of accounting and budgeting are continually reducing the number of unallocated expenditure. Contribution to person fund may properly be charged to activity on the basis of employees whose salary caused be contribution.(Free man and Lynn, 1982)

Review of department:- as discussed by free man and Lynn (1982) department heads have filled out the budget estimate from and at any rate not later than the data designates in the budget calendar. Then transmit the forms together with work program and other supporting data to the budget officer. The later notes whether the estimates have been properly prepared, summarize the information received and presents the schedules

together with summarizes and revenue estimates to the chief expectative who most analysis all the data in order to prepare his recommendation to the legislative.

2.6.2 The objective of expenditure approach

The objective of expenditure approach to budgeting often referred to as the traditional approach has an expenditure control orientation. It becomes popular as the basis of legislative control over the executive branch. The continue to be the most widely used through elements of newer approaches are often added.

Subordinate agencies submitting budget requests to the chief executive in terms of the types of expenditure to be made. That is the number of people to be hired in each to the most widely used, through elements of newer approaches are often added. specified position and salary level and the specific goals services to be purchased during the upcoming period.

The chief executive complaining, modifying and submitting on over all request for the organization legislature in some object of expenditure terms, and appropriations, possible offer revising the request along objective of expenditure "in put" linear performance or program data may be included in the budget document they are used only to supplement or support the object of expenditure requests. Defenders of the object of expenditure approach mate its long standing use, it simplicity and its ease of preparation and understanding by organizational units and object of expenditure closely fits pattern of responsibility accounting, that his method facilities accounting control in the budget execution process, and that comparable data may be accumulated. This approvals is also criticize as being out of data line item appropriations, encourage by the approach may have been necessary relation to the boss rule scandals of the term of century period, but critics assert that into days complex environment the executive branch must have reasonable discretion and flexibility to manager device and complex program finally, it is contended that this method encourages spending rather than economizing and that department heads feel complied to expand their full appropriations whether needed or nut

as performance evaluation tends to be “good” as long as the keeps his spending within the budgetary limitations and the managers subsequent budget may be reduced if he spends less than he request budgets may be reduced if he spends less than he request for a given year as legislations of ten base appropriations on prior expenditures and also may consider the fact that a manager did not spend as much as he requested indicative of budget request “padding” (Lynn freman 1982)

2.6.3 The budget documents

After the chief executive has considers the request of the various departments and taken action on them he is in a position to prepare the budget document he is in a position to prepare the budget document to be submitted to the legislative body for consideration and adoption the budget document consists of

A Budget message:- contains the explanation of principal budget items governmental & nongovernmental units experienced during the last year and its financial status at presents time and the recommendation regarding the financial policy for the coming year.

A Budget summary:- showing total estimates resource and expenditure and a schedule of actual and estimated revenue classified by source.

The department work program:- request forms comments and schedules showing charge not applicable to any particular department.

Balance sheet showing estimate asset: - liability revenue and surplus or deficits as of the close of the current physical year and statement of actual and estimate cash receipts, disbursements and balance. If any contemplation schedule showing short term borrowing transaction during the past three years and the current year and the proposed short term borrowing for the coming year.

A statement showing bounded debt outstanding and statement of tax collection and other

(Free man and Lynn 1982)

2.6.4 Budget legislation

According to (Free man and Lynn 1982) budget legislation must adapt an official “budget” the appropriation bill. A legislature or the congress usually turns the proposed budget over to committee or a committees to make investigation, to call on department head and the chief executive for justification of the request, and to conduct public hearing the committee than makes its recommendation of the legislature after completing the budget hearing the committee then makes it recommendation to the legislature after completing the budget hearing the committee then makes its recommendation to the legislature after completing the budget hearing and investigation the legislative body adopts the budget by passing an appropriation act or ordinance. The amount of detail in which the act is expressed determines the flexibility granted to the executive branch by the legislative body.

2.6.5 Budget execution

Steps are taken to control the budget properly after appropriation ordinance is passed. Budget execution refers to the implementation of plan of organizational units into real action and includes every decision and transaction made during the budget period the budget execution process includes, pre-audit and report (freeman and Lynn 1982)

Pre-Auditing

As discussed by (tanner and Lynn, 1960) government accounting 4th education) pre-auditing refers to the function of approving transaction before they have been taken place or recorded, responsibility for the function is always assigned to the chief accounting officer through the layers departments have account who perform some or all of the pre and in function. For revenue transaction, pre audit includes verification of accuracy of tax’s revenue base calculation, classification and coding for very in the record. From the expenditure pre-audit man be directed toward prevention of misappropriation of funds over spending.

Expenditure are illegal if they exceed the appropriation that authorize them or if they are made for proposes not considered by the appropriation the primary responsibility for prevention of illegal expenditure rates on with the operating agency but in the control administration the final decision as to legality is usually provided by the chief accounting officer.

2.6.6 The Budget as Information

Both in practice and theory the budget is designed to provide information to decisions makers and to indicate the Decisions that have been made.

Top officials in executive branch develop policy guide lines for department supervisions to use in support of departmental budget requests.

The chief executive with the assistance of his budgetary staff decides what information and budget requests will go to the legislative body. The ultimate example of the use of budget is to indicate the decisions that have been made by the appropriate law. The Kinds of information the budget many contain to facilitate maxing by officials of the two branches of government are:

1. Description of program, functions, and activities carried on by organizational units of the governments
2. Objective of programs functions and activities
3. Descriptive and qualitative data regarding the output service of program functions and activities.
4. Benefit provide an increased level of service
5. Benefit provided at decreased level of service
6. Method now in use for delivering service
7. Alternative method of for delivering service
8. System analysis and cost benefit analysis of method for delivering service
9. Cost data
 - a. By organization unit
 - b. By programs, functions, and activities
 - c. By object of expenditure
 - d. Per unit of service (out put)
 1. At present level
 2. At reduced levels
 3. At expanded levels

It is safe to say that no budget provider all these kind of information but that every budget provided some of them. The budget approach selected tends to determine the kind of planning analysis that will be used and the data approach that will be provided. (Bernard.p.Herber 1975 modern public finance 5th education).

Report

At the year end the budget execution organization or executive branch should present financial and statistical reports to the legislative branch explaining efficiency on budget utilization.

This is also important because the next year budget is depend on the current year budget utilization as object of expenditure approach is used by most governmental and nongovernmental unit (free man and Lynn 1982)

CHAPTER THREE

3. Data Analysis and Presentation

3.1 Introductions

The respondent of the questionnaires are employee of Amhara Development Association in Yilmana Densa Worda Branch. The researcher used all the population who has good experience information about preparation and utilization of budget in Amhara Development Association. I distributed 10(ten) questionnaires in the development association from the total questionnaires distributed the collected amount is only 10 questionnaires from interested respondents which has a collection rate 100% from the total questionnaires distributed.

To present and analyze back ground of respondents and company specific equations I used tables.

3.2 Back ground information of the respondent

The following tables summarize the back ground respondents which show the association employees by sex, age, education level, work experience in the organization.

Table 3.1 respondent gender

No	Characteristic		Respondent
	Sex	Number	Percent
1	Male	9	90%
2	Female	1	10%
3	Total	10	100%

Source: questionnaires survey 2005

As shown in table 3.1 characteristics 2, it shows 90 percents of respondents are males and the remaining 10 percent of the respondents are females. This shows that relatively there is no fair job distribution between male and female.

Table 3.2 Age Category of respondents

No	Characteristic		Respondent
	Age	Number	Percent
1	18-30 years	3	30%
2	31-45 years	6	60%
3	Above 45 years	1	10%
	Total	10	100%

Source: questionnaires survey 2005

As indicated in table 3.2 30% of respondents age ranges between 18 years to 30 years old, 60 percent are between 31 to 45 years old and 10 percent of the respondent are above 45 years old.

This data indicated that most of the employees of Amhara development Association in Yilmana Densa Worda Branch are relatively adult. From this researcher can conclude that most of the staff members of Amhara Development Association in Yilmana Densa Worda Branch are young enough to effectively discharge their responsibility.

Table 3.3 Educational Back Ground of Respondents

No	Characteristic	Respondent	
		Number	Percentage
3	Level of education		
	12 th complete	0	0%
	Diploma	2	20%
	Degree	7	70%
	Master	1	10%
	Total	10	100%

Source: questionnaires survey 2005

Table 3.3 characteristic 3 shows that there is no any respondent which have 12th grade compete, 20 percent of respondents are diploma holders, 70 percent of respondents are degree holders and remaining 10 percent of respondent are master holders from their information most of the employees of the association has sufficient due to this the association has sufficient educated human has sufficient educated human resource to accomplish its objectives property.

Table 3.4 Occupational experience of respondent

No	Characteristic	Respondent	
		Number	Percentage
4	Work experience		
	0-3 year	2	20%
	3-6 year	4	40%
	6-9 year	0	0%
	>9 year	4	40%
	Total	10	100%

Source:- questionnaires survey 2005

Table 3.4 characteristic 3 shows that 40 percent of respondents are between 0 to 3 years work experience, 20 percents of respondents are between 3 to 6 year work experience in the organization and the remaining respondents have more than 9 years work experience is the organization. The data indicated that most of employees of the association in Yilmana Densa Worda Branch have 3 to 6 year and above 9 year work experience in the organization.

Due to the employees, the Amhara development associations Yilmana Densa Worda Branch have better performance in budget preparation and utilization.

3.3 Analysis of questionnaire about Association specific question

3.3.1 Budget preparation

Table 3.5 preparation of budget

Characteristics	Respondents	Percentage
1. Who is responsible for preparing budget?		
A. Management	2	20%
B. Employee	1	10%
C. Both	7	70%
D. Other	0	0
Total	10	100%

Table 3.5 source, questionnaire survey 2005

Characteristic 1 who is responsible for preparing budget in Amhara development association Yilmana Densa Worda Branch?

The data collected indicated that 20 percent of the respondent said management personnel are responsible for preparing budget, 10 percent of respondents said that employee of the organization and 70 percent of the respondent said both management and employees are responsible. This data shows that both management and employees are responsible for budget preparation in Amhara development association Yilmana Densa Worda Branch.

3.3.2 Budget Allocation

Table 3.6 Method of budget allocation

Characteristics	Respondents	Percentage
4 What is the parameter for budget distribution for different activity?		
A. Volume activities	6	60
B. Span of activities	0	0
C. Level of performance	0	0
D. Priority of activity	4	40
E. Other (specify)	0	0
Total	10	100%

Source: questionnaires survey, 2005

Table 3.6 Characteristics source 2, shows that what is the parameter for budget distribution to different activities. The data collected indicated that 60 percent of respondent said based on volume of activities, 40 percent of said based on priority of activities and there is no other respondent gives the answer respondent on span of control and level of performance. This shows that the association distribute budget based on the volume of activities.

3.3.3 Responsibility budget transfer

Table 3.7 Budget Transfer

Characteristics	Respondents	Percentage
5 Who is responsible for budget transfer?		
A. Management	1	10
B. Department head	2	20
C. Accountant	1	10
D. Other specify		
D1. Project coordinator	1	10
D2. Department head and Accountant	4	40
D3. Management and Department head	1	10
Total	10	100%

Source: questionnaires survey 2005

Table 3.7 characteristics 3 shows that who is responsible for budget transfer? The data collected indicate the 10 percent respondent said management 20 percent said the department heads 10 percent of the respondent said accountant 10 percent of the respondent said project coordinator 40 percent of the respondent said department heads and accountant and 10 percent of the respondent said the management and department head. It is possible to conclude as the department heads and accountant in association are risible for budget transfer.

3.3.4 Nature of budget period

Table 3.8 Nature of budget period used by ADAYDWB

Characteristics	Respondents	Percentage
4 Do you think that constant budget period in Amhara Development Association ;		
A. Yes	3	30
B. No	7	70
Total	10	100

Source questionnaires survey, 2005

Table 3.8 characteristics 4 shows that there is constant budget period in Amhara Development Association Yilmana Densa Worda Branch or not. The data collected indicated that 30 percent of the respondent agreed that association use constant budget and 70 percent period like that of the association is flexible.

This shows that the association does not have a constant budget period like that of government instruction. This implies the department does not be estimate the budget required on time

3.3.5 Budget Transfer

Table 3.9 Nature of Budget Transfer

Characteristics	Respondents	Percentage
5 How budget are transferred from one type of time (from one project to another) to other type of item?		
A. By amendment (budget review)	2	20
B. By discussion	0	0
C. By management decision	0	0
D. By department decision	0	0
E. Over (specify)		
E1. By discussion and management decision	6	60
E2. Budget review and donor	1	10
E3. Management decision	1	10
Total	10	100

Source questionnaires survey, 2005

Table 3.9 characteristics 5 shows that how budget is transferred from one type of item (project) to another item? The data collected indicated that 20 percent of respondent said that by amendment (budget review) for transferring budget, 60 percent of respondents said by, discussion and management decision, and 10 percent of the respondent said that the budget review and donor, 10 percent of respondent said management decision. It indicate, the transfer of budget is determined by discussion and management decision

3.3.6 Financial sources

Table 3.10 financial source of ADAYDWB

Characteristics	Respondent	Percentage
6 What are possible financial sources the association?		
A. Form member	7	70
B. Other NGO	2	20
C. Government	1	10
D. Loan	0	0
E. Other	0	0
Total	10	100

Source: questionnaires survey, 2005

Table 3.10 characteristics 6, what are financial sources of the association? The data collected that 70 percent the respondent said the source is from member of the association, 20 percent of the respondent that the source is from other/NGO, 10 percent of the respondent replay that it is from government. This data implies that the first financial source of the organization is from its own member and secondly from other NGO. As a result we can conclude that the main source is from its member and that of NGO respectively.

3.3.7 Responsible person for budget implementation

Table 3.11 persons responsible for budget implementation

Characteristics	Respondent	Percentage
7 who is responsible for budget implementation?		
A. The manager	5	50
B. The accountant	3	30
C. Every member	2	20
D. other	0	0
Total	10	100

Source: questionnaires survey, 2005

Table 3.11 characteristic 7 who is responsible for budget implementation? The data collected implies that, 50 percent of the respondent reply that those personal who is responsible for budget implementation are managers, 30 percent of the respondent respondent that the accountant are responsible 20 percent of the remaining respondent said that every member are responsible for budget are responsible for budget indicates that and lead to conclusion of that is the manager a accountants are those who has a greater degree of possibility for implementation of the budget plan of the association.

3.3.8 Measures taken on needs of extra fund

Table 3.12 measures taken when some activity needs extra fund

Characteristic	Respondent	Percentage
8. What measure does the association take when some activity needs extra fund?		
a. loan	6	60
b. transfer from other activities budget	3	30
c. other said that reserve fund	1	10
Total	10	100

Source questionnaires survey, 2005

Table 3.12 characteristic 8 what measures does the association take when some activity needs extra or excess fund? The data collected indicated that, 60 percent of respondent said that, loan as a solution, 30 percent of respondent reply's that, transfer from other activities budget and 10 percent of respondent said that reserve fund. It is possible to conclude that the association use loan and transfer budget from other activities budget is main solution when if forced the above problem responsibility.

3.3.9 Effecting Centralized budget preparation

Table 3.13 Effect OF Centralized budget preparation by single department of association

Characteristic	Respondent	Percentage
9. What will be consequence of centralized budget preparation by single department the association rather by each department?		
a. Small activities will be passed	6	60
b. Need of extra budget	4	40
c. other	0	0
Total	10	100

Source questionnaires survey, 2005

Table 3.13 characteristic 9 what will be consequence of centralized budget preparation by single department of the association rather by each department? The data collected indicates that, 60 percent of the respondent said that the effect is small activities will be passed, 40 percent respondent reply's that need of extra budget as effect and no other respondent who respond different answer. As the result, we can conclude that the effect of centralized budget preparation by one department of the association is the passing of small activities and require of extra budget respectively.

3.3.10 Disciplinary department the association

Table 3.14 The existence of disciplinary department of give administrative measure

Characteristic	Respondent	percentage
10. Is there is disciplinary organization who give administrative measures for miss conduct?		
a. Yes	10	100
b. No	0	0
Total	10	100

Source questionnaires survey, 2005

Table 3.14 characteristics 10, is there is disciplinary organization who give administrative measure for miss appropriation? The data collected indication, 100 percent of the all respondent give unanimous answer that is there is disciplinary organization. As the result we can conclude that it is good for the success of the association if those personal will be responsible for their miss conduct.

3.4. Secondary source of data Analysis

3.4.1 Over view budget

Budget is process of allocating scarce resource to unlimited demands and cents plans of operations for a specific period of time. As minimum such a plan should contain information about the type and amount of proposed means of funds to them.

The primary use of budget for non- profit organization is to use resource efficiently and effectively to achieve their objective rather than maximization of profit. The budget is a way of controlling assigned resource insuring that are used for the intended purpose. In addition to the above budget also provide information for decision making. In this chapter, the research used both primary and secondary data source. It used table, percent and discussion to do the analysis.

3.4.2 Budget utilization

Budget is a detailed plan of acquisition and use of financial and other resources over specified period of time. It represents a plan for the future expressed in formal of quantitative terms.

The accountant preparing budget is called budgeting. Budget variance is a difference between the yearly allocated budget and the yearly actual expenditures. Budget are hundred percent utilize and variance become zero.

For administration and long term investment for found development for working in construction, for purchase of vetches and for administration, funds released from donors are allocated to project like health and environment, education good governance basic skill training and livelihood and infrastructure and construction that include many activities under each project under health and environment at project there is activities like fight first way control provision of gender base violence engender health and path finder etc.

For basic skill training have live hood save children, helping or and training centers.

In order to know whether the organization set the budget efficiently and effectively or not the researcher use the following secondary sources of data for those projects listed above by categorizing in general project name rather than listing every activity.

3.4.2.1 Analysis budget year 2003

Table 3.4.1.2

Project name	Approved budget	Budget %	Budget utilization	Utilization %	Variance	Variance %
For health	5889372	22.54	5064859.92	86	824512.08	14
For education	427738	1.64	372132.08	87	55605.92	13
For construction	3846446	14.72	2623276.18	68.20	1223169.82	31.80
Total donors based budget	10163555	38.91	7409231.60	72.9	2754323.40	27.10
ADA owns fund	5796802	22.19	3919217.80	67.61	1877584.2	32.39
Grand total	26123913	100	19388718	74.22	6735195	25.78

Source annual budget report for the year 2003/2011/

As the above table shows that the percentage utilization of budget for health, education and construction is 86%, 87% and 68.20% respectively . and the reaming 14%, 13% and 31.8% are percentage variance of budget for health, education and construction respectively.

In general ADAYDWB utilities 67.61% of budget from its own funds and 72.9% from donors for the above three projects as a total. From the above table we understand that those resources are not fully utilized since the approved budget and the actual expenditures of the year are not equal.

3.4.2.2 Analysis budget year 2004

Table 3.4.1.3

Project name	Approved budget	Budget %	Budget utilization	Utilization %	Variance	Variance %
For health	4702305	15	3150544.35	67	1551760.65	33
For education	3134870	10	2037665.5	65	1097204.5	35
For construction	6583226	21	4081600.12	62	2501625.88	38
Total donors based budget	10031582	32	6420212.48	64	3611369.52	36
ADAYDWB owns fund	6896713	22	4344929.19	63	2551783.81	37
Grand total	31348696	100	20034951.55	63.9	11313744.45	36.10

Source annual budget report for the year 2004/2012/

As the above table 2 shows that the amount of budget utilization in percentage is 67%, 65% and 62% for health, education and construction respectively. And the remaining 33%, 35% and 38% are percentage variance of budget for health, education and construction respectively.

In general ADAYDWB utilizes 63% of budget from its own funds and 64% from donors for the above three projects as a total. From the above table we understand that those resources are not fully utilized since the approved budget and the actual expenditures of the year are not equal.

3.4.2.3 Analysis budget year 2005

Table 3.4.1.4

Project name	Approved budget	Budget %	Budget utilization	Utilization %	Variance	Variance %
Health and environmental	12,633.525	31	8,720,922.30	69.03	3,912,602.70	30.97
Education and good governance	2445198	6	1784994.54	73	660203.46	27
Basic skill training and livelihood	1222599	3	941401.23	77	281197.77	23
Infrastructure and construction	4482864	11	3631119.84	81	851744.16	19
Total of donors based budget	5705463	14	3597294.42	63.05	2108168.58	36.95
ADA owns fund	14263657	35	8284331.98	58.08	5979325.02	41.92
Grand total	40753306	100	26960064.31	66.15	13793241.69	33.85

Source annual budget report of the year 2005/2013/

Generally when we see the above three annual budget report table shows a positive variance of budget that indicates are not always utilized in the organization. As the result, we can conclude that the above three tables shows that the organization is not fully or hundred percent utilized its budget both donor based and Amhara development association Yilmana Densa Worda Branch owns fund due to not found release on time form donors, not allocate the exact amount /over budget of activities, and less capacity to implements.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 SUMMARY

The general objective of this study is to understand the problem of budget preparation and utilization of budget and to come up with possible solution by properly evaluating the budget preparation and utilization in Amhara Development Association in Yilmana Densa Worda Branch. On the results of analyzed and interpretation issues of the research in previous chapter, despite the limitation mentioned in chapter one the following conclusion and recommendation can be given.

4.2 Conclusion

Conclusion reached based on the data analyzed and interpretation in chapter three are:

- Most of the staff members of Amhara Development Association in Yilmana Densa Worda Branch are young enough to effectively discharge their responsibility.
- Most of the employees of the association has sufficient due to this the association has sufficient educated human resource to accomplish its objectives properly.
- Amhara Development Association Yilmana Densa Worda Branch does not have constant budget period as like government.
- Both management and employees are responsible for budget preparation in Amhara Development Association Yilmana Densa Worda Branch.
- Accountant exercise control over different budget in Amhara Development Association.
- Budgets are transferred from the item/project to another by the amendment discussion and management of Association and also department heads and accountant are responsible for the transfer.
- The Amhara Development Association Yilmana Densa Worda Branch conduct budget distribution based on volume of activities.

- In Amhara Development Association Yilmana Densa Worda Branch manager and accountant are responsible for budget implementation in majority of cases.
- The major source of finance of the Amhara Development association Yilmana Densa Worda Branch is from its member and supports [NGO].
- The association use loan and budget of other activities as a solution when one activity need more budget.
- The conduct of budget preparation in centralized manner resulted the passing of small activates during budget preparation as well as the need of extra budget.
- The association has its own disciplinary department who take administrative measure during miss conducted.
- The organization is not fully or hundred percent utilized its budget both donor based and Amhara development association Yilmana Densa Worda Branch owns fund due to not found release on time form donors, not allocate the exact amount /over budget of activities, and less capacity to implements.

4.3 Recommendations

The researcher has forward the following recommendation based on the findings identified in chapter three.

- The association should expand its source of finance from community like labor support
- When budget prepared all department should have its own representative
- Its disciplinary department should be strength for successful budget implementation and to achieve its final goal that is community service.
- The association should used constant budget period as soon as possible in order to start and finished the work in given period of time.
- As I understand from the conclusion the expenditure budget activates are not control in detail manner, to solve this problem the association should control the expenditure budget activities so same sub project under a given project by considering the market inflation during the budget preparation and utilization.
- Accountant in Amhara development Association should be further strength in controlling the budget preparation.

- The Amhara Development Association has to prepare the annual budget report to provided information to external and internal user of the association to make a critical decision.

I. Appendix

ST-Mary's Universty College

Department of Accounting

Questionnaire designed for Amhara development association

This questionnaire is designed by third year graduating distance accounting students of the college of accounting in the partial fulfillment of BA in accounting. The research is conducted under the title "Assessment of budget preparation and utilization of Amhara development Association in case of Yilmana Densa Worda Branch."

Dear respondent I would like to express my gratitude in advance for cooperation you will show in completing the questionnaire. Please take a few minutes of your time to complete this questionnaire and confident enough while you are filling this questionnaire since any response you provide is very important for the achievement of the intended objective of the research.

Instruction

- I. Don't write your name
- II. Put "✓" sign on your best answer to close ended questions
- III. It is possible to choice more that one alternative when appropriate
- IV. Attempt all question.

I. Respondent specific questions

1. Sex Male Female
2. Age 18-30 30-45 above 45
3. Level of education 12th completed Diploma Degree master

4. Work experience in the organization 0-3 year 3-6 year 6-9 year >9 year

II. Specific questions about the association

1. Who is responsible for preparing budget?
2. What are the parameters for budget distribution for different activities?
3. Who is responsible for budget transfer?
4. Do you think that constant budget period in Amhara development Association?
5. How budget are transferred from one type of item (project to another)
6. What are possible financial source of the association?
7. Who is responsible for budget implementation?
8. What measure does the association take when some activity needs extra or excess fund?
9. What will be consequence of centralized budget preparation by single department of the association rather by each department?
10. Is there disciplinary organization who gives administrative measure for miss appropriation?

II. Appendix

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Appendix

LIST OF ABBREVIATIONS

LIST OF ABBREVIATIONS	
ADAYDWB	Amhara development association Yilmana Densa Worda Branch
NGO	Non Governmental Organization