Kwame Nkrumah University of Science and Technology, Kumasi

COLLEGE OF ART AND SOCIAL SCIENCES

KNUST SCHOOL OF BUSINESS

BUDGETS AND BUDGETARY CONTROL AS A MANAGEMENT TOOL IN GHANAIAN METROPOLITAN ASSEMBLIES. A CASE STUDY OF KUMASI METROPOLITAN ASSEMBLY (KMA).

BY

EDMUND KYEI

JUNE, 2009.

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By

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(B.ED ACCOUNTING)

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MASTER OF BUSINESS ADMINISTRATION (MBA) IN ACCOUNTING

School of Business,

College of Arts and Social Sciences

JUNE, 2009.

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DECLARATION

I hereby declare that this submission is the result of my own original research towards the MBA and that, to the best of my knowledge, no part of it has been presented by another person nor contains material which has been accepted for the award of any other degree of the University or elsewhere, except where due acknowledgement has been made in the text.

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DEDICATION

This project is dedicated to my lovely wife, Boatemaa and my children, Nana Kwame and Owura Kwame, through whose effort I have been able to climb the academic ladder.

ACKNOWLEDGEMENT

To God Almighty be the glory and honour for great things He has done. He has provided me with knowledge, strength and funds for this work.

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Finally, to all and sundry who helped in diverse ways but for lack of space cannot be mentioned here, I say "a big thank you".

ABSTRACT

The study examined the budgeting and budgetary control as a management tool in Ghanaian Metropolitan Assemblies with the view of finding out the importance attached by metropolitan, municipal and district assemblies in Ghana, how budgets are prepared and implemented, benefits and problems associated with budgeting and the extent of use of budget variance reports as a performance measure.

Data were collected from Kumasi Metropolitan Assembly (KMA) and analysed vis-à-vis the objective of the study. The findings of the study revealed that, KMA prepare budgets and plans to guide their activities and operations and that there is generally a high level of budget participation. Budgets are prepared for various reasons including planning, forecasting, and monitoring and performance judgement. The major conclusion was that KMA uses a rigorous budgetary control practices in its operations and attaches much importance to budgets and budgetary control as vital tools to aid them in effective and efficient management of their operations

It is recommended, among other things, that appropriate measures should be put in place to enable all the assemblies in Ghana prepare plans and budgets since the practices lead to effective utilization of state resources.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of the Study

Results are important for Ghanaian local governmental organizations. Nowadays Ghanaian metropolis, municipalities and districts often underline the importance of specific, measurable and accountable organizational results. Examples of the importance of results are easily found. Many Ghanaian cities are currently involved in programs to increase the focus of the organization on results, and are increasingly using results in contracts or formal agreements with other governments, and are referring to results in their communication with the press. (Amoako-Gyampah and Acquaah, 2008).

Budgeting and budgetary control measures are used as a tool for various reasons: to set the objectives of governmental organizations, to make results measurable and specific, as indicators for managing processes, and to make results accountable. This use of performance measures by Ghanaian metropolis, municipalities and districts appears to be widespread and pronounced. Nowadays, budgeting and budgetary control measures are being used for both external oriented communications, as well as for more internal-oriented strategic, political and operational reasons (Bogt, 2004, 2005). Currently many of the major cities in Ghana are formally using financial and non-financial performances for accounting and control purposes.

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The use of budget and budgetary control measures by Ghanaian local government is certainly not just of recent date. Governments have always used budget and budgetary control measures to plan and control its activities or its intended results. These early governmental organizations, established to ensure some level of collective protection against human and natural disasters, are not of course comparable with our modern metropolis, municipalities and districts. Governments then were in essence boards of executives, with the authority to collect taxes and to temporarily recruit inhabitants for performing specific tasks. Nowadays, metropolis and municipalities are often large organizations, with a wide variety of tasks, providing a large number of products and services both to the general public and to specific citizens. (Amoako-Gyampah and Acquaah, 2008).

These authors conceptualized that to be effective, budgets must be aligned with the organization's strategies, appropriate strategic planning, and performance management processes introduced, and must involve processes that are value based, consequential and continuous.

The work of Blumentritt (2006) could be viewed as further contributions to the above stand point as he recognizes the need for organizations to integrate strategic management and budgeting. What seems rather unfortunate according to Blumentritt (2006) is the fact that most organizations still treat the budgeting and strategic management processes separately and also, a significant portion of small- and medium-sized enterprises do not engage in strategic planning (Blumentritt, 2006).

Hence, the reason for this research work which is to investigate the question; "what is the budgeting practice in Ghanaian Metropolitan Assemblies (GMAs)?" The motivation for this study also comes from the work of Herath and Indriani (2007) who investigated on the "Roles of Budgetary Control System (BCS) as a component of the Management Control System (MCS) in creating and sustaining competitive advantage" and came up with a positive conclusion. They concluded that though BCS could play a leading role in establishing an efficient MCS for creating a sustainable competitive advantage, budgeting will not function in isolation. "Instead, it can be used more effectively by strategically joining it with emerging strategic oriented knowledge enterprise" (Herath and Indriani, 2007).

1.2 Statement of the Problem

Locating the study outside the profit organizational context fills a void pointed out by prior researchers (e.g. Ittner and Larcker, 1998; Chenhall, 2003). Previous studies on the roles of accounting information and budgetary control measures have been more focused on profit organizations (e.g. Simons, 1990; Davilla, 2000; Lawson and Lillis, 2001), or on health care organizations (e.g. Abernethy and Brownell, 1999). Studying local governmental organizations can address some specific characteristics of government and their possible impact on budget and budgetary control measure use. Frequently recalled characteristics specific to local government are, for instance: the more ambiguous objectives, its openness, its politically uncertain environment, and the lack of a "bottom line." (Anthony and Young, 1994, Pollitt and Bouckaert, 2000; Boven, 2001).

Ghanaian Metropolitan Assemblies prepare some form of plans but the degree and extent to which plans are prepared and formulated into written budgets vary from assembly to assembly. Even where formal budgets are prepared, their nature and purposes may vary from one assembly to another.

According to the Ministry of Health, (1977) and Bradstreet reports (2004) on budget and budgetary control, and business failure respectively aptly summarises that failure of many businesses these days emerges from the fact that budgeting and budgetary control that is the bedrock of any vibrant and successful business or organization is weak or absent. Such firms are characterized by administrative, financial, production, managerial and what have you constraints.

In the light of these gloomy pictures, the researcher deem it prudent to research into the problems at stake as whether the existing metropolitan, municipal and district assemblies in Ghana can achieve their objectives with or without effective budgeting and budgetary control systems and, moreover, find out the reasons for budget failure in organizations where budgetary control is practiced using Kumasi Metropolitan Assembly (KMA) as a case study.

1.3 Objectives of the Study

The objectives of the study are:

a) To examine the processes involve in the preparation of budgets.

b) To identify some of the limitations faced by KMA in relation to budget preparation and implementation.

c) To study the importance of budgeting and budgetary control systems as a performance measure at KMA.

d) To make appropriate recommendations for budget and budgetary control practices as a management tool at KMA.

1.4 Research Questions

The researcher hopes to find solutions to the following questions at the end of the study.

a) What are the processes involved in the preparation of budget and budgetary control systems at KMA?

b) What are the limitations faced by KMA in relation to budget preparation and implementation?

c) What are the importance of budget and budgetary control systems as a performance measure at KMA?

1.5 Justification of the Study

The justification of this study is to explain the reasons and conditions that have created today's situation where managers, due to the many choices that exist and the importance of this subject, do not know what the best way forward is. The researcher's objective is to acquaint the reader with all the issues related to traditional budgeting and budgetary control and to disclose all the benefits and disadvantages that it brings and then present its potential substitutes in the form of advanced budgeting methods. In this way,

Budgeting Officers, Controllers, Accountants, Chief Financial Officers (CFOs) etc will be able to get a more objective look at the options that are laid in front of them and make decisions on how to make budgeting process in the future easier and more straightforward.

1.6 Scope of the Study

The target groups of this study are budgeting officers, managers, administrators, finance officers etc in Ghanaian Metropolitan, Municipal and District Assemblies especially those in KMA. This will enhance a deeper knowledge about how better a management control system could be if it's essential tools are well integrated.

However, not all the metropolis in Ghana could be covered. This is due to financial constraints and limited time making it possible for the researcher to conduct the study on all the regions in Ghana.

1.7 Organization of the Study.

The outline of this dissertation is as follows. Chapter one deals with the general introduction of the study. This includes the statement of the problem, research objectives and questions etc. Chapter two presents a brief overview of the most relevant theoretical concepts which are used to compose a research framework. Chapter three documents the plan that is used to collect data for answering the research questions. Chapter four contains the reports of the case studies that is, analysis and answering of the research

questions. Chapter five is the last chapter and documents the summary, recommendations and conclusions of the study.

1.8 Limitations of the study

The study is limited by the methods used in selecting the sample because the result gives a concentration of units within specific location. The data therefore does not reflect the expected representation of the various metropolitan assemblies in Ghana.

Secondly, the researcher was not able to cover all the metropolitan assemblies in Ghana due to insufficient time, transportation problems, long distance involved and financial constraints. The respondents were given limited time to respond to the questions, therefore, in some cases, the responds were given in a haste and did influence the results.

Due to lack of co-operation from respondents, the total number of persons interviewed became smaller. Most of the respondents were feeling reluctant to respond to the interview and the questionnaire. The researcher was given several excuses like the topic is too sensitive and could affect the assembly in their operations due to secrecy and confidentiality.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction:

Budgeting systems are universal and have been considered an essential tool for financial planning. These systems are meant to organize and encourage the performance of managers of small as well as large and complex organizations. (Aberthy and Brownell, 1999). Traditionally, in the public and political sectors, budgets were seen as the primary planning document. (Alam and Lawrence, 1994: Johnson, 1998).

Budgets as financial plans that set out anticipated revenues and estimated expenditures over a certain period of time have long been in use. Since their inception in the 1920s every serious organization has made them the central part of their planning and control system. Their ability to coordinate the allocation of resources through internal communication while at the same time serving as a means of expenditure authorization and evaluation base has made them the most important tool that is at a managers' disposal today when running a company or an organization. It is exactly this importance that has contributed to budgets longevity and caused them to remain relatively unchanged in their use since the first days of their existence.

This does not of cause mean that budgets are an ideal managers' tool –on the contrary. Parallel to their entrance into the business world, managers use budgets and the budgetary control in decision making. This observation motivated numerous academicians to try to

discover appropriate solutions for things like budget slacking, budget gamming, budget bias and other problems that managers had to deal with (Harper,1995).

Most organizations have diverse sub-units, all working towards a set of organizational goals. It is the duty of the various departmental managers to ensure that the action of each of this sub-unit is coordinated and controlled in order for their actions to be in line with corporate objectives. One of the best ways of co-ordination is by preparing a detailed plan of action, which will incorporate all the various sub-units relating to a future time period. This plan sets out clearly what is refined from each of the sub-units within the given period of time. Plans must be expressed in monetary terms and hence a budget. The benefits of a budget will not automatically arise from budgeting. Budgeted targets must be met.

2.2 Definition of Concepts

This chapter deals with the definition of the main concepts used in this study. They are explained below:

2.2.1 Budget

Over the past two decades the word that has become the common currency in all managers' vocabulary is "budgets". Budget is perhaps the most chosen course of action or inaction by the management and staff across all sectors. Management at all levels within the public, private and the third sector have used the budget as their shield or excuse when confronted or challenged about any decision. It's not uncommon to hear

variations of the phrases "the budget doesn't permit us to" or it's not in our budget" (Frederick, 2001).

Furthermore, management in some sectors may be forgiven for believing their sole "raison d'être" has become budget preparation, budget compliance and budget monitoring. So, what do we understand by the term "budget"? (Bruns and Waterhouse, 1975)

Frederick (2001) defines budget as a plan that is measurable and timely. Bruns and Waterhouse (1975) defines budget as financial plans that provide the basis for directing and evaluating the performance of individuals or segments of organizations. Lucey, (1996) defines a budget "as a plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure, and the capital to be employed. It may be drawn up showing incremental effects on former budgeted or actual figures or be compiled by zero-based budgeting".

For the purpose of this study, the researcher defines a **budget,** as a quantitative statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities, and cash flows that provides a focus for an organization, as it aids the coordination of activities, allocation of resources, and direction of activity, and facilitates control. This means a budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates.

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However, the researcher in trying to look at a budget in its wider context revealed that a budget is a management tool that puts executives in control of the financial health of their company. It is an objective measure of the financial structure of an enterprise's or an institution's operation and a tool that forces management to be accountable in a structured and an objective way. Budgets as a management tool by themselves are neither good nor bad. How managers administer budgets is the key to their value. When administered wisely, budgets facilitate planning and resource allocation and help to enumerate, itemize, dissect and examine all of the products and services that a company offers to customers (Seer, 2000).

In short, a budget is a quantitative economic plan made with regard to time (Harper, 1995). Therefore, for something to be characterized as a budget it must comprise the quantities of economic resources to be allocated and used, it has to be a plan –not a hope or a forecast but an authoritative intention, and it must be made within a certain period of time. Budgets may be prepared for the institution or a business as a whole, for departments, for functions such as sales and production, or for financial and resource items such as cash, capital expenditure, manpower, purchases etc. The process of preparing and agreeing budgets is a means of translating the overall objectives of the organization into detailed, feasible plans of action (Matiland, 2001).

From the definition of budgets we distinguish three key components. Firstly, we recognize the **planning** aspect of budget. The plan is regarded as the statement of intent or goal of the organization. The second aspect is the **measurability**. This makes it

possible to measure the plan. The third component is **time.** It gives the possibility to say if the plan is achieved.

2.2.2 Budgetary Control

Budgetary control is defined by the Institute of Cost and Management Accountants (CIMA) as: "The establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision". Buckley and McKenna (2002) describe budgetary control as consisting of planning, controlling, co-ordinating and motivating through money values and departments within an organization. It is a plan, in quantitative terms, usually for one year. Hofstede (1998) describes budgetary control as planning translated into monetary terms.

The essence of the process is the influence of management behaviour by setting agreed performance standards and controlling the attainment of those standards. For Hofstede (1998), the planning or budget function appears steeped in a stable environment. Perhaps this is typical of the inside out view of the organization's place in its environment. However, in the current changing business context, the budget process is of necessity more connected to the uncertainty of that environment which will be argued to be in keeping with a shorter term perspective.

From an overall company control perspective, more recently, Otley (2001) notes that the assumption of budgetary control is that, it is the main integrative control method for most business enterprises. The assumption being that an organisation's business plan can be represented financially by the budget and that the budget can be used as a monitoring and controlling method for the complex issues of the business plan. This emphasis sees the budget linked to the overall attainment of organisation performance targets. While there appears to be general agreement on the behavioural, planning and control objectives of budgetary control its implementation can be problematic (Lowe and Shaw, 2002; Hopwood, 1972; Llewellyn, 1998). To understand the reasons for this, we need to look not only inside the organisation but also at the outside environment and the unpredictability of that context.

Despite the acknowledgement of the growing importance of individual contribution to organizations, a numbers of issues arise including a business context that is becoming problematic in relation to issues of budget participation as well as the increasing influence on organisation control by the outside investment community (Drucker, 1999; Haslam et al, 2000). While, this undoubtedly affects the perceived levels of budget responsibility, the process of establishing and its subsequent implementation and monitoring cannot be completed without the contribution of organisation members. This appears to be especially true in the accountability for results.

In both the public and private sectors, accountability is being driven down the organisation to the level of the individual (Roberts, 1996; Townley, 1995, 1996;

Llewellyn, 1998; Beck, 2000). The current problem for budgetary control is how to control in an environment where there are also changing patterns both inside and outside the organisation. Outside the organisation we need a better understanding of the issues of change. What are the drivers of change and how are they effecting the organisation and the individuals within?

For the purpose of this study, the researcher is of the view that budgetary control is the establishment of budgets relating the responsibilities of the executives' requirement of a policy and the continous comparison of actual with budgeted results, either to secure by individual action, the objectives of the policy or to provide a basis for its revision. Budgetary Control relates to the use of budgets as a control device whereby predetermined plans or standards output and incomes are compared with actual results. This ensures that necessary corrective actions are taken before it is too late.

2:3 Preparation (Process) of Budget and Budgetary Control:

The process of budgeting generally involves an iterative cycle which moves between target of desirable performance and estimates of feasible performance until there is, hopefully, convergence to a plan which is both feasible and acceptable (Otley, Merchant, 1990). Alternatively, if we look beyond many details and iterations of the usual budgeting process, for effective budget preparation and implementation, the following have been suggested by Finney, (1994);

- Budget forms and instructions are distributed to all managers.
- The budget forms are filled out and submitted.

- The individual budgets are transformed into appropriate budgeting/ accounting terms and consolidated into one overall organizational budget.
- The budget is reviewed, modified as necessary and approved.

The final budget is then used throughout the year to control and measure the organization.

Welch, Hilton, Gordon (1998) have defined the budgeting process as profit planning and control process and in that way not only have identified the two most important functions of budgets in organizations, but have also presented budgeting process in a wider context than it is usually depicted. The budgeting process is more than just a process of combining quantitative financial plans. It is a tool with which top management cascades strategy goals to operating levels. Budgets are ideal for this purpose since they are in essence the detailed quantification of targets for short – term choices of actions.

At the beginning of the period, the budget is a plan. At the end of the period, the budget is a control device to measure performance against expectations so that future performance may, be improved. Control is achieved through continuous reporting of actual progress and expenditures relative to plans, i.e. budgets (Shim, Siegel, 1994). The aim of budgetary control is to provide a formal basis for monitoring the progress of the organization as a whole and of its component parts towards achievement of the objectives specified in budgets (Lucey, 1996). Budgetary control process usually functions in a closed loop. This loop, which is illustrated in Figure 1, starts with the planning phase,

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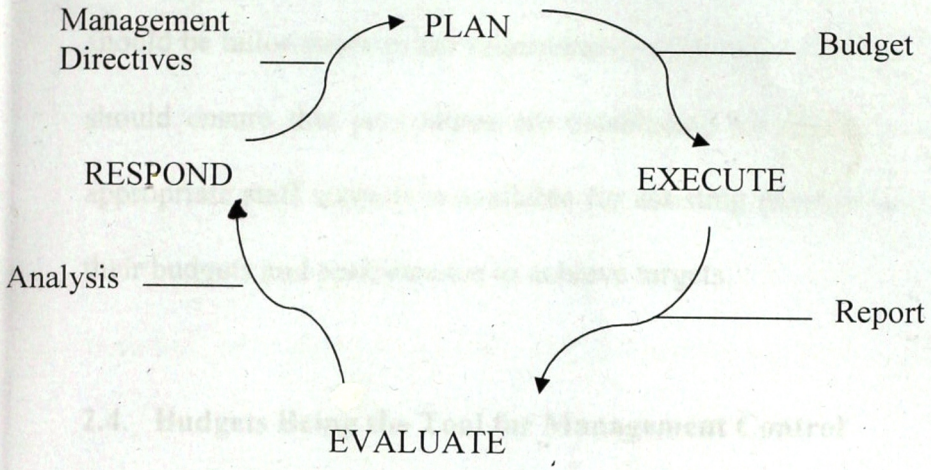
then records actual transactions, and finally reports against the plan and generates management response.

Figure 3; the Budgetary Control Process Loop



Source: Lalli, 2003.

For budgeting control purposes, a special type of budget is prepared called the flexible budget. In order to understand why only those budgets can be used for the accurate measurement of performance, firstly, the difference between them and fixed budgets must be explained. The fixed budget is based on the level of output planned at the start of the budget period. On the other hand, the flexible budget is developed using budgeted revenues or cost amounts based on the level of output actually achieved in the budget period. (Horgren, Foster, Datar, 2000). For this reason, from a control viewpoint, the fixed budgets is likely to be inappropriate (unless by pure chance the actual level of activity turns out to be the same as the planned level which is highly unlikely and should not be used for control purposes. It is with respect to this sort of budget that the old saying "the budget is out of date before the budget period even begins" is often a correct one (Harper, 1995).

It is important that suitable administration procedures be introduced to ensure that the budget and budgetary control process works effectively. In practice, the procedures should be tailor-made to the requirements of the organisation, but as a general rule a firm should ensure that procedures are established for approving the budgets and that the appropriate staff support is available for assisting managers in preparing and monitoring their budgets and performance to achieve targets.

2.4. Budgets Being the Tool for Management Control

One specific problem with the conventional planning process according to Blumentritt (2006) is that strategic planning and budgeting are often out of set with one another. In too many cases, budgets for allocating and spending money have little connection with business or operational strategies. Strategic management and budgeting are distinct but intertwined activities. When properly applied, both processes improve an organization's ability to create and sustain superior performance (Blumentritt 2006).

Thompson (2007) pointed out that budgeting, strategies, and strategic management share an orientation toward improving business performance, as each is used to set an organization on an appropriate path to success and guide its managers' decisions and activities. Such relationship between strategic management and budgeting does not exist in many firms (Blumentritt 2006). The problems in appropriately using the two processes may arise when a firm does not properly integrate them or does not employ strategic management at all.

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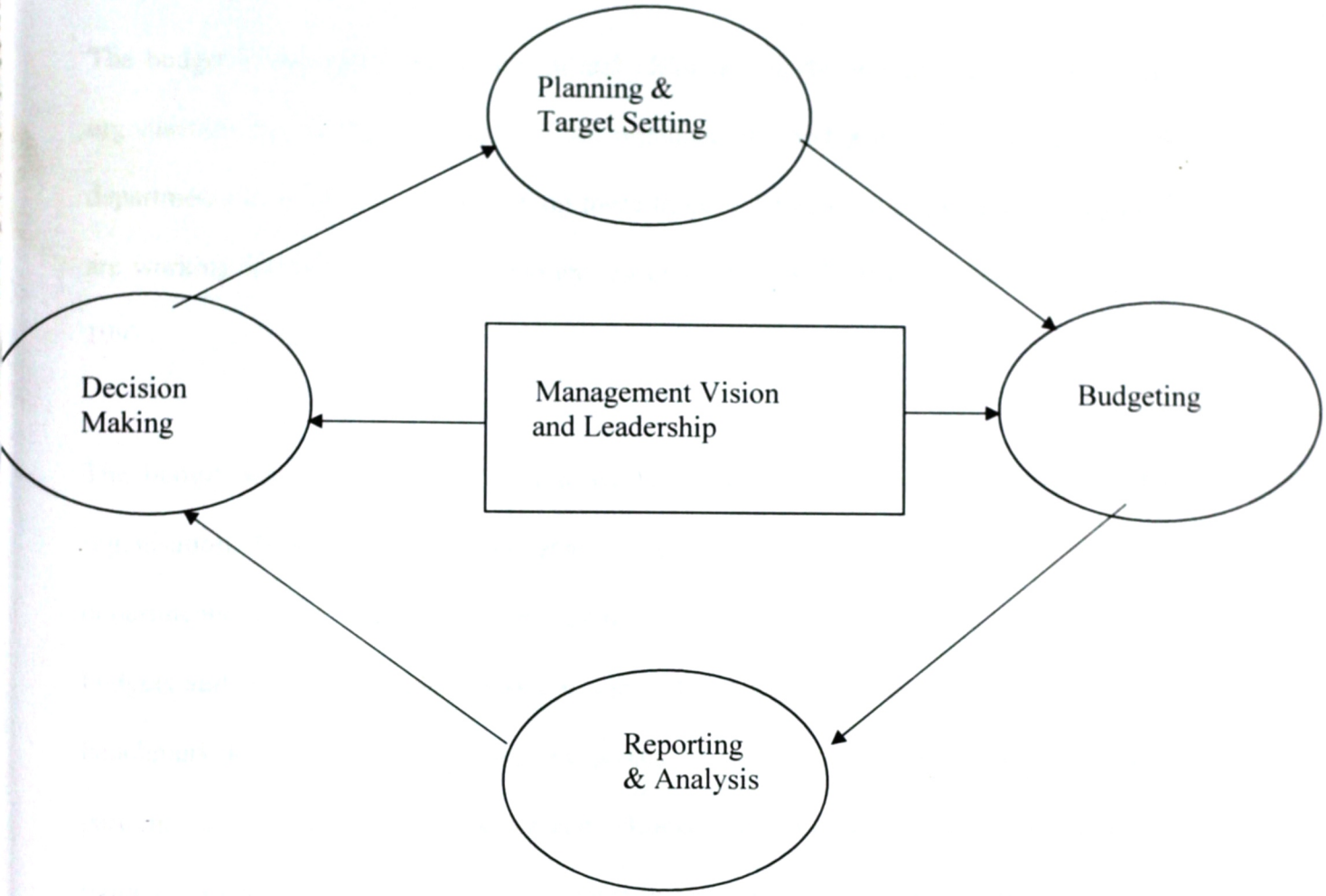
There are many methods for managing the strategic management and budgeting processes; the right methods for any particular organisation depend on factors such as its industry, size, number of divisions, product lines or business units, management preferences, history and culture (Creelman, 1998). Regardless of how these processes are managed, they share a single goal: improving the ability of both strategic management and budgeting to contribute to business performance. The process begins with a review of both the firm's strategic position and its financial condition. (Kaplan, 1992).

However, connection between planning and budgeting is not isolated from influences of other elements that constitute corporate planning system and it is precisely the coherent functioning of the complete system that allows corporate planning to be implemented, period by period, though the budgeting process and its two elementary phases – budgetary planning and budgetary control (Lucey, 1996). This can be shown in Figure 2 below:



Source: Rasmussen, Eichorn, 2006.

2.5 Benefits of Budget and Budgetary Control

It is claimed that today as many as 99 percent of governmental organizations are using budgets and budgetary control and have no intention of abandoning them (Better Budgeting: A report, 2004). However, 60 percent of those organizations claim that they are not completely satisfied with their current budgeting systems and are continuously trying to improve them (Ibid, 2000). From this evidence, it is obvious that budgets and budgetary control carry with them many benefits.

The budget brings about improvement and efficiency in the working conditions of the organisation by setting out target of the organizations and providing resources to all departments to work towards achieving these targets. Thus, everybody knows what they are working for and given the necessary resources, they will ensure efficiency (Kaplan, 1992).

The budget serves as a means of motivating managers to attain stated goals of the organisation. It helps in communicating organizational plans to the various units or departments in the organisation by creating divisional, departmental, and sectional budgets and correctly defined responsibilities. The budget also serves as a yardstick or benchmark for controlling on-going operations. It assists in building team spirit where participation in budgeting is encouraged (Blocker and Weltmer, 1980). This helps in reducing wastes and losses by revealing them in time for corrective action. Budget acts as benchmark for evaluating the performance of managers and serves as a means of educating them.

According to Drury (2004), budgets serve a number of purposes. These are planning, coordination, control and motivation. Drury (2004) notes that, planning is an integral part of the budgetary process. A budget is a plan of action and therefore in order for an organisation to be successful in its activities it must plan. The budgeting procedure entreats managers to plan for future operations and be able to forecast and be prepared to meet and make the necessary changes when they arise. This is an important techniques

since it pushes management at all levels to give serious consideration or reasoning to the planning function.

According to Lowe and Shaw (2004), control is an action that is necessary and ensures that management or organizational plans and objectives are being achieved. Without predetermined standards, no control performance is possible. Management makes control possible by comparing the actual performance against predetermined plans and objective and reporting the difference to the management for corrective action. They further noted that for a budget to be useful to an organisation it should influence managerial behaviour and motivate both managers and employees to perform in accordance with the organisation's objectives. The involvement of the lower and middle level management in budget preparation and the establishment of clear targets against which performance can be judged have been found to be motivating factors for employees. Managers are also compelled to strive hard to achieve goals that have been set in the budgets. In this instance, they serve as a motivational device that promotes competition and challenge to achieve stated goals.

Blocher *et al,* (2002), also argue that budgets help to allocate resources, coordinate operations and provide a means for performance measurement. Hilton *et al,* (2000) note that the budget is the most widely used technique for planning and control purposes. Clarke and Toal (1999) are of the opinion that budgets are still essential and can, for example, be incorporated as part of the financial component of the Balanced Scorecard.

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A further review of literature on budgeting reveals that budgets serve dual purposes of planning and control (Douglas, 1994). Budgets are used to communicate top management's expectations to managers and employees. The budgets process provides for coordinated planning among different functional areas (Abernethy and Stoelwinder, 1991).

Feedback is an important process of budgeting as it enables effective performance evaluation. According to McNally (2002), feedback is generally positively related to budget performance. Feedback focuses on the extent to which employees have achieved expected levels of work during a specified time period. Budgets, being a standard for performance, are also used to evaluate managerial performance (Srinivasan, 1987). Similarly, Douglas 1994) notes that budgeting places a high premium on the budget –to actual comparison for performance evaluation purposes both at the corporate and the subsidiary levels. Anderson (1993) supports this view, stating that in most US companies the development of budget is still used as the main performance measurement system. Weisenfeld and Tyson (1990) found that budgeting and variance analysis can be positive tools, if the accounting information and communication process is functioning appropriately.

Joye and Blayney (1990) found that budget variances were widely used by organizations for setting goals and evaluating performance. Guiding *et al.* (1998) found that accountants tend to view variances from budget as being important, and performance appraisal was based mainly on budget achievement. Blansfield (2002) found that a small

proportion of companies have a fully integrated planning process that combines long term and operational planning, performance measures and reporting. This underscored the fact that financial data and performance measurements in a single system in which they can also perform planning, budgeting, forecasting, financial consolidation, reporting and analysis in real time.

Nobody has better summarized in one sentence all the advantages of budgeting and budgetary control as did Umapathy in his major work on "Budgeting practices in U. S. industry from 1987". Umapathy said: "There is no other management process that translates qualitative mission statements and corporate strategies into action plans, links the short – term with the long – term, brings together managers from different hierarchical levels and from different functional areas, and at the same time provides continuity by the sheer regularity of the process" (Umpathy, 1987). It is exactly because of this that budgets will soon celebrate their century long existence.

2.6 Challenges Associated with Budgeting and Budgetary control

Whilst budgets may be an essential part of any organisation's operations, they do have a number of disadvantages particularly in perception terms. Carter *et al.*, (1997) identifies a number of problems that could arise from budgeting. The budget could be seen as pressure devices imposed by management, thus resulting in bad labour relations and inaccurate record-keeping. It could also lead to departmental conflicts arising from disputes over resource allocation and departments blaming each other when targets are not met. It is also difficult to reconcile personal and corporate goals. Waste may also

arise as managers adopt the view, "we had better spent or we will loose it". This is often coupled with "empire building" in order to enhance the prestige of a department (Carter et al. 1997). There is also the issue of responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs. Managers may overestimate costs so that they will not be blamed in the future should they overspend (Carter, 1997).

Prendergast (2000) identifies three main problems associated with budgeting. First, a lot of guesswork is involved in the budgeting process. Second, budgets are increasingly inaccurate as a result of shorter product life cycles and rapidly changing business environment. Finally, there is also the extent of budget gamesmanship. He argues that over the years, budgets have resulted in a conflict between top management and their subordinates. While top management attempts to ' get the most out of their staff", subordinates on the other hand, work to build slack in their budgets in an effort to make budget numbers easier to attain. This could lead to budgetary slack.

Another major criticism of budgets is the over-emphasis on short-term profits at the expense of continuous long-term improvements such as new product development and customer satisfaction (Hayes and Abernathy, 1980). McNally (2002) is also very critical of the traditional budget. He argues that "the days of traditional budgeting and planning are numbered". Some of the criticisms that McNally (2002) has levelled against budgeting are that, budgeting process consume too much time and incur very high costs. Consequently, when the budget is authorized, it may no longer be accurate and this

causes problems for governmental organizations in "today's unpredictable and fast-paced business climate" (McNally, 2002).

Thomas (1998) notes that the success of budgetary control systems depend, to a large extent, on the accuracy with which estimates are made: budget plans are based on estimates. Despite the fact that numerous statistical and other techniques may give satisfactory results, forecasting cannot be an exact science. It must also be adopted continuously to fit changing circumstances requiring that old methods must be discarded and replaced with new ones. It therefore takes a long period to adapt to a particular system of budgetary control (Thomas, 1998).

Furthermore, one of the biggest problems with budgeting and budgetary control is that, it tends to promote an inward-looking, short-term culture that focuses on achieving a budget figure, rather than an implementing business strategy and creating shareholder value over the medium to long term. For all these reasons, it is believed that these weaknesses lead collectively towards business underperformance and should therefore be dealt with (Ibid, 2000).

Inspite of the numerous beneficial functions budgets play in the management of organizations budgeting and budgetary control practices could prove to be stumbling block in many organizations and hinder them from reaching goals or attaining what they budgeted. Budgeting is, therefore, not a follow proof tool.

The above challenges facing the budgeting and budgetary control system have been present since the first day of their implementation in large multidivisional organizations such as KMA at the beginning of last century. It was the job of managerial accountants in those and all other organizations to devise systems that would maximize utilization of budget and budgetary control benefits and minimize their negative influences. A subsequent review of budgeting theory shows that academicians have been identifying budgeting and budgetary control problems and suggesting solutions for them since 1950's and the new budgeting techniques developed in 1980's and 1990's can be viewed as practitioners' attempt to incorporate some of their advice into practice.

2.7 Budget and Budgetary Control as a Performance Measure

The issue of budget participation has always received a considerable interest from both academicians and practitioners in management. There are conflicting finding on the significance of budgetary participation. Cherrington and Cherrington (1973) notes negative relationship between budget participation and performance. Merchant (1987) and Brownell (1992) on the other hand, found a positive relationship. Cress and Pettijohn (1985) notes that lower level managers have a significant role in both the initial and revision stages of budget preparation.

Performance can have various meanings, but in general it relates to qualitative and quantitative descriptions of results which can help to shape employees' views of what is important (Merchant and Stede, 2003). The relevance of performance measures can be stated by the popular quote "*what you measure is what you get*" (Kaplan and Norton,

1996). In general, performance measures relate to organizational activities, production or output. In the government sector, performance measures relate primarily to activities, outputs and outcome (Bogt, 2004). Organizational performance measures are often multi-dimensional in nature and can be divided into financial and non-financial measures. Financial information refers to quantitative monetary information. Non-financial information refers to both quantitative and qualitative non-monetary information (Itnner and Larcker, 1998) and can refer to, for example, efficiency, productivity, product quality, and to citizen, customer or employee satisfaction.

A general conception of the use of performance measures is that they are used to support the formulation and implementation of organizational strategy (Kaplan and Norton, 1996; Merchant, 1998; Otley, 1999; Simons, 2000; Anthony and Govindarajan, 2003). Profit organizations, with their financial "bottom line", can view non financial performance measures as an indicator of financial performance (Kaplan and Norton, 1996) or can calculate the financial consequences of increased non financial performance (Nørreklit, 2000). Profit organizations aim to use the financial and non financial performance measures to reflect the interest of shareholders, organization and customers, and probably strive to ensure a fairly strictly balanced and integrated relationship between actions, objectives, and organizational strategy (e.g. Kaplan and Norton, 1996; Inttner and Larcker, 1998).

Objectives of governmental organizations are often regarded as more ambiguous, and seldom apply a business "bottom line" of integrating multiple goals into single financial

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targets. Consequently, performance measures in governmental organizations tend to be less balanced (often controlling financial and non-financial performances separately) and less integrated (often resulting in loosely coupled performance measures between different hierarchical levels) than in profit organizations (e.g. Kaplan and Norton, 1996; Brignall and Modell, 2000; Bordewijk and Klaassen, 2001). Performance measures are an important part of governmental budgets (Johnsen, 1999; Bordewijk and Klaassen, 2001; Van Helden and Johnsen, 2002; Van Helden, 2005).

Governmental organizations use budgeted performance measures (BPM) widely, e.g. in output and outcome budgets, in performance reports, for setting performance standards, and for the purpose of benchmarking (Van Helden and Bogt, 2001; Bordewijk and Klaassen, 2002). These BPM are related to various stages of the transformation process (input, throughput, or output measures) and are used to provide a broad set of indicators on the goals, on the organizational activities, or on specifications of resource availability (Van Helden and Jansen, 2003). In terms of relevance and controllability the applied performance measures are often assumed to be rather poor. Performance measures in output and outcome budgets give little information on the volume of the service and its quality, are often heterogeneous or meaningless (Van Helden and Johnsen, 2002; Van Helden and Jansen, 2003).

Although the links between budgeting and motivation are complex, it had generally been observed that participation in the budgeting process can be motivational factor for managers (Shields and Shields, 1998; Nouri and Parker, 1998; Coombs and Jenkins,

1991). This potentially motivating effect of participative budgeting could in turn be expected to enhance the productivity of managers (Nouri and Parker, 1998). Local governments also use BPM in their relationships with external parties, such as with central government or government agencies. Examples of this kind of use of BPM are the performance contracts with central government which are used for main city policies or for controlling organizations.

2.8 Summary:

Governmental organizations have incorporated a significant level of budgeting and budgetary control measures into their planning and control documents, but the role(s) of budgeting and budgetary control measure is still largely unclear. Recent research points to the limited use of budgeting and budgetary control measures in Ghanaian governmental organizations for budget-based output control, but has not yet analysed other possible roles for the performance measures in depth. This study aims to clarify these roles and the related use of budgeting and budgetary control measures.

Budgeting is the cornerstone of the management control process, but it is far from perfect. Despite its ubiquitous use, and its function to serve performance planning and ex-post evaluation of actual performance versus plan, budgetary control (exercising control through the use of budgets) has many limitations. Budgeting is not only time consuming, it can also hinder allocation of organizational resources, encourage myopic decision making, and it is also a strategic game which can result in dysfunctional behaviors (Hopwood, 1972).

Hofstede, 1981; Merchant 1998; Merchant and Van der Stede, 2003). Hansen (2003) categorized the perceived criticism of practitioners of budgeting use into three groups. Firstly, budgetary control is only useful when the budget provides a valid plan for a reasonable period of time and when managers have a good predictive model for providing performance standards. Secondly, budgetary control often imposes centralized and primarily financial-oriented controls, which often support "*such mechanical practices as last-year-plus budget setting and across the board cuts*" (Hansen, 2003). Thirdly, budgetary control focuses on responsibility centres, and will impede empowered employees from making the best decisions.

Budgetary control seems thus to be the most valid approach under relatively certain environmental circumstances. Under more uncertain circumstances the validity of strict budgetary controls is assumed to diminish. Organizations that face unpredictable environments are likely to use budgets in combination with more subjective performance evaluations (Hopwood 1972; Simons, 1987; Ittner and Larcker 1998; Abernethy and Brownell, 1999).

CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANIZATIONAL PROFILE

3.1 Introduction

This chapter highlights on the research used in gathering information, how it was designed and presented. In addition, it illustrates the area of examination with regards to those interviewed. Furthermore the researcher shall also describe why KMA was chosen, sources of literature, research design, population and sample, instruments used, data collection procedures and data analysis. In a research process, it is important that information provided satisfies the purpose and should be reliable as well. Therefore this will depend on the method of data collection employed. The reason to this is due to the fact that if data collected does not suit the purpose, then it would be difficult to analyze and the research would be considered as inappropriate. Therefore, the researcher will analyze information received from KMA, Kumasi which would enable him to satisfy his purpose.

3.2 Selection of the Organization

The researcher decided to use KMA as a research organization, knowing that the service and political sectors as any other sector (example manufacturing industries) deals with budgeting in a more or lesser extent. As the researcher decided to research on the manufacturing industries in Ghana, unfortunately none of these kinds of companies were willing to grant him the opportunity in using them for the research. The researcher was given several excuses like the topic is too sensitive and could affect their business due to secrecy and confidentiality. Therefore, the researcher contacted the Chief Budget Analyst

of KMA, Kumasi, who agreed to grant him the opportunity on the condition that it will be used for academic purposes only.

3.3 Literature Search

In order to get relevant and necessary information to achieve his study aim, the researcher focused on getting information through public libraries with regards to literature sources. In addition, hard copy of books was gotten from the university library. More so, there were books the researcher got from other tertiary institutions in the city such as University of Education, Kumasi and Kumasi Polytechnic libraries. The researcher was also able to browse the internet using search engines such as Google, Yahoo etc for academic articles, electronic books and other information sources.

3.4 Research Design

The study employed the quantitative survey approach in the gathering and analysis of the field data. This involves the collection of quantitative data which was analysed using quantitative techniques to produce tables with their accompanying interpretations. This assesses the essence of budget and budgetary control in the corporate organization with special reference to Kumasi Metropolitan Assembly (KMA).

3.5 Population

In conducting the study, the researcher focused on the Kumasi Metropolitan Assembly (KMA), situated at Adum (Prempeh II Street), Kumasi in the Ashanti Region. To balance the desire of large representation, a sample size of sixty (60) representing the population

was drawn from the various departments in the assembly. A minimum of three (3) and a maximum of four (4) allocated to the sixteen (16) departments was chosen in such a manner that each department will have an equal probability of being selected.

3.6 Sample and Sampling Techniques

Kumasi Metropolitan Assembly (KMA), which is a sample representing population of the metropolitan assemblies in the country, was chosen on the account of the following:

- That it was estimated to be time consuming and expensive to cover up to the whole population.
- That concise and precise information can be gathered and could be used to represent the metropolitan assemblies in Ghana.

To this end, the sample size was one organization.

3.7. Data Collection Techniques

The information and materials used for this study were assembled from both primary and secondary sources. The research techniques used to collect information from the primary sources are questionnaire and interview. This constituted the basis of the analysis in Chapter Four of the study.

3.8.1 Questionnaire Administration

To have the relevant information needed for this research work, a set of predetermined questions were set on the topic of study. The questions tailored in the questionnaire were structured in closed-ended and open-ended questions. The closed-ended questions elicited

quick responses from respondents while the open-ended type allowed for flexibility and offered the respondents the opportunity to provide answers to questions for which possible answers could not be easily stated. In this case, the process, benefits, problems etc of budget and budgetary control were covered, the forty (40) standardized questionnaires were given to the respondents to complete.

3.8.2 Interview Schedule

An interview was schedule in conversation focused to provide answers to the research questions and objectives. It was designed to ensure that respondents understood the main questions since they could ask supplementary questions, which they did, to clarify the issues that were raised in the questionnaires. This method of data collection has a higher response rate as long as it brings both the interviewer and the respondents together. This method was structured to benefit respondents in particular who might not be in the position to respond to the questionnaire due to their busy schedules. It was easy to interact and assess the mood of the people and appreciate the validity and reliability of the answers given.

3.9 Validity

The aforementioned instruments of data tailored from the primary to the secondary sources were accessed after the researcher had realized their efficiency and effectiveness to give a positive result on what they were meant to measure. It may interest you to note that the content of the instruments measured the objectives of the instruments.

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3.10 Method of Data Analysis

The primary data collected from the study were analysed using Statistical Package for Social Scientists (SPSS). The results have been presented in tables with their corresponding interpretations. The data analysis, findings and discussions are presented in Chapter Four of the study.

3.11.0 Profile of Kumasi Metropolitan Assembly (KMA)

3.11.1 Brief History of KMA:

The City of Kumasi is the capital of the Ashanti Region and the second-largest city in Ghana. It is located on (6 35' – 6 40'N) 30' W and longitude 1 30' 135' W 6 40' N, a transitional forest zone and is about 270km north of the capital, Accra. Its area is about 254sq/km and approximately 10 kilometres in radius. The current population is about 1.82 million (This accounts for about 32.4% of the Region's population- projected to have over 2.0 million people by end of 2009) with a growth rate of about 5.47 percent.

Kumasi was founded in the late 17th Century by King Osei Tutu I, who was the Asantehene or King of Asante state on the advice of Komfo Anokye, his senior priest. Situated at the crossroads of the Trans-Saharan trade routes, its strategic location contributed significantly to the growing wealth of the town. Today, there exist such historical edifices as the Manhyia Palace – the seat of the Golden Stool, Kumasi Fort, and the Komfo Anokye Sword. Since the early 1940s, Kumasi has earned the accolade as the "Garden City" of West Africa due to the abundance of fauna and flora interspersing physical developments.

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The Local government structure is based on a decentralized administrative instrument under Act 462 (1993) and LI I 1614 (1998) where the Metropolitan Chief Executive is the Political/Administrative head. There are ten (10) Sub-metro councils, twenty-four (24) Town Councils and Four Hundred and Nineteen (419) Unit Committee Areas.

Kumasi is divided into 10 political constituencies and 60 electoral areas. The Metropolitan Assembly is comprised of 87 members where the Presiding Member is the head. The membership is made up of 60 elected members, 27 appointed members by the state, and the Metropolitan Chief Executive. The Assembly uses the committee system in its deliberative and executive functions.

3.11.2 Vision Statement of KMA:

To develop Kumasi into a safe and vibrant city by improving city management through good governance, local economic development, tourism development, improved sanitation and social services as well as spatial and infrastructural development.

3.11.3 Mission Statement of KMA

KMA, Ghana, with the support of the Ministry of Local Government and Rural Development, and in partnership with the Asanteman Traditional Council and other strategic private sector entities, seeks to: enhance income-generation and employment opportunities for the urban poor, improve and institutionalize the modalities of the Metropolitan Assembly in the area of urban planning to enhance revenue generation, support the evolution of an enabling environment for sustainable social capital generation through good governance, transparency, and accountability in administrative behaviour,

and protect natural resource and environmental assets through sustainable city development planning.

3.11.4 Management Structure of KMA

The Metropolitan Assembly (General Assembly) is comprised of 87 members where the Presiding Member is the head. The membership is made up of 60 elected members, 27 appointed members by the state, and the Metropolitan Chief Executive (MCE). The Assembly uses the committee system in its deliberative and executive functions.

The executive team of KMA is led by the Metro Chief Executive who is also a member of the General Assembly. The MCE is the political head of the metropolis representing the government of the country and is also the chief executive officer of the assembly. The MCE is directly assisted by the Metro Coordinating Director (MCD). The MCD is responsible for the day-to-day running of the assembly. He is also assisted by a number of directors who head all the major divisions of the assembly. The success of KMA heavily depends on the efficiency of the managerial team.

There is also the Executive Committee chaired by the MCE assisted by Sub-committee Chairpersons. The executive committee is made up of Sub-committees with special responsibilities. Prominent among them are Finance and Administration, Works, Development Planning, Social Services, Justice and Security, Education, Transport, Revenue Mobilisation and Environment. The Management Structure of KMA is shown in Appendix B.

3.11.5 Operational and Financial Performance:

KMA's operating performance had been satisfactory over the years. For example, at the close the financial year, December 2008, the assembly recorded a total revenue of GHC 11,062,557.66 million as against a deficit of GHC 11,486,421.66 recorded in 2007.This represent a 3.69% increase. Management explain that this increase was fuelled by many factors such as qualified experience personnel are employed, effective supervision and monitoring of budgets and on the spot correction of variance when they occur.

KMA prepares its financial statement on monthly basis along side the implementation of its budget. In December 2008, the assembly recorded monthly revenue of GHC 572,133.97 million as against a deficit of GHC 1,510,924.69 recorded in 2007. This represents a 62.13% increase. The analysis reveals that the performance of KMA in December 2008 was impressive compared to that of 2007. Management attributed the increase to an increase in fees/fines, rates and licence. Grant from the Central Government was also increased considerably.

The management of KMA further explained that KMA is not a profit-making organization and does not involve itself in profit making businesses, yet KMA is expected to be successful in its activities year after year. The success of the assembly as explained by the management in their annual report was through continued focus on their strategic initiatives and that is key to the Assembly's success. These include: innovation, city development, greater operational efficiency, and inspiring exceptional people performance.

3.11.6 Core Business:

KMA as a political organization and therefore controlled by the government of Ghana has the following as its main activities;

- Sharing cultural experiences including joint exhibitions and fairs.
- Cooperation and sharing ideas in Urban Planning and Management
- Capacity building, staff training and development.
- Assistance in the development of websites to promote city administration, tourism and investment potentials of the metropolis.
- Building capacity in city management, waste management, traffic control and urban planning.
- Information and communication management system for city administration.
- Entrepreneurial development and promotion of micro enterprises and businesses.
- Exchange programmes for students.

3.11.7 Achievements by KMA

KMA with support from the traditional authorities and other non governmental organizations can boast of several achievements including the following:

- KMA has been able to develop the private sector as the lead sector that generate employment, provide efficient support services, information communication and technology and enhance the creation of wealth through the setting of business desk, registration of businesses, setting of wood village (about 40 acres) etc.

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- The development of metro's human capital, increase access to health care and education; promote environmental sanitation and urban development and provide a social policy framework that will mainstream vulnerability and exclusion through training programmes for staff and assembly members.
- On good governance and civic responsibility, KMA has been able to enhance good governance through the strengthening of the assembly substructures, participatory development, accountability and public safety.

CHAPTER FOUR

ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction:

This chapter deals with the presentation, analysis and interpretation of data gathered in the course of the research study through the sources and procedures stated in chapter three (3) in order that the research problem highlighted at the commencement of the study are tackled and the questions answered and validated. The analysis is strictly based on the actual information got from the course of the research.

The analysis and discussions of the data are presented in the following structure:

4.2 Analysis of Background Information

4.3 Budget Planning and Preparation

4.4 Benefits/Roles of Budgets

4.5 Budgetary Control and Performance Evaluation

4.6 Budgets and Budgetary Control Problems

4.2 Analysis of Background Information

The analysis of background information covers the functional position of respondents, length of time with KMA and qualification.

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Table 1: Functional Position of Respondents

Functional Position	No.	Percentage
Heads of Department	25	41.7
Budget Officers/Analysts	12	20.0
Accountants	21	35.0
Planning Officers	2	3.3
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

The above table reveals that 41.7% of the respondents are functional heads, 20% were budget officers/analysts, 35% were accountants whiles 3.3% represented planning officers. This is an indication that all the respondents are top level managers of which most of them are members of the budget committee at the Assembly. This enabled the researcher to obtain reliable information for the study.

Table 2: Qualification of Respondents

Qualification	NO.	Percentage
ACCA/ICA	3	5.0
Master's Degree	12	20.0
First Degree	24	40.0
HND/Diploma	21	35.0
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 2 reveals that 5% of the respondents were ACCA/ICA graduates. 20% have their master's degree with 40% having first degree whiles 35% were diploma holders. The

respondents selected by the researcher are people who have the requisite knowledge on the field of budgeting. This means that plans and budgets for the Assembly are prepared and administered efficiently to achieve targets.

Table 3 below shows that 40% of the respondents have spent less than 5 years at KMA, 26.7% are between 6 to 10 years with 25% between 11 to 15 years whiles 6.7% and 1.6% of the respondents have spent 16 to 20 years and 20 years or more respectively at KMA. The results of the study revealed that about 60% of the respondents have spent more than 5 years at the Assembly in charge of preparing, implementing and monitoring budgets. The researcher relied on the experience of the respondents to obtained information on how budgets are used as a managerial tool at the Assembly.

Table 3: Length of Time with KMA

Qualification	NO.	Percentage
1-5	24	40.0
6-10	16	26.7
11-15	15	25.0
16-20	4	6.7
20 and above	1	1.6
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

4.3.0 Budget Planning and Preparation

4.3.1 Does KMA have a long range plan?

95% of the respondents answered yes to the above question, whiles 3 respondents representing 5% of the population left the question unanswered. It was later realised that those 5% of the respondents had spent less than a year at KMA hence have no knowledge about such plans. The researcher finally discovered that KMA has a long range plan which cover a period of 5 years. However, the long range plan is reviewed by the Assembly annually to identify and correct deviations where possible.

4.3.2. Is there a budget committee at KMA?

Again it was identified that KMA has a budget committee to plan, and monitor the budget during preparation, implementation and after implementation to make sure that actual performance conforms to budgeted plans. This is because all the respondents agreed that there is a budget committee at KMA. The researcher detected that annual budgets are prepared at the Assembly to make plan of action in a formalized and systematic order.

4.3.3. Who are the members of the budget committee?

90% of the respondents said that the budget committee comprise of the Metro Co-ordinating Director, Metro Finance Officer, Budget Officer, Planning Officer and all Sectional Heads. 6 of the respondents representing 10% left the question unanswered. The researcher discovered that the 10% of the respondents did not have adequate

information about those who constitute the budget committee. It was discovered by the researcher that, the budget committee requires that all top managers (i.e. Metro Co-ordinating Director, Metro Finance Officer, Metro Budget Officer, Metro Planning Officer and all Sectional Heads) within the assembly prepare and submit their proposals to the budget committee for the final preparation of the master budget.

4.3.4. What are the various types of budgets prepared by KMA?

Table 4: Types of Budgets Prepared by KMA

Types of Budgets	No.	Percentage
Cash, Labour, Capital and Budgeted Income Statement	42	70.0
Cash, Capital	8	13.3
Cash, Labour, Budgeted Income Statement	6	10.0
Cash	4	6.7
TOTAL	**60**	**100.00**

Source: Author's Field Study, 2009

Table 4 indicates that 70% of the respondents said budgets prepared by KMA include cash, labour, capital and budgeted income statement. 13.3% also said only cash and capital budgets are prepared. 6 people representing 10% and 4 people representing 6.7% said cash, labour and budgeted income statement and cash budgets respectively are prepared by KMA.

The researcher later discovered that the 70% representing 42 respondents were of the view that the cash budget is prepared to cater for the cash inflows and outflows for the assembly during the budget year. Labour budget is prepared to cater for remuneration of

personnel whiles the capital budget is prepare to plan for projects to be undertaken during the budget period. This includes construction of roads, purchase of waste vans, electrification etc. On the other hand KMA prepares budgeted income statement to summarize all the functional budgets into a single budget (Master Budget).

4.3.5. Do the various departments prepare their own budgets?

All the 60 respondents agreed that the various departments at the assembly prepare their own budgets and submitted to the budget committee for discussion, review and approval. Departmental managers attend budget committee meetings to defend their estimates and proposals.

4.3.6. What are the types of budgets prepared by the various departments?

Table 5: Types of Budgets Prepared by the Departments

Types of Budget	No.	Percentage
Cash and Departmental Budgets	57	95
Cash Budget	3	5
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 5 revealed that 57 respondents representing 95% said the various departments prepare cash and departmental budgets whiles 3 of the respondents (ie. 5%) said only cash budgets are prepared by the various departments. The three (3) respondents happened to come from the Security Department which is now part of the Legal Department. The Security Department only submits inputs to the Legal Department for the Departmental Budget to be prepared. The researcher discovered that cash budgets are

prepared by the various departments to cater for the cash allocations from the central fund of the Assembly to the various departments (inflows) and cash applications of the various departments. Also, departmental budgets are prepared to cover the various activities of each department.

4.3.7. Good information flow is available for budgeting exercise.

Table 6: Flow of Information for Budgeting Exercise

Scale	No.	Percentage
Strongly Agree	9	15
Agree	12	20
Neutral	-	0
Strongly Disagree	21	35
Disagree	18	30
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 6 shows that 35% representing 21 respondents agreed to the statement that, good information flow is available for budgeting exercise. However, 65% of the respondents disagreed to the statement. The major reason assigned by the respondents was that, most of them are not invited during final approval of the budget at assembly meetings. They were also of the view that, after submitting the proposals to the budget committee, sometimes they are not invited to defend themselves and will not receive any explanation as to the acceptance or rejection of their proposals.

4.3.8. Who approves the final Budget?

All the 60 respondents said that the General Assembly has the sole mandate to approve the final budget during assembly meetings. The Budget Committee after preparing the budget will present it to the General Assembly for discussion and approval when satisfied with the content of the budget. On the other hand, when the assembly is not able to reach an agreement the budget is returned to the budget committee for review.

On budget preparation, the study revealed that KMA prepares budget including short term, medium term and long term plans. KMA has a budget Committee comprising key management personnel such as Metro Co-ordinating Director, Metro Finance Officer, Metro Chief Budget Analyst, Metro Planning Officer and Departmental Managers. KMA's approach to budget and budgetary control requires that all the top managers and functional heads within the assembly prepare and submit their estimates and proposals to the budget committee.

The various departmental heads attend budget committee meetings to defend their estimates and proposals by assigning reasons for their proposals. The estimates and proposals made by the sectional heads serve as a basis for an input into the assembly's master budget. The budget committee deliberates on the estimates before approval. Where estimates and proposals will not be beneficial to the assembly, they are eliminated.

At KMA, budgets are prepared at the first quarter of the year. This is usually preceded by the circulation of a memorandum at the end of the financial year (ie. December), by the Metro Finance Officer after consultation with the Metro Chief Budget Analyst requesting all functional heads to submit their estimates and proposals. With these estimates yearly budgets are prepared and reviewed monthly by the budget committee and the General Assembly during their monthly meetings.

After all the estimates and proposals have been considered and evaluated, the final budget is sent to the General Assembly for approval before the disbursement of funds by the Finance Department for the various budgeted activities. Monthly meetings are held to review the budget by comparing the actual performance with the budgeted targets and measures are taken to forestall future failures, variations or deviations.

KMA prepares formal budgets. Moreover, issuing budgetary guidelines before budgets are actually formulated is a prevalent practice as the respondents confirmed that KMA issued budget guidelines to all departments and managers. It can therefore be inferred that KMA does follow a structured budget methodology.

In view of the rigorous processes involved in the preparation of budgets at KMA, it could be concluded that the assembly attaches a high degree of importance to budgets and budgetary control practices. This is consistent with Gordon (1998) the notion that most organizations prepare budgets and plans to control operations and allocate their scarce resources to most profitable areas of operation.

4.4.0. Benefits/Role of Budgets

4.4.1. To forecast the future

Table 7: Budget as a tool used to forecast the future

Scale	No.	Percentage
Extremely important	32	53.3
Most important	16	26.7
Very important	10	16.7
Important	2	3.3
Not important	-	-
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 7 reveals that over half of the respondents (53.3%) said it is extremely important to use the budget to forecast the future. 26.7% also said it is very important while 16.7% and 3.3% said it is very important and important respectively. However nobody rejected the claim by saying it is not important. The study revealed that KMA uses the budgets as a managerial tool to plan towards their future activities. This is evidenced in Blocher et al, (2002) who argued that budgets are prepared to plan towards the future.

Table 8 below reveals that 35% representing 21 of the respondents said judging performance using the budget is extremely important. They were of the view that managerial performance can be closely monitored to achieve set targets by the use of the budget. 36.7% said it is most important. The reason assigned to this was that, KMA being a political organization has a responsibility to be discharged through management.

In view of this, the budget becomes the required tool that can be used to assess performance towards the accomplishment of such responsibilities, while 21.7% and 6.6% said it is very important and important respectively using budgets to judge performance. The researcher discovered that KMA attaches importance to the use of budgets in achieving results hence KMA is much interested in using the budget as a managerial tool in judging employee performance.

4.4.2. To judge performance

Table 8: Budgets as a means of Judging Performance

Scale	No.	Percentage
Extremely important	21	35.0
Most important	22	36.7
Very important	13	21.7
Important	4	6.6
Not import	-	-
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 9 below indicates that 56.7% said it is not important because KMA does not motivate employees by the use of the budget. 10% said it is important, 18.3% and 11.7% said it is very important and most important respectively whiles only 3.3% representing 2 of the respondents said it is extremely important. The researcher discovered that about 98% of the employees at KMA are on Government of Ghana Payroll hence nothing is earmarked for motivation of employees for achieving targets. This is an indication that employees are not motivated effectively to put up their best in their duties.

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4.4.3 To motivate employees

Table 9: Budgets as a motivating tool

Scale	No.	Percentage
Extremely important	2	3.3
Most important	7	11.7
Very important	11	18.3
Important	6	10.0
Not important	34	56.7
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

4.4.4. Budget and budgetary control process pinpoint efficiency and effectiveness.

Table 10: Budgets and Budgetary Control Pinpoint Efficiency and Effectiveness of Management

Scale	No.	Percentage
Strongly agree	23	38.3
Agree	21	35.0
Strongly Disagree	7	11.7
Disagree	9	15.0
Undecided	-	-
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 10 shows that 38.3% were strongly agree to the statement that budget and budgetary control pinpoint efficiency and effectiveness. Such respondents argued that, through the use of the budget, KMA can judge how effective and efficient a manager can be in order to achieve its targets, while 35% agreed; they also argued that although KMA

can use many techniques to test the efficiency of a manager, budgets can also be relied on for such purposes. However, 11.7% and 15% disagreed to the above statement. To them budgets are only estimated values expressed in monetary terms and may sometimes not be a reliable means of testing the efficiency of a manager due to unstable economic and political conditions. None remain undecided. The results confirmed how KMA relies on the budget to measure performance of employees. An employee at KMA can be judged as being effective and efficient based on the target that can be met at the end of the year.

Table 11 below reveals that 36.7% said budgets direct management towards achieving organizational goals. 41.7% agreed to the statement with a total of 21.6% disagreeing to the statement. Those who disagreed to the statement were of the view that objectives are difficult to define at KMA. However, those who agreed said that budgets as a managerial tool can focus management's attention on how to realize their dreams.

4.4.5. Budgets direct management towards achieving their objectives and performance.

Table 11: Budgets as a Means of Achieving Objectives and Performance

Scale	No.	Percentage
Strongly agree	22	36.7
Agree	25	41.7
Strongly Disagree	3	5.0
Disagree	10	16.6
Undecided	-	-
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

4.4.6. Budgets help in assessing employee performance.

Table 12 Budgets as a means of Assessing Employee Performance

Scale	No.	Percentage
Strongly agree	23	38.3
Agree	20	33.3
Strongly Disagree	8	13.4
Disagree	9	15.0
Undecided	-	-
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

From the above, it can be realized that budgets are a means of assessing employee performance. Table 12 reveals that 38.2% and 33.3% agreed that budgets can be used to assess performance whiles 13.4% and 15% disagreed to that statement. Those respondents who disagreed were of the view that KMA has no formalized means of using the budget to assess employee's performance. They said Heads of Departments are normally held responsible when targets are not met. On the other hand, no incentive is giving to managers who are able to meet their targets on schedule.

The researcher also discovered that over 60% of the respondents agreed to the assertion that budgets help in assessing employee performance. They also argued that, one of the means by which employee performance is seriously assessed at KMA is by the use of the budget.

It was revealed by the study that KMA enjoys numerous advantages from the preparation and use of budgets. These include forecasting, performance judgment, communication,

cost reduction and control and performance monitoring tool. Among these functions, communication purpose was ranked the most important, followed by forecasting. The next important benefit was performance judgment. As a means of motivating employees received the lowest ranking. This supports Blocher et al, (2002) and Ibid, (2000) views that budgets serve multiple objectives and purposes.

4.5.0 Budgetary Control and Performance Evaluation

4.5.1. Does KMA evaluate budget variance and performance reports?

Table: 13 Budget Variance and Performance Report

Scale	No.	Percentage
Yes	59	98.3
No	1	1.7
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 13 revealed that 98.3% representing 59 of the respondents said KMA evaluates budget variance and performance reports while only 1 person representing 1.7% of the respondents said KMA does not evaluate budget variance and performance report.

Upon further investigation it was realized that the respondent who answered 'no' said no action has been taken on the report while the 98.3% are aware that budget variance and performance report have been evaluated but are not aware of the outcome of the evaluated reports.

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4.5.2. Who evaluates the budget variance and performance reports?

Table 14 Evaluation of Budget Variance and Performance Reports

Scale	No.	Percentage
Budget Committee	59	98.3
Undecided	1	1.7
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 14 reveals that 98.3% said that the budget variance report is evaluated by the Budget Committee. The reason given was that the budget committee is responsible for the preparation and any laid down measures to implement the budget including the evaluation of the budget variance and performance reports. The respondent who left the question unanswered still maintained that variance and performance reports if evaluated at all, no action is taken on that.

4.5.3. Budget variances are used to evaluate a manager's ability at KMA.

Table 15: Variance Report as a means of Evaluating the Ability of a Manager

Scale	No.	Percentage
Strongly agree	25	41.7
Agree	27	45.0
Strongly Disagree	3	5.0
Disagree	5	8.3
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 15 shows that over 80% (ie. 41.7% and 45%) agreed to the statement that variances are used to evaluate the ability of a manager at KMA. 5% strongly disagreed and 8.3%

disagreed to the statement. The respondents who disagreed were of the view that manager's ability does not necessarily be measured by the budget variance. They further stated that they hardly see the budget variance report to know the content and recommendations made by the budget committee. On the other hand, over 80% who agreed to the statement constitute sectional/departmental heads, budget officer, senior accountants etc. These are category of respondents who are members of the budget committee and therefore have adequate knowledge about the content and recommendation of the budget variance and performance reports

4.5.4.0 Required standards are difficult to achieve due to:

4.5.4.1 Unattainable Standards

Table 16: Targets Difficult to Achieve due to Unattainable Standards

Scale	No.	Percentage
Strongly agree	12	20.0
Agree	18	30.0
Neutral	5	8.3
Strongly Disagree	21	35.0
Disagree	4	6.7
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

It was shown by Table 16 that about 50% (ie.20% and 30% for strongly agree and agree respectfully) agreed that required standards are difficult to achieve due to unattainable standards. They argue that KMA, being a political organization finds it difficult to define its objectives at certain stages. Politicians normally expect too much from the employees

with limited incentive packages making it difficult to motivate employees to put up their best. On the other hand, over 40% disagreed to this statement. These respondents were of different view, thus they also argue that though KMA is a political organization but does not set standards which are difficult to achieve. They further pinpointed that, given the necessary incentives, targets could easily be achieved. However, 5 respondents representing 8.3% remained neutral and would not want to comment on the issue for personal reasons.

4.5.4.3. Ineffective Planning

Table 17: Targets difficult to achieve due to ineffective planning.

Scale	No.	Percentage
Strongly agree	3	5.0
Agree	3	5.0
Neutral	-	-
Strongly Disagree	31	51.7
Disagree	23	38.3
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 17 reveals that 90% respondents (i.e.51.7% and 38.3%) disagreed to that statement that targets are difficult to achieve due to ineffective planning. They were of the view that KMA have competent personnel to deal with budgeting and budgetary control issues as well as effective and experienced planning team. It will be extremely difficult for such personnel to deviate outright from the objectives of the Assembly. However, 10% representing 6 of the respondents said targets are difficult to achieve due to ineffective planning. Their main reason was that some of the people who matters are not invited

during budget preparation and this may stifles initiatives leading to poor communication and its serious adverse effects is ineffective planning.

Table 18 below clearly shows that KMA does not have any incentive package for meeting targets. Thus, all the 60 respondents agreed that KMA does not motivate its employees who are able to meet their targets at the end of the year.

The reason assigned to this was that KMA is a government oriented institution and all employees' wages and salaries together with other incentives are paid from the government consolidated fund but nothing is assigned as an incentive for meeting targets by the Government of Ghana through KMA.

4.5.4.5 Does KMA have any incentive package for meeting targets?

Table 18: Incentive Package for Meeting Targets.

Scale	No.	Percentage
Yes	-	0
No	60	100
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 19 below reveals that over 90% (i.e. 93.3%) of the respondents were of the view that KMA does not have any managerial sanctions for those managers who will not be able to meet their targets. The basic reason assign to this was that KMA does not motivate employees to give out their best in achieving targets and therefore have not

instituted any measures in terms of sanctions against any manager who fails to meet targets. On the other hand, 4 respondents representing 6.7% of the respondents were of the view that sanctions such as queries are used against managers who fail to meet targets. It was discovered by the researcher that occasionally the budget committee invites some managers who are not able to meet targets to explain or assign reasons to their inability to meet targets.

4.5.5. What are the managerial sanctions for not meeting targets?

Table 19 Sanctions For Not Meeting Targets.

Scale	No.	Percentage
No Sanctions	56	93.3
Queries	4	6.7
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

The study showed that the top management of KMA widely uses variance report as a tool of performance evaluation and budget control. KMA have a committee which evaluate the budget variance and performance reports consisting of Departmental Heads, Budget Committee, Metro Budget Analyst, Finance and Administration Sub-Committee and Top Management.

The frequency of variance reports and uses of by the Assembly were also examined. It was revealed that variance reports were carried out on monthly basis: variance reports relating to revenues are usually prepared on monthly basis. In examining the various

purposes and uses of budget variance reports, it revealed that KMA uses budget variances to evaluate the efficiency of managers in running their departments. Furthermore, the Assembly uses budget variances to improve its next period's budgets. Variances are also used for timely identification of a specific problem. Variance and performance reports are used to shape employees in times of deviations. This confirms views of Merchant, (2003) that performance reports are descriptions of results which can help shape employees' views of what is important. KMA's uses of variance reports for the above purposes confirm the notion by Kaplan and Norton, (1996) that management of organizations generally uses variance reports for various purposes.

4.6.0. Budgets and Budgetary Control Problems

4.6.1. Do you encounter any problem during the preparation of your budgets?

All the 60 respondents (100%) said that KMA encounter some problems during the preparation stage of the budget. They argue that the budget is only a plan developed in advance prior to the budget period. The respondents mentioned some of the problems faced by KMA during budget preparation as lack of resources, poor forecasting on the part of some functional managers, time consuming process etc. as revealed by Carter et. al, (1997) that whilst budgets may be an essential part of any organization's operations, they do have a number of disadvantages particularly in perception terms.

Table 20 below indicates that 68.3% representing 41 of the respondents said problems encountered by KMA include lack of resources and operational difficulty. They argue that it is difficult for KMA to meet the required resources for the various departments in terms of experienced personnel, incentives, appropriate inputs from the various departments for the budgets to be prepared. 13 respondents (21.7%) were of the view that budget preparation consumes time. It takes longer time to get the budget prepared and approved. The researcher discovered that, the various departments are not able to meet the deadlines set for the submission of inputs to the budget committee making it difficult for the committee to complete the budget in time. 10% of the respondents said budgets lower morale of employees due to its rigidity.

4.6.2. What are some of the limitations faced by KMA in relation to budget preparation?

Table 20: Limitations of Budgets in the Preparation Stage

Limitation (s)	No.	Percentage
Lack of resources; Operational difficulty	41	68.3
Time Consuming process	13	21.7
Lowering morale	6	10.0
TOTAL	**60**	**100**

Source: Author's Field Study, 2009

Table 21 below shows that 86.7% of the respondents said KMA encounter problems during the implementation of the budget while 8 representing 13.3% of the respondents said KMA does not encounter any problem in its implementation of the budget. According to the respondents, some of these problems include operational difficulty, delays and lags, one cannot adopt to suit a changing need etc. The researcher discovered

that the 8 who answered 'No' had no indebt knowledge on budget implementation since they are new employees at the Assembly and does not directly involved themselves in implementing the budget at the Assembly.

4.6.3. Do you encounter any problem during implementation of your budgets?

Table 21: Limitations of Budgets in the Implementation Stage

Scale	No.	Percentage
Yes	52	86.7
No	8	13.3
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

4.6.4. What are the problems you encounter during implementation of your budget?

Table 22: Problems During Implementation of Budgets

Problem(s)	No.	Percentage
Operational difficulty, Delays and lags	46	76.7
Month-to-Month Monitoring	9	15.0
Lack of resources	5	8.3
TOTAL	**60**	**100.0**

Source: Author's Field Study, 2009

Table 22 shows that 46 respondents representing 76.7% said problems KMA encounters during budget implementation was operational difficulties and delays and lags. They were of the view that KMA being a government oriented organization is difficult to define its objectives. Hence, when the budget is prepared, it becomes very difficult to implement it to achieve the objectives. Delays and lags also hinder the successful

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implementation of the budget due to bureaucracies and processes the budget goes through before it became operational. References were made to Year 2009 Budget that as at June, 2009 had not been approved by the General Assembly. 15% also said the budget needs month-to-month monitoring during its implementation. The budget is so complex that it requires careful supervision during it implementation stage. However, 8.3% representing 5 of the respondents indicated that the Assembly has a problem with resources such as personnel to monitor the budget, stationery and other administrative costs.

4.6.5. Do you encounter any problem after the implementation of the budgets?

All the 60 respondents indicated that the Assembly encounters problems after the implementation of the budgets. Some of the problems given include occurrence of variances, hiding behind inefficiency, budgets may be inappropriate for current conditions, etc. According to the respondents, the commonest among these problems is the occurrence negative variances. For instance, as at the year end 31st December, 2008, the Assembly's actual income was GHC11,062,557.66 as against a budget estimate of GHC11,264,926.70, a budget deficit (negative variance) of GHC202,369.04. On the other hand, during the same period under review, KMA recorded an actual expenditure of GHC11,518,356.30 as against a budget estimate of GHC7,358,322.65, a negative variance of GHC4,160,033.65. They were of the view that the current economic condition causes differences (variances) between the budget and the actual performances. They also said some sectional managers tend to blame their subordinates when there happens to be occurrence of negative variances.

It was revealed by the study that irrespective of its numerous advantages, KMA encounters a number of problems during the preparation, implementation and after implementation of the budget. KMA during the preparation stage of the budget faces challenges such as lack of resources, operational difficulty, poor co-ordination and time consuming process.

During implementation, problems encounter by KMA includes delays and lags, operational difficulty, intensive monitoring process etc. After implementation of the budget, challenges such as occurrence of variances, hiding behind efficiency and problem of ICT in monitoring at cost centre level. This supports Carter et. al (1997) who was of the view that budgets may be an essential part of an organization's operations, they do have a number of disadvantages particularly in perception terms.

However, the assembly has device means of dealing with the above problems. These include trying to get proper feedback system, instituting effective monitoring and evaluation committee and the use of audit implementation committee who will supervise the budget from it preparation stage to the implementation stage to respond to deviations on timely basis.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

This chapter sets out to round off the study with a summary of work done and recommendations as well as conclusions.

5.1 Summary of Findings

The data analysis indicates that budgeting and budgetary control as a management tool at KMA is relatively good. The main findings were:

KMA prepares annual budgets, medium term plans and long-term plans through rigorous processes and procedures. This indicates that KMA attaches serious importance to planning and budgeting.

KMA has a budget committee comprising of the Metro Co-ordinating Director, Metro Finance Officer, Metro Chief Budget Analyst, Metro Planning Officer, Metro Heads of Departments, and Sub-Metro Administrators.

KMA issues budget guidelines prior to preparing budgets and breaks down budgets according to time and departments.

There is active participation in the preparation of budgets. Every department submits their inputs into the annual budget proposals. Departmental heads are invited to budget

committee meetings to defend their proposals. This encouraged active participation in the budget preparation and implementation at KMA, thus, leading to improved performance.

Cash, Capital, Labour, Income and Expenditure Budgets are the subsidiary budgets whiles the principal budget being the Master Budget are the types of budgets prepared by KMA. However, the various departments prepare Departmental and Cash budgets. Annual budgets are approved by the General Assembly during its meetings.

Several benefits are enjoyed by KMA in using budgets and budgetary control as a management tool. These include; to forecast the future, to judge performance, as a means of communication, and cost reduction and control

In the area of performance evaluation, the analysis revealed that:

The top managers evaluate the budget variance reports and periodicity of these reports is usually monthly. The budget variance is used to evaluate managers' abilities, timely recognition of a problem and to improve next period's budgets:

The budget committee evaluates the budget variance and performance reports.

The study revealed some limitations faced by KMA in using budgets and budgetary control as a management tool. Some of these are; operational difficulty, lack of resources, delays and lags, occurrence of variances and poor co-ordination.

5.2 Conclusions

Budgeting is one of the fundamental decision-making processes in organizations as they serve numerous useful purposes in those organizations. During budget formulation, targets are set for each unit of the organization. Similarly, the resources required to achieve these targets are estimated. The experience at KMA reveals a practical uses of budgets.

KMA uses a rigorous budgetary control practices in its operations. It could therefore be concluded that district, municipal and metropolitan assemblies generally do attach much importance to budgets and budgetary control as vital tools to aid them in effective and efficient management of their operations. However, budgets and budgetary control as well as plans vary from assembly to assembly. These budgets also show a variety of purposes and objectives depending upon the assembly's mission and vision.

5.3 Recommendations

Based on the findings of the study, the following recommendations as well as how to achieve them are made:

Firstly, budget committee members and heads of departments who are directly responsible for the preparation and implementation of budgets should have good appreciation of the rationales for budgeting as well as the basic principles in the preparation and implementation of budgets. This will ensure their greater personal

commitment to issues concerning the budgets thereby promoting efficiency in the operations of the assembly. This can be achieved by regularly updating their knowledge to reflect current situations.

Secondly, to further promote budget success, adequate information should be gathered and critically examined using all possible parameters before arriving at budget decisions. This will require rigorous appraisal techniques and skills. In order to achieve this, some of the assemblies in Ghana which do not have the in-house skills and technical expertise to plan, should be encouraged to engage the services of consultants to assist them plan and prepare budgets.

Moreover, it is recommended that more research should be conducted into large service delivery companies to ascertain the relevance of planning and budgeting in their daily operations. This can be done by organizing programmes such as organizing exchange programmes, conferences, workshops and refresher courses with such firms to share ideas and to also update their knowledge on current issue on budgets and budgetary control systems.

Also, the necessary regulatory and legislative frameworks should be provided to ensure that all District, Municipal and Metropolitan Assemblies in Ghana prepare and implement plans and budgets to ensure growth in their operations. For this to be successful, Parliament should enact and implement laws aim at compelling all Assemblies in Ghana

to prepare and implement plans and budgets effectively to ensure efficient utilization of state resources,

Not all, the studies on budgets and budgetary control from the literature were mainly confined to advance countries. Budgeting within the developing countries has been a particularly neglected research domain. It is therefore recommended that more studies be conducted on budgets and budgets control practice within developing countries like Ghana. More researchers and students must be encouraged to carry out an indebt study through scholarships and sponsorships by governmental and non-governmental organizations about Budgets and Budgetary Controls practices and come out with relevant conclusions for the developed world.

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APPENDIX A

QUESTIONNAIRE:

This questionnaire is designed to find appropriate information that will help the researcher to carry out a study on "Budget and Budgetary Control as a Managerial Tool" in Ghanaian Metropolitan Assemblies with special reference to Kumasi Metropolitan Assembly (KMA).

Kindly respond to all questions by ticking the appropriate answer(s) among the alternatives provided or providing the appropriate information in the spaces provided.

You are assured that information provided is for academic work **ONLY** and will be treated confidential.

GENERAL INFORMATION

1. Functional Position of Respondent.....

2. Length of time with KMA
   a). 1-5 years
   b). 6-10 years
   c). 11-15 years
   d). 16-20 years
   e). 20 years or more.

3. Age:
   a). 20 – 30 years
   b). 31 – 40 year
   c). 41 – 50 years
   d). 51 years and above

Kindly answer the following questions by ticking the appropriate box:

B. BUDGET PLANNING / PREPARATION:

4. Does KMA have a long range plan?
   Yes ( ) No ( )

5. If yes, what is the length of time period the long range plan covers?
   a). 1 – 3 years b). 1 – 5 years
   c). Over 5 years

6. Do you prepare annual budgets?
   Yes ( ) No ( )

7. Is there a budget committee in your organization?
   Yes ( ) No ( )

8. If yes, who are the members of this committee? Please tick more than one box.
   a). Metro Co-odinating Director ( )
   b). Metro Finance Officer ( )
   c). Budget Officer/ Analyst ( )
   d). Planning Officer ( )
   e). Human Resource Manager ( )
   f). Others, please specify.....

9. What are the various, types of budgets prepared by KMA? Please tick more than one box.

a). Cash Budget ( )
b). Labour budget ( )
c). Capital budget ( )
d). Budgeted Income Statement ( )

e). Others. Please specify.....

10. Do the various departments prepare their own budgets?
Yes ( ) No ( )

11. What are the types of budgets prepared by the various departments? Please tick more than one box.

a). Flexible Budget ( )
b). Fixed Budget ( )
c). Zero base Budget ( )
d). Cash Budget ( )
e). Departmental Budget ( )
f). Others. Please specify.....

12. What is the length time allowed for departments to complete their budgets?

a). Three months ( )
b). Six months ( )
c). Nine months ( )
d). Twelve months ( )
e). Others. Please specify.....

Please tick the appropriate scale for Questions 13 and 14.

1. Strongly Agree
2. Agree
3. Neutral
4. Strongly Disagree
5. Disagree

13. Good information flow is available for budgeting exercise.
1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

14. Co-ordination among the various departments during budget execution is achieved
1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

15. All managers in your organization participate in budget preparation and discussions. Do you agree to this statement? Please tick appropriate scale.
1. Strongly Agree ( )

2. Agree ( )
3. Strongly Disagree ( )
4. Disagree ( )

16. Who approves the final budget?
a). Metro Chief Executive ( )
b). Metro Co-ordinating Director ( )
c). Metro Budget Analyst / Officer ( )
d). Metro Planning Officer ( )
e). Metro Finance Director ( )
f). Any other, please specify.....

C. BENEFITS / ROLE OF BUDGETS

17. Budgets have a number of roles, indicate how important do you think that each of the following roles is relevant for KMA (Please indicate the influence of each role using a rating scale):
1. Extremely important
2. Most Important
3. Very Important
4. Important
5. Not important

a). To forecast the future. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

b). To judge performance. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

c). As a means by which management communicate to other levels in the organizations. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

d). As a means of calculating rewards. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

e). To motivate employees. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

f). To serve as performance monitoring tool. 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 ( )

Indicate the extent to which you agree or disagree with the following statement:

	Details	Strongly Agree	Agree	Disagree	Strongly Disagree	undecided
18	Budgeting and budgetary control process pinpoint efficiency and effectiveness					
19	Budgeting and Budgetary control directs management towards achieving the organizational objective and performance.					
20	Budgeting and budgetary control are widely used tools for cost reduction and control					
21	Budgeting and budgetary control measures helps in assessing employee performance					

D. BUDGETS AND BUDGETARY CONTROL AS A PERFORMANCE MEASURE

22. Does KMA evaluate budget variance and performance reports?
Yes ( ) No ( )

23. If yes, who evaluates the budget variance and performance reports?
a). Department Heads ( )
b). Budget committee ( )
c). Top management ( )
d). Planning committee ( )
e). Any other, please specify.....

24. What is the periodicity of performance reporting related to budgets?
a). Monthly ( )
b). Quarterly ( )
c). Half – annually ( )
d). Annually ( )
e). Any other, please specify.....

The following are some statements related to budget variances (Please tick appropriate scale)

1. Strongly Agree
2. Agree
3. Strongly Disagree
4. Disagree

25. Budget variances are used to evaluate manager's ability at KMA:
1 ( ) 2 ( ) 3 ( ) 4 ( )

26. Budget variances are used to evaluate the forecasting ability of the manager at KMA: 1 ( ) 2 ( ) 3 ( ) 4 ( )

27. In some periods, you may not be able to achieve the required standard targets due to: (Please tick the appropriate scale)

1. Strongly Agree
2. Agree
3. Neutral
4. Strongly Disagree
5. Disagree

1. Inability in your department	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )
2. Unattainable standards	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )
3. Uncertainty	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )
4. Ineffective Planning	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )

Please tick the appropriate scale for questions 25 – 28

1. Strongly Agree
2. Agree
3. Neutral
4. Strongly Disagree
5. Disagree

28. The budget communication is accepted at KMA

a). With caution	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )
b). With suspicion	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )
c). With Reception	1 ( )	2 ( )	3 ( )	4 ( )	5 ( )

29. Does KMA have any incentive package for meeting targets?
Yes ( ) No ( )

30. If yes, what are some of the incentive packages for meeting targets? Please tick more than one box.
a) Bonuses ( )
b) Promotions ( )
c) Salary increment ( )
d) New assignments ( )
e) Any other, please specify.....

31. What are some of the managerial sanctions for not meeting targets?
a) Transfers ( )
b) Queries ( )
c) Demotions ( )
d) New assignments ( )
e) Any other, please specify.....

E. BUDGET AND BUDGETING CONTROL PROBLEMS:

32 Do you encounter any problem during preparation of your budgets?
Yes ( ) No ( )

33. If yes, what are some of the limitations faced by KMA in relation to budget preparation? Please tick more than one box.
a) Poor forecasting. ( )
b) Lack of resources. ( )
c) Operational difficulty. ( )
d) Difficult to define objectives. ( )
e) Lowering morale. ( )
f) Time consuming process. ( )
g) Any other, please specify.....

34. Do you encounter any problem during implementation of your budget?
Yes ( ) No ( )

35. If yes, what are some of the problems you encounter during implementation of your budget? Please tick more than one box.
a) One cannot adopt to suit a changing need. ( )
b) Month-to-month monitoring ( )
c) Operational difficulty. ( )
d) Lowering morale. ( )
e) Delays and lags. ( )
f) Any other, please specify.....

36. Do you encounter any problem after the implementation of your budget?
Yes ( ) No ( )

37. If yes, what problems do you encounter after implementation of the budget? Please tick more than one box.
a) Budgets may be inappropriate for current conditions. ( )
b) Badly handled budgets may lower morale. ( )
c) One cannot adapt to suit a changing need. ( )
d) Occurrence of variances. ( )
e) Hiding behind inefficiency ( )
f) Any other, please specify.....

38. How do you overcome budget and budgetary control problems?
i.....
ii.....
iii.....
iv.....

39. What have been the levels of achievements using budget and budgetary control as a management tool?
i.....
ii.....
iii.....
iv.....

40. Any comments you will like to provide on budget and budgetary control practices at KMA?
i.....
ii.....
iii.....
iv.....

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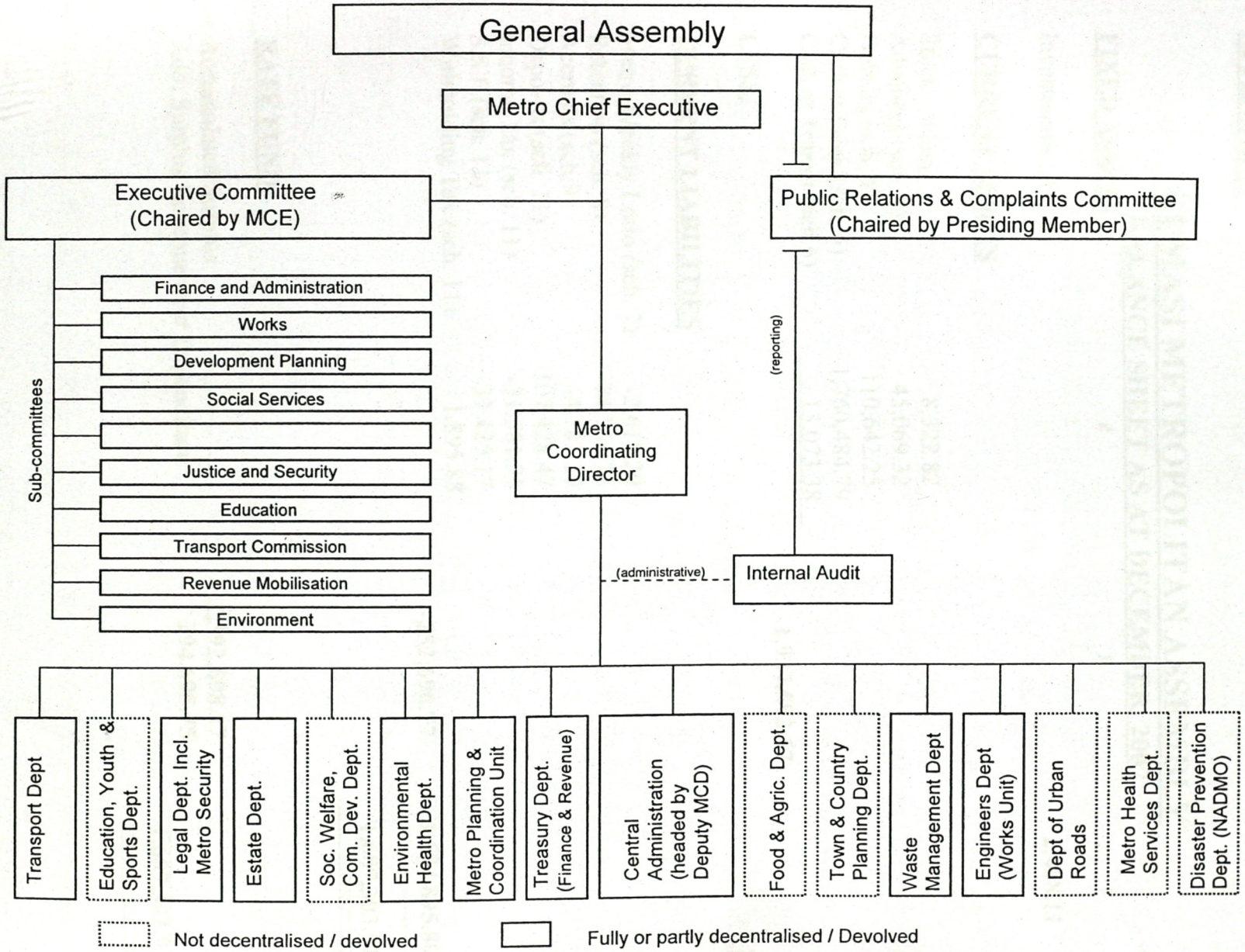
KUMASI-GHANA

Kumasi Metropolitan Assembly



APPENDIX C:

KUMASI METROPOLITAN ASSEMBLY

BALANCE SHEET AS AT DECEMBER, 2007

FIXED ASSETS	¢	¢	¢
Investments (sch. 1)			**2,408.11**
CURRENT ASSETS			
Stock – Main	8,322.82		
Advances (sch. 3)	45,069.32		
Debtors (sch. 4)	110,642.25		
Cash at Bank (sch. 5)	1,760,484.79		
Cash at Transit (sch.6)	13,073.38		
		1,937,592.57	
LESS:			
CURRENT LIABILITIES			
Metro Weekly Lotto (sch. 7)	-2,618.20		
Retention (sch. 8)	-74,754.75		
Accruals (sch.9)	-4,783.30		
Deposits (sch. 11)	-107,428.47		
Income Tax (sch. 11)	-31,581.75		
S.S.F (sch. 11)	-33,425.17		
Withholding Tax (sch. 11)	1,895.88		
		-252,696.77	**1,684,895.80**
			1,687,303.91
RATE FUND			
Accumulated Surplus		**1,392,608.17**	
Add: Surplus Revenue over Expenditure		**294,695.75**	
			1,687,303.91

KUMASI METROPOLITAN ASSEMBLY

INCOME AND EXPENDITURE AS AT 31ST DECEMBER, 20007

REVENUE HEAD/ ITEMS	APPR. BUDGET EST. FOR THE YR	APPR. BUDGET FOR THE MTH	ACTUAL FOR THE MONTH	VARIANCE FOR THE MONTH	CUMMULATIVE ACTUAL TO DATE
RATES	1,097,484.34	91,457.03	-28,135.30	-119,592.33	-548,974.59
LANDS	303,930.00	25,327.50	-2,835.00	-28,162.50	-220,215.60
FEES/FINES	1,584,480.00	132,040.00	-916,916.82	-1,048,956.82	-2,018,432.48
LICENCE	871,189.10	72,599.09	-92,734.12	-165,333.21	-655,584.02
RENT	255,530.10	21,294.17	-6,541.00	-27,835.17	--191,752.90
GRANTS	4,188,578.18	349,048.18	-448,155.32	-797,203.50	-7,764,811.71
INVEST.INCOME	10,000.00	833.33	-1,019.45	-1,852.78	-8,414.09
MISCEL.INCOME	42,100.00	3,508.33	-14,587.68	-18,096.01	-41,236.28
GRAND TOTAL	**8,353,291.72**	**696,107.64**	**-1,510,924.69**	**-2,207,032.33**	**-11,486,421.66**

EXPENDITURE/ ITEMS	APPR. BUDGET EST. FOR THE YR	APPR. BUDGET FOR THE MTH	ACTUAL FOR THE MONTH	VARIANCE FOR THE MONTH	CUMM. ACTUAL TO DATE
PERSONAL EMOL.	1,821,207.72	151,767.31	381,481.12	-229,713.81	2,285,533.17
T & T ALLOW.	611,562.24	50,963.52	86,675.68	-35,712.16	610,530.04
GENERAL EXP.	409,062.12	37,812.67	51,771.67	-13,959.00	406,605.36
MAINT/REP./REN.	1,087,125.84	90,563.82	100,528.60	-9,934.78	242,096.39
O. CURR/MISC EXP	907,851.84	74,404.32	154,115.10	-79,710.78	6,796,765.68
CAP. EXPENDITURE	4,326,612.60	322,488.57	498,316.62	-175,828.05	6,796,765.27
GRAND TOTAL	**9,163,422.36**	**728,030.21**	**1,272,888.80**	**-544,858.05**	**11,191,725.91**
CURRENT PERIOD SURPLUS / (DEFICIT)			**238,035.89**		**294,695.75**

APPENDIX C:

KUMASI METROPOLITAN ASSEMBLY
BALANCE SHEET AS AT DECEMBER, 2008

	¢	¢	¢
FIXED ASSETS			
Investments (sch. 1)			2,408.11
CURRENT ASSETS			
Stock – Main	8,322.82		
Advances (sch. 3)	36,526.41		
Debtors (sch. 4)	110,642.25		
Cash at Bank (sch. 5)	1,334,641.76		
Cash at Transit (sch. 6)	90,599.02		
		1,580,732.27	
LESS:			
CURRENT LIABILITIES			
Metro Weekly Lotto (sch. 7)	2,618.20		
Retention (sch. 8)	74,329.75		
Accruals (sch. 9)	4,783.75		
Deposits (sch. 11)	83,917.32		
Income Tax (sch. 11)	35,405.56		
S.S.F (sch. 11)	33,647.71		
Withholding Tax (sch. 11)	-2,889.15		
		231,813.70	
			1,348,918.57
			1,351,326.68
RATE FUND			
Accumulated Surplus		**1,807,125.32**	
Add: Surplus Revenue over Expenditure		**-455,798.64**	
			1,351,326.68

KUMASI METROPOLITAN ASSEMBLY

INCOME AND EXPENDITURE AS AT December, 2008

REVENUE HEAD/ ITEMS	APPR. BUDGET EST. FOR THE YR	APPR. BUDGET FOR THE MTH	ACTUAL FOR THE MONTH	VARIANCE FOR THE MONTH	CUMMULATIVE ACTUAL TO DATE
RATES	1,885,097.36	157,091.44	46,974.24	110,117.20	1,000,568.57
LANDS	330,680.00	27,556.66	2,555.00	25,001.66	175,410.00
FEES/FINES	1,971,060.00	164,254.98	151,758.21	12,496.77	1,842,364.53
LINCENCE	1,734,469.10	144,538.98	48,532.63	96,006.35	1,444,393.23
RENT	264,868.50	22,072.36	22,097.30	-24.94	334,609.20
GRANTS	5,021,651.74	418,470.97	281,878.97	136,592.00	6,150,338.20
INVEST.INCOME	15,000.00	1,250.00	6.12	1,243.88	5,435.38
MISCEL.INCOME	42,100.00	3,508.33	18,331.50	-14,823.17	109,438.55
GRAND TOTAL	**11,264,926.70**	**938,743.72**	**572,133.97**	**366,609.75**	**11,362,557.66**

EXPENDITURE/ ITEMS	APPR. BUDGET EST. FOR THE YR	APPR. BUDGET FOR THE MTH	ACTUAL FOR THE MONTH	VARIANCE FOR THE MONTH	CUMM. ACTUAL TO DATE
PERSONAL EMOL.	2,808,545.46	234,045.45	44,460.06	189,585.39	2,380,869.87
T & T ALLOW.	743,850.71	61,987.55	46,817.20	15,170.35	722,015.36
GENERAL EXP.	514,945.08	42,912.07	18,402.98	24,509.09	462,799.57
MAINT/REP./REN.	265,399.88	22,117.11	-409,056.65	461,173.76	218,364.97
O. CURR/MISC EXP	1,321,299.28	110,108.24	197,974.56	-87,866.32	987,979.77
CAP. EXPENDITURE	1,704,282.24	142,023.45	1,354,094.06	-1,212,070.61	6,746,326.76
GRAND TOTAL	**7,358,322.65**	**613,193.87**	**1,252,692.21**	**-639,498.34**	**11,518,356.30**
CURRENT PERIOD SURPLUS / (DEFICIT)		**-680,558.24**			**-455,798.64**