

BUDGETARY CONTROL AND PROFITABILITY OF SMALL BUSINESS

ENTERPRISE

CASE STUDY ON KENJOY SUPERMARKET

BY

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DECLARATION

I hereby declare that this work is a result of my own effort and has never been submitted for an award in any other University or Institution of higher learning.

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Signature..........

Date.....30th / 05 / 2011.....

APPROVAL

This is to certify that this research project submitted for examination has been under my supervision.

Dr, Stanley Kinyata.

Signature.....

Date.....

DEDICATION

I dedicate this booklet to my guardian Mbabazi Jonnah, Uncle Nsasiirwe Moses, my beloved sis Peron, grand mum Seddie Begumya and my good friends Resty, Clare, Ssemuju , Alex and Peter.

ACKNOWLEDGEMENT

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LIST OF ACRONYMS

ABB	Activity Based Budgeting
ACCA	Association of Chartered Certified Accountants
BP	Budget Participation.
IBP	Initiate Budget Preparation.
MBI	Managerial use of Budgetary Information
ZBB	Zero Based Budgeting

ABSTRACT

The study involved the analysis of the budgetary control and profitability of small business enterprises. The study considered kenjoy supermarkets variables showing budgetary control as independent variable and profitability as dependent variable.

Budgetary control leads to profitability and government policy in small business enterprises as intervening variable which helps in connecting budgetary control to profitability in small business enterprise.

The study was set out to study the nature of the budgetary control how they contribute to profitability in small business enterprises. The case study of kenjoy supermarket the study used a cross sectional purpose design based on finding whether budgetary control enhance profitability in small business etc as a case in kenjoy supermarket.

The data was manipulated using cross tabulations, spearman's correlation coefficient and ANOVA tests

The study was organized into five chapters

Chapter one being introduction, chapter giving the background to the study, statement of the problem, the purpose of the study, objective of the study, research questions, the scope, significance and conceptual framework.

Chapter two looks at literature review to the nature of the budgets and profitability of small business in case of kenjoy supermarket.

Chapter three shows methodology research design, sample design, study population, sample size, sources of data, research instruments and limitation of the study

Chapter four covers the findings and gives interpretation

Last chapter five gives the summary of findings, conclusion and recommendations made in respect of the study.

CHAPTER ONE

1.0 INTRODUCTION

The chapter comprises of background to the study, statement of the problem, purpose of the study, objectives of the study, significance of the study, research questions, the scope of the study and organization of the study.

1.1 Back ground

Budgetary control is a system of controlling costs through budgets (Arora, 1995). Budgetary control involves establishing of budgets relating to responsibilities of management on policy and continuous comparison of actual with budgeted results either to ensure individual action or collective action. The objective of this program is to act as a basis of its revision (CIMA 1932). Kenjoy supermarket carrying out its business emphasis is putting much effort on budgeting as an integral part of management planning. In Uganda budgets have been prepared in advance and are often referred to in terms of their being part of the feed forwards system. It involves working at situations in advance and attempting to take control of situations in advance (Duncan, 1996). Budgeting activities are crucial in organizing, coordinating, planning and controlling business operations. This means that they have a bearing operation. This means that they have a bearing on profit earned by a business. Profitability is one of the measures of performance in business undertaking and the main attraction to business enterprises goes enterprising. (Marshall, 1992) gives insight into the definition of profit as a total net gain from business which exceeds interest on capital employed at current rates. Budgeting also enables enterprises to use all resources at its disposal to minimize its return, Drury (1996).

Profits are measured in terms of sales labour cost, operating cost and depreciation of fixed assets. While measuring profits these are a number of problems faced by Kenjoy supermarket as a small business which includes lack of more accurate written records that leads to poor estimates of profits flexibility as a more problem since most of its operations are done from home and no separate accounts are kept for a business and households. Seasonally of business activities fluctuation of incomes due to family problems, sensitivity of profitability for example proprietor may not be willing to disclose how much he/she earns and finally analytical problems and issues related to questionnaire design pose problems for data collection on profit. For example decision

about depreciation on value of family labour must be made during labour analysis (Daniel, 1999). In brief costs are a major hindrance to profit in small business. In order to survive in the markets it is essential to aim at minimizing costs which can be done through budgetary control. According to Uganda survey (1995) a firm that has a labour force of less than 50 employees is considered as a small business enterprise. According to Forgy (1993), Myers (1988) and Torgery (1993) suggested that firm's financial managers should strictly follow budgetary control policies that use funds optimally without adversely affecting revenues of increasing sales and base for investment revenue out taxing business firms.

1.2 Statement of the problem

Budgetary control is an important tool for controlling activities like cash in flows and out flow, inventory in Kenjoy supermarket as a small business. It is a basis for Kenjoy supermarket actual and budgeted outcomes through budgets that provide targets for entrepreneurs against actual profits targets. A budgetary control is deemed effective right from setting processes, planning and controlling objectives (Baggott, 1997). Despite the use of budgetary tools as a way of controlling costs, Kenjoy supermarket is facing a problem of continuous registering variance in profits as it was the case of business researched by (Duncan, 1999). The researcher to study the relationship between budgetary control and profitability of the case of Kenjoy supermarket. Unexplained variances provide no basis for corrective action and may lead to collapse of business.

1.3 Purpose of the study.

General objective.

The purpose of the study was to establish whether effective budgetary control producers were practiced by Kenjoy supermarket and how these have impacted on profits in small businesses.

1.4 Specific objectives of the study.

- i. To establish the nature to budgetary control in small business as in case of Kenjoy supermarket.
- ii. To establish the nature of small businesses profit as in case of Kenjoy supermarket.
- iii. What is the relationship between budgetary control and profits of small businesses.

- iv. To examine the relationship between the budgetary control and profit in small businesses as in Kenjoy supermarket.

1.5 Research questions.

- i. What is the nature of budgetary control in small business as in case of Kenjoy supermarket?
- ii. What is the nature of small profits as in Kenjoy supermarket.
- iii. What is the relationship between budgetary control and profits of small businesses?

1.6 Scope of the study.

Subject scope

The study was drawn from the department of accounts, finance and administration. It was concerned with how Budgetary Control contributes to profitability in small business enterprise.

Geographical scope

The study was to be carried out in Kenjoy Supermarket located along Bukoto Ntinda Road Kampala because this is the main branch of all Kenjoy outlets.

Time scope

The study was to be carried out in period of two months that was in April and May consistently.

1.7 Significance of the study.

It was hoped that the research would be useful in the following ways:

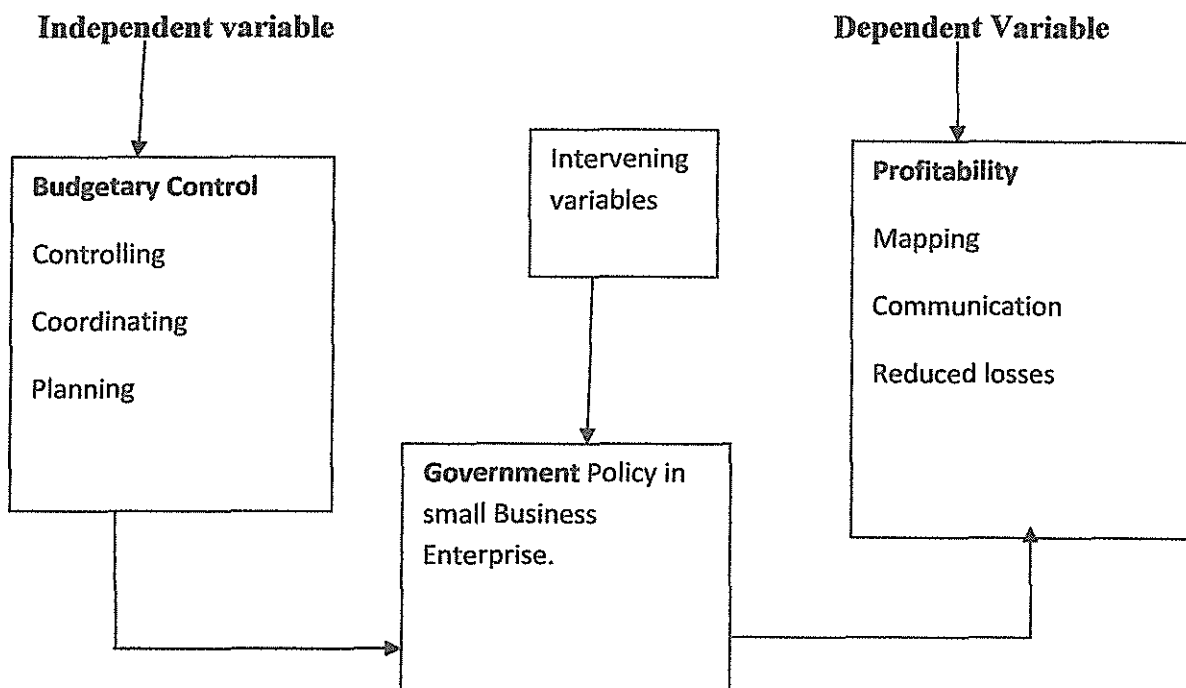
- i. The researcher gained research skills that will be referred to while furthering her education for example at master's level.
- ii. To small businesses, the study enabled them to identify factors that have resulted into variances in profits for appropriate action and better ways of improving their budgetary system.
- iii. Thirdly, parties such as academicians, potential investors and government have found this research as part of literature review. Investors will use information to decide on whether

to take investment. Governments use this information to decide on whether to take on investment. Government uses this information in policy formulation for example in taxation system.

1.8. Conceptual Frame work.

The conceptual framework model comprises of interrelated variables, showing Budgetary Control as Independent variable and profitability of small enterprise as the dependent variable.

According to Baggott, (1997). Budgetary control is very important tool for controlling activities like cash in flows and cash outflows, A budgetary control is deemed effective right from setting processes planning and controlling objectives.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Budgeting is part and parcel of good financial management system. According to Kenjoy supermarket financial resources are never adequate therefore optional allocation of resources and utilization is a must if the organization is to achieve the goal and objectives. Kenjoy supermarket has a brief that focusing on specific objectives that is to say no priorities more so expenditure will not be put under control and luxuries may result.

2.1 Nature of budgetary control

Different authors came up with various definitions as regards budgets and budgeting. Budgeting is a method of financial control which involves the planning and use of budgets. It is a written statement of management plan for future expressed in financial terms. It is a way that the business expresses their expectation in economic terms for future time period (Samuelson, 1980). He also threw some lights on department budgets which relate to responsibilities of executives to the requirement of policy and the continuous comparison of actual with budgeted results.

According to Duncan (1996), budgeting is defined as a plan expressed in quantitative and monetary terms. It is now necessary for Kenjoy supermarket to prepare budgets and approved prior to the period in which they relate. Budgets may include all income, expenditure and capital employed. Kenjoy supermarket can also prepare for entire department for significant activity such as production and sales of specific products Balunywa (1997) views budgeting as a process of preparing and using budgets to achieve management objectives. In this process managers must communicate the implications of the future plans of Kenjoy supermarket to prepare budget and in return will communicate set targets to lower cadres who in this case are departmental head. According to James (1998) budgeting involves planning for revenue producing and cost generating activities of the organization.

2.1 Budgeting control techniques in the supermarket.

Techniques involved in budgeting are chosen based on guidelines and procedures as well as the simplicity that management find in using a given technique. The following are the major approaches to budget to budget setting accompanied with merits and demerits as discussed below;

Zero based budgeting (ZBB); This is a technique where budgets are prepared without references to previous information. Budget officers prepare budgets from scratch (Zero based) with each year's budget being computed as if the activities were being launched for the first time (Drury, 1992). Z.B.B has gained more acceptance world over than incremental due to the following.

The technique ensures continuous evaluation of activities on the business to ascertain that they are necessary for the business to ascertain that they are necessary for the business. The activities of less value shall have no room in the forthcoming budgets whether that are an integral part of the past budgets.

More to **ZBB** techniques is likely to be resisted by managers who fear their programmes would be jeopardized by a system that subject them to annual scinting.

ZBB appeal has also been associated with dangers of emphasizing short term gains at the cost or long term ones (Pandey, 1995).

Activity based budgeting (ABB)

This technique enables business for those activities which are beneficial and are required by the organization. In so doing unnecessary costs are minimized, current and future goals and objectives are met. Here a new technique budgeting ABB has been proposed by a number of author's and researchers' (Belliner & Develin, 1991 and 1994).

ABB calls for defining activities that underlie financial figures in each function using the level of activities to decide how much resource should be allocated managed and explain variance budget. According to Conrielly (1991), an entire organization needs to be managed with far more reference to the behaviors of the identified activities normally referred to cost drivers

which is achieved by ABB. Activity based budgeting has been described by Lucey (1993) as away forward to developing budget process that activities encourage continues improvement by eliminating efficiency and wasteful expenditures.

Incremental budgeting technique; when using this technique, present act as basis for preparing future budgets. Figure in the present budget are inflated or reduced across the board in arriving at next year budget. This technique is widely accepted because administratively it is fairly easy to use and saves time since it is based on available information.

However, there are more disadvantages with it in that this approach is budgeting to be emphasized. By extrapolating fires from previous years- bellies and Jones (1991) cautioned that to creep into budgets systems often encourages slack and wasteful spending and to become normal features of actual spending.

2.2 Importance of budgetary control.

A number of different scholars have given on benefits of using budgets by businesses baggots (1977), Lucey (1993) and Harper (1989) put the following importance as follows;

Mapping

Harper (1989) believes a budget gives direction and guidance to the activities of an organization that without a budget, organizations may fall to achieve the goal and targets for a given period. It acts as a check for any future activities of the business and provides instructions to what activities must be undertaken by business.

Planning

Planning is an integral part of management carried out at all levels of the organization and by all personal plans required at different levels of an organization (Lucey, 1993), budgets help Kenjoy supermarket to achieve its corporatete plans. Budgeting and activity programmes go hand in hand as budgets specify the cost of planned activities (Baggoti, 1977), the profitability levels defined are all articulated in the budgets.

Controlling

Budgeting enables the organization to control their activities such that variances between actual and planned output is minimal. This is a principle of budgetary control (Lucey, 1993). The comparing of actual results with the budgeted amounts for different categories of expenses for example the managers can ascertain which costs do not confirm to the original plans and thus requires attention. In this way budgeting assist mangers in controlling activities for which they are responsible, a budget therefore is a management control tool (Clive et al, 1995).

Coordinating

Budgeting is useful in coordinating activities of a business. A budget serves as vehicle through which actions of different parts of the business are brought together and reconciled into common plan. In budgeting of Kenjoy supermart activities involve all members of the management from top to bottom to participate in the establishment of goals and plans. This creates unity and strong sense of responsibilities among workers. It therefore brings the action or different parts of the organization together in a reconciled plan (Harper, 1989, Baggoti, 1977).

Communication

Budget preparation is one way of communicating of the organization to the members. Subordinates from their duties following the demands of the set target as published in the budget (Harper, 1989) budgeting enables communication and the most important is the information communicated in actual acts of preparing it.

Motivation

Budgeting is a form of motivation towards hard work in an organization. Where employees participate in the budget process is involved, participation leads to promotion and encouragement of common understanding of business activities and acceptance of organizational goals by different employees, (Lucey, 1993).

The employees are often motivated by established quantitative goals (Drury, 1992) get in a given time frame. The acceptability and achievability of set targets of performance in the budget

affects the results. The manipulation of internal setup while taking advantage of the external one with budgeted sources creates a fit between the Kenjoy supermarket and its environment.

Reduction of losses

According to Wood (1984) well coordinated budgets minimize losses, reduce costs, minimize duplication of efforts and wastage of resources and above all organizational conflict. A good budget system helps coordinate different organizational activities, forecast on what to be done and when and to which cost centre. Therefore over estimates are foreseen and reduced on minimum. Therefore, Kenjoy supermarket administrators are charged with duty to organize their activities for annual budgets and consider any environmental conditions which will prevail during budgeting process. The process will identify opportunities and threats giving the administrators the time to classify the opportunities and reduce problems. (Argyris, 1952).

2.2.1. The role of top management in budgeting process

For any control system in place to be effective in the organization, the management must recognize its importance (Samuelson, 1980), (Arora, 1995) holds the view that an effective budgeting system needs support from all members and levels of the organization. However, the top management provides impetus and direction to the budget process and this takes the following forms.

Establishing clear and realistic goals

Budgeting presupposes that objectives and goals have been clearly and well established in case of any ambiguity, objectives shall not be achieved. According to Arora (1995), absence of goal clarity by the employees will result into loss of proper sense of direction.

Communication details of the budget policy

Generally, a budget is described as a statement of the organizational goals and objectives in quantifiable terms. It is noted that most decisions affecting budgets will have been taken in advance as part of long term planning process (Baggoti, 1977).

Monitor and review of budgets

According to Drury (1992) the process of monitoring and review should be continuous since it is dynamic, even after budget approval, the process should not stop. Budgetary reports should be made more frequently and sent the appropriate budgeting officers (Clive et al 1995) to enable them identify items which vary with plan and investigate on the variables.

Initiate budget preparation

Management of kenjoy supermarket should emphasize on the use of budgets at all levels of the businesses. Activities should be carried out basing on what has been prepared in the budgets. Wood (1984), states that budget arranges a budget proposal according to requirement of superior managers. The superior manager there after approves the budget after possible revision (Samuelson, 1980).

Coordination of departmental budgets.

Departmental managers are charged with duty of preparing budget estimate whereas superior managers are charged with the responsibility of coordinating and final approval (Samuelson, 1980 of different departmental budgets. Any inconsistency is brought to the attention of appropriate manager modification before inclusion in the master budget (Becker and Green 1970). This helps top management to resolve conflicts of various departments in resource allocation of a business.

2.2. 2 Managerial use of budgetary information.

Budgeting is an integral part of management planning which provides managers with store keeping and directions enabling them manage their activities more efficiently (Harper, 1989). Budgeting information therefore should be useful and meaningful to the kenjoy supermarket.

A research into way in which managers makes use of budgetary information, Dew and Gee (1976) found out that many managers consider budgetary information provided not very useful and several times little attention has been rendered to these predetermined standards of performance and regular examinations of achievement as portrayed in performance parts.

Among the lessons for inconsistency in the use of budgetary information is manager's attitude and behavior. The following influences a combination of these two factors on the use of budgetary information. Managers feel that budgetary information is a control measure against performance. Such feelings created lead to enormous resistance to the whole idea on the budgetary system (Drury, 1992).

Samuelson (1980) argues that participation improves the attitude of middle managers towards the control information as well as willingness to be involved in budgetary process. Some times, budgets are viewed as means to find faults with manager's work.

Demerits of budgets

Although budgets are useful in enabling organization or business to achieve their goals and objectives. They have been partially criticized by some authors such as Lucey (1993) and Baggoti (1997) for inappropriate as follows.

Budget plans are normally based on estimates by budgetee. This means variations are expected during implementation, which calls for monitoring and control.

Budgeting is an expensive technique. It requires employment of specialists staff which means a business has to part with huge sums of money to pay specialists. Therefore this limits Kenjoy supermarket since this apply to by organizations.

Budgeting at a lower level can be manipulated to default the business. Manipulation can be through stating the figures of the items in the budget by the budgetee. Some times budgets are rigid, their existence may cause lack of flexibility in adapting to changes.

2.2.4 Budget participation (BP)

Becker and Green (1970) expresses budget participation as a process of joint decision making by two or more parties in which decision has future effect on those making them. According to Shields & Shields (1998) BP is a process in which a manager is involved with and has influence in the determination of his/her budget. Therefore budgeting helps Kenjoy supermarket to improve managerial control through establishment or predetermined budgets, ensuring actual performance and comparing it with the budget for control purposes.

2.3 Nature of small business

Many micro-enterprise support programs assistance to micro-enterprises under the assumption that it will lead to an increase in business profits and improve household welfare. This is also assumed that at least in some cases, the profits will be re-invested in the business, leading to growth and an increase in enterprises not worth and care of Kenjoy supermarket.

2.3.1 Definition of profits.

The concept of profit is defined differently in respect of individual's stakeholders.

To an accountant, profits are the excess revenue overall paid out cost arising from utilization of factors input such as land, labour capital and material.

Accountant profit = Total revenue – Total explicit cost.

To an economist, profits (pure or economic profits) are differences between total revenue and total cost arising from utilization of factor inputs including opportunity cost/implicit cost. Economists profits = total revenue – total explicit cost – total implicit cost.

Mashal (1982) defines profits as total net gain from business which exceed interest on capital employed at current rates. Also theorists have come with different perception on the meaning of profits as follows;

Walker's theory of profits.

Walker defines profit in terms of superiority of grades of land and superior labour. Superior grade of land is highly productive as compared to inferior grade hence profitable.

Hauley's risk theory of profit

Hauley (1907) defines in terms of rewards special function performed by entrepreneur. Entrepreneurs perceived risk takers and profits is the only reward that suit one undertaking a risk venture.

Schumpeter's theory of motivation

2.3 Nature of small business

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Schumpeter's theory of motivation

According to Schumpeter, profit shall rise when innovation have taken place in the economy in both the manufacturing sector and method of distributions as a results total costs would fall and profits will increase.

2.3.2. Measurements of profits

Profits are measured in terms of sales, labour cost, other operating costs and depreciation of fixed assets. Daniel (1999) has the following say about profit measurement.

Sales

High sales is an indication of a booming business quality of goods and services and in due course profits are made when a business makes low or poor sales, costs are likely to be high leading to closure of business.

Labour cost

Labour cost such as wages and salaries are presumed to be paid out of profits where these costs exceed profits when the business profits are low. Labour cost can be estimated by asking for amount paid out in the previous month.

Budgetary control is used as a motivating tool to employees which tool has a bearing on performance. The higher the rate on motivation, the higher the output to hard work leading to high sales revenue thus business making profits.

Other operating cost

The most common method to estimate other operating cost is to provide a list of expenses and ask the proprietor how much was incurred in the previous with or see other specified time period.

Depreciation of fixed assets

Which fixed assets are old at a high value than the written down price then the business is said to have made gain on disposal. However, where the market price is lower than the book value the

business will register loss in disposal of such assets. According to Kenjoy supermarket gain on disposal represent profits.

2.3.3. Problem of profit measurement.

Lack of written down records and recall difficulties leads to poor estimates of profits most small businesses have no established management to control the business operations as in case of Kenjoy supermarket.

Fungibility

These process damagers as most business operate from home and no separate records are kept from the business and household as a case of kenjoy supermarket.

Fluctuation in incomes.

Fluctuations may be caused by drought or family problems which are difficult to measure profits over the course of the years as a case of Kenjoy supermarket.

Seasonality of the business

Small business may operate at short period of time and close down. This may be due to lack of capital to keep financing the business.

Sensitivity of profits

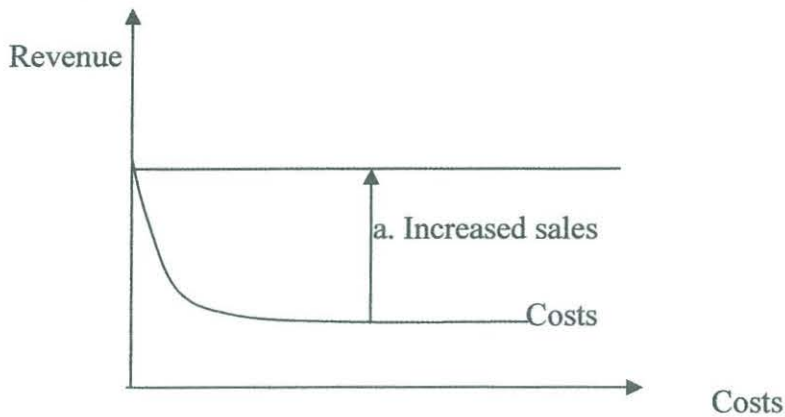
Proprietors may not be willing to reveal profits made by the business if they feel the information may be turned over for taxation or they may not want people to know how much they earn in general

Analytical problem and issues related to the questionnaires design pose problems for data collection on profit. For example decision about depreciation or value of family labour must be made during the analysis process.

2.4 Relationship between budgeting control and profitability.

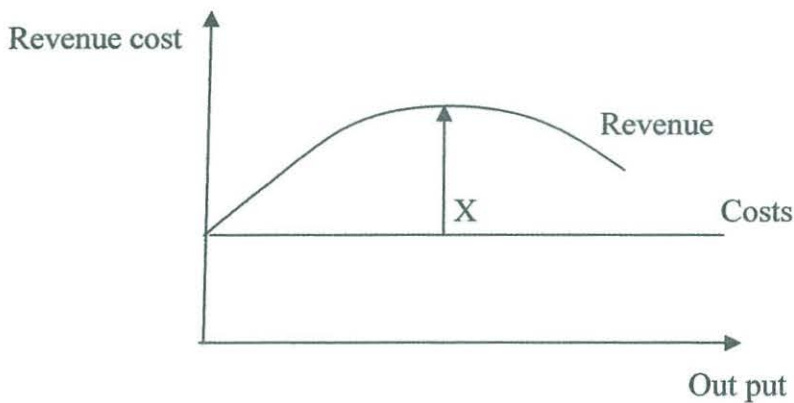
Budget is a control tool that is designed to minimize cost or most business operations through reduction in number or employees. Minimizing wastage or materials, control of stock levels and proper planning within required time and with the view of increasing revenue hence making profits.

2.4.1 Graph effect of budgeting control on cost



2.4.1 At (a) costs decline causing an increase in revenue which in turn leads to revenue thereby lowering profits.

2.4.2 Graph effects of budgetary control employees.



When output increase at (x), sales revenue increase leading to an increase in profits.

In conclusion, budgetary control is an important technique for every business. All those businesses that practice good budgeting procedures do minimize costs and variances in profits and in are turn the businesses remain a going concern.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research design, sample design, study population, sample size, sources of data, research instruments and limitation of the study.

3.1 Research design

Across-sectional research design was used in this study. This was used because the study was to be conducted in Kenjoy supermarket. Across-sectional design would be continued with analytical research design. This was to be because the researcher would be at one time involved in analyzing the issues surrounding budgeting and profitability of Kenjoy supermarket.

3.2 Target population.

The target population that was considered in this study were 50 respondents, and these were selected from Accounts, Finance and Administration departments.

3.3 Sampling method and procedures

Simple random method was administered to get the sample size, this was because not all employees of Kenjoy Supermarket are knowledgeable about budgeting control and profitability. So only those who were indentified to have such information were selected.

3.4 Sample sizes

From the total of 50 , 12 were sampled using simple random method as follows,

Sampling 12 selected as follows;

3 From Finance department

5 From Accounts department

4 From Administration department.

Sample frame

Table 1 distribution of sample and medium enterprises

Departments	Population	Sample
Finance	15	3
Accounts	20	5
Administration	15	4
Total	50	12

Source: (2008/2009)

3.5 Data sources;

Data sources were both Primary and Secondary.

Primary sources.

This was first hand information, the researcher collected through the research assists from respondents directly using primary data collection instrument and self administered questionnaire.

Secondary source.

Secondary data sources comprised of text books, journals, business publications. These were obtained from libraries and from the internet using surfing.

3.6 Data collection method.

The researcher collected data using the research assistant. After the designing of the research instruments, they were given to research assistants and instruments were given to them on how to collect the data from the respondents. This was done because of the need to speed up the process of data collection.

3.7 Data collection instruments.

3.7.1 Questionnaire.

The major method of collecting data was the use of questionnaire which were administered on the selected study subject. Departments which the respondents were not able to understand or interpret the questions he / she was assisted through interpretation and explanation of the questions. Other questions would include the questionnaires to counter check and collect the inconsistencies of the answers that would be given by the respondents where the repossesses provided were assumed not to be sufficient.

3.7.2 Interview.

An interview was an oral administered of questionnaire. Interviews were face to face encounters. To obtain accurate information through interviews a researcher needed to obtain maximum co-operation from the respondents prior to conducting the interview. The researcher would use interview because it provided depth data which was impossible to get while using questionnaire.

3.8 Measurement or variances

The above measures were tested using a structured questionnaire using the linkert scale from strongly agree, agree, disagree to collect views of the respondents.

3.9. Data analysis and presentation.

Data collected from the survey was compiled, sorted, edited, classified, coded into a coding sheet and analyzed using excel. Descriptive statistics were used to describe the data. Data was presented using frequency distribution tables in chapter four.

3.10 Limitations

There was little research done on budgetary control and profitability in developing countries, therefore obtaining local literature was quite difficult. However, the researcher endeavored to use the little literature available and supplement it with one from developed countries to obtain the measure.

The researcher anticipated limited responses especially from the Administrators of the Kenjoy supermarket because they operate in a competitive business environment and there were very many sensitive issues about budgetary control and profitability of small business enterprises. However, the researcher tried to convince them that the research was meant for academic purposes only.

Time limitation together with financial constraints could not permit depth investigation to give the intensity of research. However, the researcher tried to work with the limits of the budget to make the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the research findings of the study and gives an analysis of data collected. Data was collected in order to answer research questions, which exempted the study objectives, presentation of findings was done by using figures and tables. The researcher collected data three departments and those include Finance, Accountants and Administrators of Kenjoy supermarket.

Data was collected through the use of the face to face interviews and questionnaires.

Table 4 response rate of the questionnaire

Departments	Responses	Percentages
Finance	3	25
Accountants	5	41
Administrators	4	33.33
Total	12	100

Source: primary data

The respondents were 12 in total. However, 3 of them were Finance managers, 5 were Accountants and 4 were Administrators Kenjoy supermarket. Therefore responses were made in accordance with the categories of the respondents.

From the table above it was found out that 25% of the respondents were Finance managers of the supermarket 41% were Accountants and 33.33% were Administrators of Kenjoy Supermarket.

4.1 Gender ratio

The researcher was interested in knowing the gender ratio of the respondents and the response were as follows.

Table 4.2 showing the sex of the respondents

Sex	Frequency	Percentages (%)
Males	7	58
Females	5	42
Total	12	100

From the table above it was found out that majority of the respondents 58% were males and 42% were females.

4.2 Age group brackets

Table 4.3 showing the age group of the Kenjoy supermarket staff

Response	Frequency	Percentages (%)
Under 30 years	3	25
31-40 years	4	33.33
41-50 years	3	25
50 and above	2	16.7
Total	12	100

Source primary data

According to the results in the table, majority of the respondents 33.33% were between 31-40 years and minority 16.7% and 25 % were below 30 years and between 41-50 years respectively. While those above 50 years were 16.7%. this implies that those in the age bracket 31-40 years are energetic and capable of performing to the expectation of the Kenjoy supermarket and those above 50 years may mean experience at work.

4.3 Number of years worked in the supermarket

Table 4.4 showing years worked in the Kenjoy supermarket

Response	Frequency	Percentages (%)
Less than 3 years	2	16.7
3-5 years	3	25
5 and above	7	58.33
Total	12	100

Source primary data

The table above shows that 16.7% of the staff have worked with Kenjoy supermarket for less than three years, 25% have worked for Kenjoy Supermarket between 3-5 years and 58.33% for 5 years and above. This implies that majority of respondents have worked for Kenjoy supermarket and understand its activities like budgetary and profitability.

4.4 Educational levels of the Kenjoy supermarket staff

Table 4.5 showing educational background of respondents

Qualification	Frequency	Percentages (%)
Certificate	-	-
Diploma	2	16.7
Degree	7	58.33
Others (ACCA, Masters)	4	33.33
Total	12	100

Source: primary data

From the results in the table above 58.33% of the respondents have degree, 16.7 were diploma holders, 33.33% had masters and ACCA and none had a certificate. This implies that Kenjoy supermarket employs more degree holders than other qualifications. This implies that most of the respondents 85% are educated and can administer Kenjoy supermarket.

4.5 Meaning of budgetary control

The researcher was interested in finding out whether the respondents know the meaning of budgetary control and responses were tabulated as follows

Table 4.6 showing responses on the meaning of the budgetary control

Response	Frequency	Percentages (%)
Strongly agree	3	25
Agree	4	33.33
Not sure	-	-
Strongly disagree	2	16.7
Disagreed	3	25
Total	12	100

Source: primary data

From the table above: it was revealed that 33.33% of the respondents agree that they know budgetary control meaning, 25 % strongly agreed while 16.7% strongly disagreed and 25% disagreed. This implies that the details got from them will be more accurate compared to 16.7% and 25% respondents who are likely to use guess work to answering questions on budgetary control.

4.6 Budgetary control

Respondents were asked whether budgetary control is a guide line followed. Profitability of the supermarket and the response were as follows;

Table 4.7 showing whether budgetary control is a guide line followed.

Response	Frequency	Percentages (%)
Strongly	2	16.67
Agree	5	41.67
Not sure	1	8.3
Strongly disagree	2	16.67
Disagree	2	16.67
Total	12	100

Source: primary data

41.67% of the total respondents agreed that budgetary control is done by Kenjoy supermarket, 16.67% strongly disagrees while 8.3% were not sure. This implies that Kenjoy supermarket is always consistent with its budgetary control since profits are controlled using budgetary control.

4.7 Budgetary control procedures

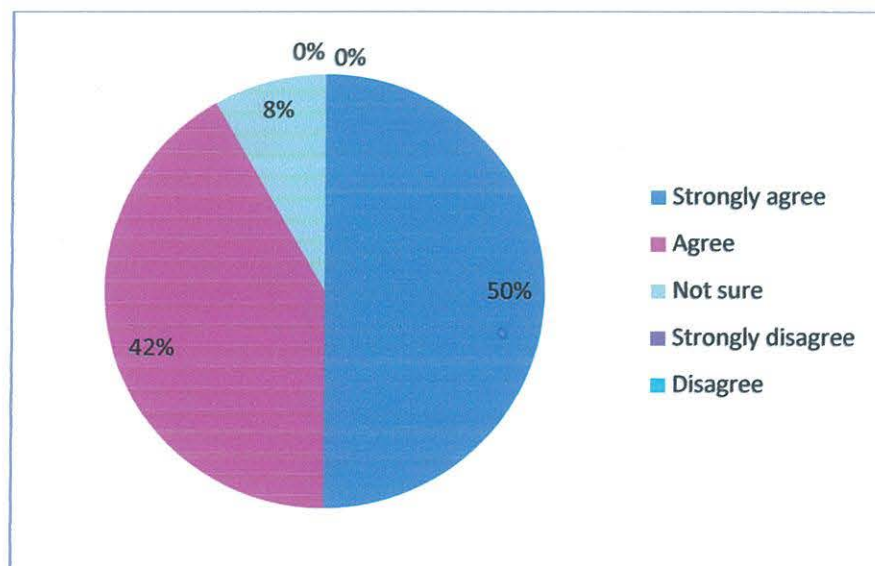
The research wanted to know the budgetary control procedures followed by Kenjoy supermarket while making budgets.

Table 4.8 showing response on whether there are budgetary control procedures within Kenjoy supermarket.

Response	Frequency	Percentages (%)
Strongly agree	6	50
Agree	5	41.67
Not sure	1	8.33
Strongly disagree	-	-
Disagree	-	-
Total	12	100

Source: primary data

The data was further put on a pie chart to show levels of representation as seen below;



From the table above 50% respondents strongly agree that budgetary control is a guideline for profitability in business, 41.67% agree while 8.33% were not sure. This implies that most of the respondents know the meaning of budgetary control and this helps Kenjoy supermarket to do its work effectively and within the time frame stated.

4.8 Formal budgetary control used by the Kenjoy supermarket

Table 4.8 showing response on the formal budgetary control used by the Kenjoy supermarket.

From the table above 50% of respondents agree that there are procedures followed when doing budgeting control while 8.33% reported that they did not know. The above analysis shows that these procedures had been created and was in agreement with the cost and profit management principles governing profitability in the Kenjoy supermarket. This implies that majority of respondents agreed that in order to make profits budgetary control procedures should take in place to increase profitability.

4.9 Effectiveness of budgetary control

Here the researcher wanted to know how effective Kenjoy supermarket is and the responses were tabulated as below

Table 4.9 Showing the Effectiveness of budgetary control within Kenjoy Supermarket.

Response	Frequency	Percentage
Strongly agree	-	-
Agree	4	33.33
Not sure	1	8.33
Disagree	-	-
Strongly disagree	7	58.33
Total	12	100

Source: primary data

From the response in the table above it is found out that majority of respondents 58.33% said by strongly disagree to effectiveness of Kenjoy supermarket budgetary control and the reasons for the disagree were summarized below;

Table 4.9.1 major season

There is no flexibility in the Kenjoy supermarket which un effective budgetary control.

Most of the activities are done from home hence un effective budgetary control.

Un willingness to disclose how much the supermarket earns

From the findings 50% of the respondents agreed that the budgetary control used by Kenjoy supermarket were sufficient method, 41.67% agreed while 8.33% were not decided meaning that many clients will come to buy and profit may also increase.

4.12 Motivation of employees

The research wanted to know how profitability motivates employees.

Table 4.10 Showing Motivation of employees within Kenjoy Supermarket.

Option	Frequency	Percentage
Strongly agree	6	50
Agree	3	25
Not sure	1	8.33
Strongly disagree	1	8.33
Disagree	1	8.33
Total	12	100

From the findings 50% of the respondents strongly agree that profits motivate employees 25% agreed, 8.33% strongly disagree. This means that workers are motivated leading to increase in output.

4.13 The extent to which budgetary control influence profitability levels in Kenjoy supermarket

The researcher found out that budgetary control reduces expenditure figure and profitability figure got in the annual reports to measure the extent to which budgetary control influences profitability in Kenjoy supermarket.

4.10 The relationship between profitability level of Kenjoy supermarket.

The researcher wanted to find out whether the cost incurred in the supermarket influenced the profitability level and the response were as follows;

Table 4.11 showing respondents cost influences on profitability levels in Kenjoy supermarket

Option	Frequency	Percentage
Strongly agree	6	50
Agree	4	33.33
Not sure	1	8.33
Strongly disagree	-	
Disagree	1	8.33
Total	12	100

Source: primary data

From the findings 50% of the respondents strongly agreed that cost incurred influence profitability levels of Kenjoy supermarket, 33.33% agree, 8 33 disagreed and 8.33% were never sure. This means that budgetary control should be practiced to get high profit.

4.11 Sufficiency in the budgetary control methodologies

Table 4.12 shows responses on the sufficiency of budgetary control

Option	Frequency	Percentage
Strongly agree	4	33.33
Agree	6	50
Strongly disagree	-	-
Disagree	1	8.33
Not sure	1	8.33
Total	12	100

Source; primary data.

Table 4.13 showing profitability levels and expenditure of Kenjoy supermarket.

Year	Expenditure (X) M Ugshs	Profitability	Rx	Ry	D $\left[\begin{matrix} Rx \\ Ry \end{matrix} \right]$
					-
					Ry
2001	98699655	(245297304	3	4	-1
2002	149333680	315020320	2	1	1
2003	168046350	281169900	1	2	-1
2004	93940200	277543777	4	3	

Kenjoy supermarket annual report 2001-2004

4.13 Spearmans correlations coefficient computerization for Kenjoy supermarket

$$P = 1 - \frac{1}{N} \sum \frac{D^2}{n^2 - 1}$$

$$N = n^2 - 1$$

Where P = complex coefficient, Rx = ranks for x

D = difference between rank x and y

N = number of years Ry = rank qy

$$P = 1 - \frac{24}{4(4^2 - 1)}$$

$$1 - \frac{24}{60}$$

$$P = 0.6 \text{ or } 60\%$$

The correlation coefficient (p) is positive indicating that budgetary control has an influence on profitability of Kenjoy supermarket.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of Kenjoy supermarket about the research objectives. The study was about Kenjoy supermarket and it revealed some important findings on budgetary control, profitability and the relationship between the two variables. The above findings acted as a basis for the conclusion, policy recommendations and areas of further research.

5.2 Summary of major findings

The study was conducted to expose the budgetary control in small business enterprises as a case of Kenjoy supermarket basically looking at budgetary control and profitability of small business enterprises. The study which has carried out in Kenjoy supermarket basically looking at budgetary control and profitability of small business enterprises.

The study which was carried out in Kenjoy supermarket in Bukoto Ntinda road Kampala revealed the following;

5.2.1 Budgetary control

The study revealed that budgets are made and records are kept and this minimizes costs hence profitability

The effective and efficient budgeting system have clear and realistic goals, effective communication and coordination at all levels of the business with full employees

participation and use of bottom up budgeting to reduce the budgetees opportunity to implement budget.

5.2.2 Profitability

The study revealed that there is an increase in costs which reduces profitability of Kenjoy supermarket. That there is lack of more accurate written records and most of the operations are done from home.

The seasonally of business activities reduction on incomes due to family problems.

5.2.3 Relationship between budgetary control and profitability

The study revealed that budgetary control is designed to ensure costs and controlled variances are minimized and corrective action taken. The study also revealed that the budgetary control methodologies used by the Kenjoy Supermarket are sufficient and this may attract more profits.

The study revealed that there is a moderate positive relationship between budgetary control and profitability of small business.

The research further suggests that the study should be carried out on assessment of factors that affect profitability in small business enterprises in case of Kenjoy supermarket. Also the study can also be carried out an application of activity based budgets on Kenjoy supermarket and comparative study of zero based budgets.

5.4 Recommendation

If effective budgeting system is to be achieved by small business the following recommendation should be adhered to;

1. Kenjoy supermarket should encourage participative budget making process by both executive and employees since it leads to motivation and hard work.
2. Management of Kenjoy supermarket should always ensure comparison or budgeted against the actual out come to ascertain variances and be able to take corrective actions
3. Workshops and conferences should be organized sensitive management and subordinates about the use and importance of budgets for appreciation and fulfillment of its objectives.
4. Small business should set up well-designed accounting systems assigned to responsible officers that can provide proper data or information for planning and control.
5. Top management must allow and encourage good relationship with the budgetees through budgeting process, criticism and changes should be welcomed and incorporated in the changes.
6. There should be profitability in managers' policies of Kenjoy supermarket. Stringent policies hinders face expression of ideas by employees.

5.5 Suggestions of areas for further research

The study was carried out in Kenjoy supermarket Bukoto Ntinda road Kampala. Other studies should be done in same supermarket in order to come up with overall performance assessment of Kenjoy supermarket.

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APPENDIX A; RESEARCH INSTRUMENTS

QUESTIONNAIRE

I am a student of Kampala International University, pursuing a degree in business administration, as partial fulfillment of my course I am required to undertake research project and my topic is budgetary control and profitability of small scale enterprises. Case study of Kenjoy supermarket you are kindly requested to fill this questionnaire and would like to assure you that your answers will be treated with strict confidence and will be used for academic purpose only

Thank you.

Please tick the most appropriate option write where necessary.

1. Background information

2. Name.....

Sex

Male ☐ Female ☐

3. Age

Less than 30 years ☐

31-40 years ☐

41-50 years ☐

50 and above ☐

4. Academic qualification

Master ☐

Degree ☐

Diploma ☐

Others (specify).....

5. Position of responsibility help

a) Human resource manager ☐

b) Communication officer ☐

c) Board member ☐

d) Accountant ☐

e) Other specify

6. For how long have you been in this supermarket?

a) Less than 3 years ☐

b) 3-5 years ☐

c) 5 and above ☐

7. What department do you belong to?

a) Communication office ☐

b) Marketing ☐

c) Accounting ☐

d) Human resource ☐

e) Others specify.....

8. Does Kenjoy supermarket use budgetary control?

a) Sure ☐

b) Not sure ☐

9. Do employees know about budgetary control?

a) Strongly agree ☐

b) Agree ☐

c) Strongly disagree ☐

d) Disagree ☐

e) Not sure ☐

10. How has budgetary control contributed to the profitability of business in
Kenjoy Supermarket?

a) Great extent ☐

b) Smallest extent ☐

c) Not sure ☐

11. Kenjoy supermarket staff are trained in handling budgetary control

a). Strongly agree ☐

b).Agree ☐

a) Disagree ☐

b) Strongly disagree ☐

c) Not sure ☐

12 are there procedures used in budgetary control in Kenjoy supermarket

a) Strongly agree ☐

b) Agree ☐

c) Strongly disagree ☐

e) Not sure ☐

13. There is effectiveness of budgetary control in Kenjoy supermarket

a) Strongly agree ☐

b) Agree ☐

c) Strongly disagree ☐

d) Disagree ☐

e) Not sure ☐

	Strongly agree	agree	Disagree	Strongly disagree	Not sure
14. Various departments coordinate in relation to profitability					
15. Profitability is the major objective of the supermarket					
16. It's not budgetary control that affect profitability					
17. Profitability depends on budgetary control in the kenjoy supermarket					

18. You measure profitability by

- a) Looking at the scale ☐
- b) Estimating the labour cost ☐
- c) Estimating of operating cost ☐

d) Others specify.....

Budgeting control and profitability

19. To what extent does budgetary control and profitability beneficial to kenjoy supermarket?

- a) Great extent ☐
- b) Less extent ☐
- c) Not sure ☐

20 budgetary controls affect the level of profitability and performance of kenjoy supermarket due to;

a) Lack of skills of most use budgetary control system ☐

b) Lack of record keeping ☐

c) Ineffective and non effective of budgetary control ☐

c) Others specify

21. What advice would you give to other supermarket as far as budgetary control is concerned?

.....
.....

23. How has budgetary control contributed to the profitability of the kenjoy supermarket?

a) Great extent ☐

b) Less extent ☐

APPENDIX B

INTERVIEW GUIDE

I am Namara Prudence, a student of Kampala International University carrying research on Budgetary Control and Profitability on small Business Enterprise a case study on Kenjoy Supermarket located along Bukoto Ntinda Road Kampala the main branch. I therefore , request you to give me information about this phenomena.

Note; Your responses will be treated with high level of confidentiality .

- 1.What is your position in this organization?
2. How long have you worked in this organization?
3. What are the factors that affect your Budget Controls?
4. What are some of the factors that affect your prices?
5. What are some of the factors that affect your profitability?
6. What is your budget control like?
7. What are the challenges you are facing as you budget for your enterprise?
8. How do you plan to encounter the problems?

APPENDIX C

THE TIME FRAME OF THE STUDY

Proposal	April
Data collection	April
Report writing	May
Submitting	may

Data Source; Primary.

APPENDIX D

BUDGET FOR THE STUDY

Item	Amount in Ug. (shs.)
Typing & printing	40,000
Literature collection	60,000
Data collection	80,000
Miscellaneous	20,000
Total	200,000

Data source; Primary.