EXAMINING THE EFFECTS OF BUDGETARY CONTROL ON PROFITABILITY IN DAIRY INDUSTRIES IN RWANDA

(A CASE STUDY OF NYANZA DAIRY PLANT)

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 award in any University or Institution of higher learning.

Signed_______________________________________

HABYARIMANA Athanase

Date 18th March 2010

DEDICATION

This book is dedicated to my wife KALIGIRWA Clotilde and to our children SHIMWA Yves, HIMBAZA Jules, MBABAZI Yvette and KWIZERA Juliette for the financial and spiritual support. This work is at the same time dedicated to the government of Rwanda who have encouraged and made studies easy to its citizens.

Thank you

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ABBREVIATIONS

BEP	:	Basic Earning Power
EBIT	:	Earnings before Interest and Taxes
KIU	:	Kampala International University
MCC	:	Milk Collecting Centres
ROA	:	Return on Total Assets
ROE	:	Return on Equity

ABSTRACT

This research study was undertaken to examine the effects of budgetary control on profitability of milk factory in Rwanda and the case study was Nyanza Dairy Plant. The period of the study was two years (2006-2008).

This study was done because most of industries proceeded on employee retrenchment thinking that this could help them to increase the rate of profit.

Some managers had avoided budgeting because of the time and effort involved in the budgeting process.

In addition of this, managers who had never tried budgeting are usually quick to state that budgeting is a waste of time.

The major objectives of this research were:

To find out the purpose of budgetary control and how it affects the profitability.

To examine the advantages of budgeting in milk factories in Rwanda

To investigate the challenges faced in enforcing budgeting system in milk factories in Rwanda

The researcher's findings on the study reveals that: The budgeting information is given to few of employees, except the budget committee members and some few people who work in finance department who have an idea on how to prepare, implement and execute the budget at Nyanza Dairy Plant.

The Nyanza Dairy Plant a budget committee which is composed of Director, the chief of production, the accountant and the cashier, who work hand in hand to prepare the budget for Nyanza Dairy Plant.

Finally, the following recommendations were identified to improve the profitability of Nyanza Dairy Plant:

(a) The management of Nyanza Dairy plant must involve every body in the organization while preparing the budgets.

(b) It would be better for Nyanza Dairy Plant to compare its budget not only at organizational level but also at level of other organizations This has an importance of sharing information and improvement of standards.

(c) It is also recommended that the Nyanza Dairy Plant should endeavour to give a certain budget education to the staff and allow communication regarding budgeting to flow from management up to junior staff.

CHAPTER ONE

INTRODUCTION

1.1 Background of the case study

Horngren and Foster (1997), state that budgeting is becoming increasingly important, growing in prominence in the operations of both profit seeking and non-profit organizations.

According to Garrison et al, a budget is a detailed plan for the acquisition and use of financial and other resources over a specified time period. The act of preparing a budget is called budgeting. The use of budgets to control a firm's activities is known as budgetary control.

Companies realize many benefits from a budgeting program including:

(i) Providing a means of communicating management's plans throughout the organization,

(ii) Forcing managers to think about and plan for the future,

(iii) Providing a means of allocating resources to those parts of the organization where they can be used effectively,

(iv) Uncovering potential bottlenecks before they occur,

(v) Coordinating the activities of the entire organization by integrating the plans of the various parts and defining goals and objectives that can serve as benchmarks for evaluating subsequent performance.

Operating budgets are ordinarily set to cover a one-year period. The one-year period should correspond to the company's fiscal year so that the budget figures can be compared with the actual results. Many companies divide their budget year into four quarters. The first quarter is then subdivided into months, and monthly budget figures are established. These near-term figures can often be established with considerable accuracy. The last three quarters are carried in the budget at quarterly totals only. As the year progresses, the figures for the second quarter are broken down into monthly amounts, then the third-quarter figures are broken down, and so forth. This approach has the advantage of requiring periodic review and reappraisal of budget data throughout the year.

Donald et al affirms that budgets are both planning and a control technique. During planning, they coordinate all the functions within the firm and provide management with a detailed statement of future operating results.

With this, there is a great need to undertake a comprehensive study of Nyanza Dairy Plant budgeting strategies and examine how this helps its management. The thrust of this study is to examine if budgeting paradigm is appropriate to Nyanza Dairy Plant and if there is importance of budgeting in such organization.

1.2 Statement of Problem

Most of industries proceed on employee retrenchment thinking that this can help them to increase the rate of profit.

Some managers have avoided elements of budgeting and budgetary control because of the time and effort involved in the budgeting process. However, it can be argued that budgeting is actually free in that the manager's time and effort are more than offset by greater profits.

In addition of this, managers who have never tried budgeting are usually quick to state that budgeting is a waste of time. These managers may argue that even though budgeting may work well in some situations, it would never work well in their companies because operations are too complex or because there are too many uncertainties.

According to Horngren, Foster and Datar, a budget is the quantitative expression of a proposed plan of action by management for a future time period and is an aid to the coordination and implementation of the plan. Budgets are not only essential to planning, but are also an integral part of control. The information used to project budgeted amounts frequently includes past financial and nonfinancial information routinely recorded in management accounting systems.

A well-conceived plan includes enough flexibility so that managers can seize opportunities unforeseen at the time the plan is formulated. In no case should control mean that managers cling to a pre-existing plan when unfolding events indicate that actions not encompassed by the original plan would offer better results for the organization.

This research was done in order to see if there is any influence of budgetary control on profitability in Rwandan dairy industries.

1.3 Purpose of the study

The purpose of this study was to examine the effects of budgetary control on profitability of dairy industry in Rwanda with special focus on Nyanza plant.

1.4 Objectives

The researcher developed three specific objectives to address the study of how budgetary control affects profitability.

1. To find out the purpose of budgetary control and how it affects the profitability.
2. To examine the advantages of budgetary control in milk factories in Rwanda
3. To investigate the challenges faced in enforcing budgetary control in milk factories in Rwanda.

1.5 Research questions

The study was based on three specific questions as follows:

a) What is the importance of budgetary control in Nyanza Dairy Plant?

b) What are the advantages of budgetary control?

c) What are the challenges faced in the enforcement of budgetary control?

1.6 Scope of the study

This study was focused on examining the effects of budgetary control on profitability in Nyanza dairy Plant. This industry is situated in Southern Province of Rwanda at 81 km from Kigali (the capital of Rwanda), in the District of Nyanza. The research was limited to 2 years, from 2006 up 2008.

1.7 Significance of the study

This study is very significant because of several reasons. First and foremost it will go along way to assist the staff to improve on their daily work operations and to point out the company's performance in the long-run.

The community around the dairy factory will also benefit once the profitability is improved.

The findings of this study may be of benefit to a number of stakeholders in Rwanda:

Milk factories may evaluate their profitability in light of budgetary control, improving their efficiency and productivity in their business,

The investors in dairy industries may be able to ascertain the importance of budgeting in order to make wise and proper investment decisions for realizing profits.

Furthermore, the future researchers shall use the findings of this study as future references as they carryout their studies on budgetary control for profitability at Nyanza Dairy Plant and other milk factories.

Nyanza Dairy Plant would use this study to improve profitability thought budgetary control and make necessary adjustment in resource mobilization, allocation and utilization in order to increase productivity.

CHAPTER TWO

REVIEW OF LITERATURE

2.0 Over view

This chapter is focusing on process of budgeting control, advantages of budgeting, administration of budgeting, master budget and profit.

2.1 Theoretical framework

The Theory

Horngren, Sundem and Stratton (2002), define a budget as a quantitative expression of a plan of action and an aid to coordinating and implementing the plan. Budgets are the chief devices for compelling and disciplining management planning. Without budgets, planning may not get the front-and-centre focus that it usually deserves.

The theory goes on to state that a budget can cover both financial and nonfinancial aspects of the organization's plans and acts as a blueprint for the organization to follow in the upcoming period. Budgets covering financial aspects quantify management's expectations regarding future income, cash flows and financial position. Just as individual financial statements are prepared covering past periods, so they can be prepared covering future periods.

2.2 Conceptual frame work

Figure 1:

Independent variables

Budgetary control

- . Planning
- . Control

Intervening variables

- Internal checks
- Financial compliances *requirements*
- External audits

Dependent Variable

Profitability

- *Cash flows*
- Sales volume
- Financial statements
- Efficiency
- Effectiveness

Source: Author

This study had three different variables. The independent variables, intervening variables and the dependent variables. Budgetary control (which includes planning and controls) was the independent variable whereas the profitability(which includes cash flows, sales volume, financial statements efficiency and effectiveness) was considered to be the dependent variable because it depends to the budgetary control in organization. If the budget systems is strictly followed and respected there obviously a yield of profits in organization. This study also identified the intervening variables which comprised of internal checks, financial compliance requirements and external audits.

Budgetary control relates to the establishment of budgets relating the responsibilities of budget holders the needs of a policy. Budgetary control also relates to the continuous comparison of actual with budgeted results: it does this to try to ensure that the objectives of that policy are achieved; or to provide a basis for the change of those objectives.

A budget is a step taken by business organizations to achieve their desired levels of profits. This process is generally called planning. Profit planning is accomplished through the preparation of a number of budgets, which when brought together, form an integrated business plan as the master budget.

Like a cost centre, a profit centre generally does not have control over investment funds. For example, the manager in charge of one of six resorts would be responsible for both the revenues and costs, and hence the profits, of the resort but may not have control over major investments in the resort. Profit centre managers are often evaluated by comparing actual profit to targeted or budgeted profit.

2.3 Review of related literature

According to Horngren et al (2009), well-managed companies usually cycle through the following budgeting steps during the course of the fiscal year:

( ) Working together, managers and management accountants plan the performance of the company as a whole and the performance of its subunits (such as departments or divisions). Taking into account past performance and anticipated changes in the future, managers at all levels reach a common understanding on what is expected.

(i) Senior managers give subordinate managers a frame of reference, a set of specific financial or nonfinancial expectations against which actual results will be compared.

(ii) Management accountants help managers investigate variations from plans, such as an unexpected decline in sales. If necessary, corrective actions follow, such as a reduction in price to boost sales or cutting of costs to maintain profitability.

(iii)Managers and management accountants take into account market feedback, changed conditions and their own experiences as they begin to make plans for the next period. For example, a decline in sales may cause managers to make changes in product features for the next period.

According to Hansen and Mowen, budgets are financial plans for the future; they identify objectives and the actions needed to achieve them. Before a budget is prepared, an organization should develop a strategic plan. The strategic plan identifies strategies for future activities and operations, generally covering at least five years. The organization can translate the overall strategy into long-term and short-term objectives. Theses objectives form the basis of the budget. Notice that there should be a tight linkage between the budget and the strategic plan. In developing this linkage, however, management should ensure that all attention is not focused on the short run. This is important because budgets, as one-period plans, are short run in nature.

Pandey (1998) defines a budget as a planning of the firm's expectation in the future. It is a plan of management's intentions of attaining specified objectives. It is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific period in the future. The planning of the resources will include planning for assets and sources of funds.

When the author says that the budget is a comprehensive plan, it means that all activities and operations are considered when it is prepared. It concerns the enterprise as a whole. According to the same author in the same book, the time dimension must be added to a budget because a budget has a meaning when it is related to a specified period of time.

According to Owler and Brown (1999), a budget is a plan quantified in monetary terms, prepared and approved prior to definite period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective.

In the same way, Hilton et al(2003), defined a budget as a detailed plan, expressed in quantitative terms, that specifies how an organization will acquire and use resources during a particular period of time.

Williamson (2002) asserts that budget and budgetary control are a set of knowledge and skills from which we can derive significant benefit no matter whether we are the largest organization in the world or the poorest individual.

Horngren et al (200) gives five steps to follow in developing an operating budget as follows:

1. To identify the problem and uncertainties. The problem is to identify a strategy and to build a budget to achieve a given profit growth.
2. To obtain information.

3. To make predictions about the future
4. To make decisions by choosing among alternatives
5. To implement the decision, evaluate performance and learn.

A budgetary control is a methodical control of an organization's operations through establishment of standards and targets regarding income and expenditure, and a continuous monitoring and adjustment of performance against them.

According to Williamson (1996), budgets are simply exercises in calculation unless they are used. When we use a budget, we do so as part of a system of budgetary control. That is, we have some basic ideas of what we want to do, we prepare budgets to help us achieve those ideas; and then once we have done whatever it is that we wanted to do, we check to see if we kept to our budget.

Budgetary control relates to the establishment of budgets relating the responsibilities of budget holders the needs of a policy. Budgetary control also relates to the continuous comparison of actual with budgeted results: it does this to try to ensure that the objectives of that policy are achieved; or to provide a basis for the change of those objectives.

In summary, a budget is a statement setting out the monetary, numerical or non quantitative aspects of an organization's plans for the coming week or month or year. Budgetary control is the analysis of what happened when those plans came to be put into practice, and what the organization did or did not do to correct for any variations from these plans.

2.4 Objectives of Budgetary Control

According to Williamson, D. (1998). Budgetary control is the process of ascertaining several budgeted figures for the future of a business enterprise and then making comparison of these budgeted figures with the actual results for finding out discrepancies, if any. The comparison of budgeted and actual figures will allow the management to take curative actions at a proper time.

Budgetary control can be defined as, "A means of achieving the financial control of an entity whereby the actual results for a defined period of time are compared with the budgeted results, any differences (or variances) being noted, and some corrective action taken to bring the actual activities back into line with the budgeted ones if such variances need to be dealt with."

The budgetary control is a continuous process that helps in planning, coordination and controlling of business decisions. A budget is a means and budgetary control is the end-result. The budgetary control system assists an organization in setting up the goals and efforts are made for its achievements. It enables economies in the enterprise. The main objectives of budgetary control are as follows:

1. It is essential for planning, controlling and also acts as an instrument of coordination.
2. It coordinates the actions of various departments.
3. Budgetary control helps in eliminating wastes and raises the profitability position of a business enterprise.
4. It makes a prediction about capital expenditure for future.
5. It helps in amending deviations from the established standards.

6. It centralizes the control system.

7 Budgetary control operates various cost centres and departments with efficiency and economy.

2.5 Advantages of budgetary control

According to Horngren, Foster and Datar, budgets are a major feature of most management control systems. When administrated wisely, budgets compel planning including the implementation of plans, provide performance criteria and promote coordination and communication within the organization. However, budgetary control must be carefully and intelligently administrated by management.

Budgetary control is most useful when done as an integral part of an organization's strategy analysis. Strategy describes how an organization matches its own capabilities with the opportunities in the marketplace to accomplish its overall objectives. It includes consideration of such questions as: What are the overall objectives of the organization? Are the markets for its products local, regional, national or global? What trends affect its markets? How is the organization affected by the economy, its industry and its competitors?

What forms of organization and financial structures serve the organization best? What are the risks of alternative strategies, and what are the organization's contingency plans if its preferred plan fails?

Once plans are in place, budgets are also extremely effective as performance measures. Budgeted performance measures can overcome two key limitations of using the past performance as a basis for judging actual results. One limitation is that past results incorporate past miscues and substandard performance. A second limitation of past performance is that the future may be expected to be very different from the past.

According to Hansen and Mowen, a budgetary system gives an organization several advantages: forcing managers to plan, providing information that can be used to improve decision making, providing a standard for performance evaluation and improves communication and coordination

Budgetary control is a costly, time-consuming activity; however, the sacrifices are more than offset by the benefits. Budgetary control encourages planning, coordination, performance measurement and corrective action.

Planning

Almost everyone makes plans. Shortly after waking up each morning, most people think about what they will do during the day. This thinking ahead is a form of planning. Likewise, most business managers naturally think ahead about how they will conduct their business. Unfortunately, the planning is frequently as informal as making a few mental notes. The problem with this type of planning is that it lacks the capacity for effective communication. The business manager knows what she wants to accomplish, but her superiors and subordinates have no knowledge of these objectives. The budget formalizes the manager's plans in a document that clearly communicates objectives to both superiors and subordinates.

Coordination

In certain situations, an action that is beneficial to one department may be detrimental to another department. The budgeting process forces departments to coordinate their activities to ensure the attainment of the objectives of the firm as a whole.

Performance Measurement

Budgets represent a specific, quantitative statement of management's objectives. As such, budgets represent standards that can be used to evaluate performance.

Corrective action

Budgeting provides advance notice of shortages, bottlenecks or other weaknesses in operating plans.

Pandey (1998) says that budgeting leads to cost control and increases profitability in organization. Budgeting is an important tool for profit planning in an organization. It develops an atmosphere of profit mindedness and cost consciousness.

There are a number of advantages to budgeting and budgetary control:

- Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.

- Promotes coordination and communication.
- Clearly defines areas of responsibility. Requires managers of budget centers to be made responsible for the achievement of budget targets for the operations under their personal control.
- Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
- Enables remedial action to be taken as variances emerge.
- Motivates employees by participating in the setting of budgets.
- Improves the allocation of scarce resources.
- Economizes management time by using the management by exception principle.

2.6 The administration of budgetary control process

According to Horngren et al (1997), Budgets help managers but budgets need help. Top management has the ultimate responsibility for budgets of the organization they manage. Management at all levels, however, should understand and support the budget and all aspects of the management control system. Top management support is especially critical for obtaining active line management participation in the formulation of budgets and for successful administration of the budget.

Budgets should not be administrated rigidly. Changing conditions call for changes in plans. A manager may commit to the budget, but a situation might develop in which some unplanned repairs or an unplanned advertising program would better serve the interest of the organization.

Top managers face the challenge of providing managers at all levels in the organization with incentives to make budget communications truthful and complete. It is unwise to assume that managers will always have adequate incentives or motivation in this regard. One proposed approach is to reward managers based on the subsequent accuracy of their forecasts used in budgets. The more accurate their budget forecasts, the higher their incentive bonuses.

Horngren, Foster and Datar state the preparation of budgets as follows:

1. The cash budget is a schedule of expected cash receipts and disbursements. It predicts the effects on the cash position at a given level of operations. In practice, monthly-and sometimes weekly-cash budget are very helpful for cash planning and control. They thus keep cash balances in line with needs. Ordinarily, the cash budget has the following main sections: The beginning cash balance plus cash receipts equals the total cash available before financing. Cash receipts depend on collections of accounts receivable, cash sales, and miscellaneous recurring sources such as rental or royalty receipts; Cash disbursements(including Direct materials purchases, direct labour and other wage and salary outlay, other costs depending on timing and credit terms, interest for long-term borrowing and income tax payments); short-term financing requirements depend on how the total cash available for needs and the ending cash balance

2. The budgeted balance sheet with it each item is projected in light of details of the business plan as expressed in all the previous budget schedules.
3. The budgeted income statement is merely the budgeted operating income statement and expanded to include interest expense and income taxes.

Pandey (1998) said that a joint effort of all managers is needed for preparing budgets. They have to participate in setting goals, developing plans and formulating policies. The budget preparation is a line function while the organization and administration of budgeting is a staff function. The first responsibility of the staff organization is to assist line executive in preparing budgets providing data and technical advice and coordinating the budgets of various departments.

He added that there must be a budget committee in an organization and that committee has To provide general guidelines for preparing budgets, to offer technical advices, to receive and coordinate individual budgets, to suggest changes, to reconcile divergent views, to coordinate budgetary activities ,to approve budgets with or without revisions and to scrutinize budget reports later on

According to Hilton et.al (2003), a budget committee, consisting of key senior executives often is appointed to advise the budget director during the preparation of the budget. The authority to give final approval to the master budget usually belongs to the Board of Directors or the Board of Trustees in many non-profit organizations.

Garrison and Noreen (2002) affirmed that a standing budget committee will usually be responsible for overall policy matters relating to the budget program and for coordinating the preparation of the budget itself. This committee generally consists of the president, vice-presidents in charge of various functions such as sales, production and purchasing and the controller. Difficulties and disputes between segments of the organization in matters relating to the budget are resolved by the budgets committee. In addition, the budget committee approves the final budget and receives periodic report on the progress of the company in attaining budgeted goals.

2.7 Master budget preparation

Garrison and Noreen (2002) affirm that the master budget is a network consisting of many separate budgets that are independent.

Pandey (1998) gives the three important components of the master budget which are operating budgets, financial budgets and capital budgets.

Horngren and Foster (1997), state that the preparation of the master budget is fundamentally nothing more than the preparation of familiar financial statements. Preparation of master budget involves preparing necessary schedules, namely sales budget, production budget, direct material budget, cost-of-goods sold budget, direct labour budget, factory overhead budget, marketing and administrative expense budget, budgeted income statement, the cash budget and budgeted balance sheet.

Garrison et all define a master budget as a summary of a company's plans that sets specific targets for sales, production, distribution and financing activities. It generally culminates in a cash budget, a budgeted income statement, and a budgeted balance sheet.

In short, it represents a comprehensive expression of management's plans for the future and how these plans are to be accomplished.

The author goes on showing the difference between planning and control. He says that planning involves developing objectives and preparing various budgets to achieve these objectives. Control involves the steps taken by management to increase the likelihood that the objectives set down at the planning stage are attained, and to ensure that all parts of the organization function in a manner consistent with organizational policies. To be completely effective a good budgeting system must provide for both planning and control. Good planning without effective control is time wasted. On the other hand, unless plans are laid down in advance; there are no objectives towards which control can be directed.

2.7.1 Sales budget

According to Garrison and Noreen (2000), the sales budget is the starting point in preparing the master budget. The sales budget is constructed by multiplying the budgeted sales in units by the selling price.

Edmonds et al (2000) say that the preparation of the master budget begins with the sales forecast. The accuracy of the sales forecast is critical because it acts as the data source for all of the other budgets.

Hilton et al (2003), state that the starting point for any master budget is a sales revenue budget based on forecasted sales of goods or services. Sales forecasting is the process of predicting sales of services and goods. Sales forecasting depends on factors such as, past sales and trends, general economic trends, economic trends in the company, other factors expected to affect sales in the industry, political and legal events, the intended pricing policy of the company, planned advertising and product promotion, new products contemplated by the company or other firs, expected actions of competitors and market research studies.

2.7.2 Production budgets

Normally the production budget is prepared after the sales budget. It is based on sales forecasts to prepare the production's budget. The sales forecasts for each product are combined with information about the beginning level and the expected level of ending inventories of the finished products. The production budget shows the number of services or goods that are to be produced during a budgeted period.

Pandey (1998) gives the formula of calculating the production budget.

Budgeted Production Units = Sales Estimate + Expected Ending Inventory – Beginning Inventory

Hilton et al (2003), say that production budget shows the number of services or goods that are to be produced during a budget period.

Production budget is ascertained by the following formula: Sales in units + Desired inventory of finished goods = Total units required ;

Total units required – Expected beginning inventory of finished goods = Units to be produced.

2.7.3 Direct material budget

Hilton et al (2003), state that direct material budget shows the number of units and the cost of material to be purchased and used during a budget period.

According to Pandey (1998), after having prepared the production budget, the materials usage and the purchasing budget can be easily constructed.

The material usage depends upon the level of production and levels of beginning inventory and desired ending inventories. The units to be purchased can be determined as follows:

Purchases (units) = budgeted usage + Desired inventory (Material) – Beginning inventory (Material)

2.7.4 Direct labour budget

Hilton et al (2003), affirm that the direct labour budget shows the number of hours and the cost of the direct labour to be used during a budget period.

According to Garrison and Noreen (2002), the direct labour budget is developed from the production budget. Direct labour requirements must be computed so that the company will know whether sufficient labour time is available to meet production needs.

By knowing in advance just what will be needed in the way of labour time throughout the budget year, the company can develop plans to adjust the labour force as the situation may require. Firms that neglect to budget run the risk of having to hire and layoff at awkward times. To compute direct labour requirements, the number of units of finished product to be produced each period (month, quarter and so on) is multiplied by the number of direct labour hours required to produce a single unit. Many different types of labour may be involved. If so, then computations should be by type of labour needed.

2.7.5 Manufacturing-overhead budget

According to Garrison and Noreen (2000), the manufacturing overhead budget provides a schedule of all costs of production including direct materials and direct labour.
Hilton et al (2003), state that the manufacturing overhead budget shows the cost of overhead expected to be incurred in the production process during the budget period.

2.7.6 Ending finished goods inventory budget

Williams et al (2002), maintain that in a merchandising company, inventory consists of all goods owned and held for sale to customers. Inventory is expected to be converted into cash within the company's operating cycle. In the balance sheet, inventory is listed immediately after accounts receivables, because it is just one step further removed from conversion into cash than customer receivables.

In their book Garrison and Noreen (2002), state that the carrying cost of unsold units is computed on the ending finished goods inventory budget.

2.7.7 Cost of goods sold budget

Hilton et al (2003) said that the budgeted schedule of cost of goods manufactured and sold details the direct material, direct labour and manufacturing overhead costs to be incurred and shows the cost of goods to be sold during a budget period.

2.7.8 Marketing and administrative expense budget

Garrison and Noreen (2002) state that the selling and administrative expense budget lists the budgeted expenses for areas other that manufacturing. In large organizations, this budget would be a completion of many smaller, individual budgets submitted by department heads and other persons responsible for selling and administrative expenses.

The selling and administrative expense budget contains a list of anticipated expenses for the budget period that will be incurred in areas other than manufacturing. The budget will be made up of many smaller, individual budgets submitted by various persons having responsibility for cost control in selling ad administrative matters. If the number of expense items is very large, separate budgets may be needed for the selling and administrative functions.

2.7.9 Budgeted income statement

Hilton et al (2003) affirm that the budgeted income statement shows the expected revenue and expenses for a budget period, assuming that planned operations are carried out.

Garrison and Noreen (2002), affirm that a budgeted income statement can be prepared from the data developed from sales-marketing and administrative expense budget. The budgeted income statement is one of the key schedules in the budgeted process. It is the document that tells how profitable operations are anticipated to be in the forthcoming period. After it has been developed, it stands a benchmark against which subsequent company performance can be measured.

2.7.10 Cash budget

According to Hilton et al (2003), the cash budget details the expected cash receipts and disbursements during a budget period.

Garrison and Noreen (2002), state that a cash budget pulls together much of the data developed in the previous steps. The cash budget is composed of receipt section, the disbursement section, the cash excess or deficiency section and financing section. The cash excess or deficiency section is computed as follows:

Cash balance, beginning	xxxx
Add receipts	xxxx
Total cash available before financing	xxxx
Less disbursements	xxxx
Excess (deficiency) of cash available	
Over Disbursements	xxxx

According to Higgins (2004), a cash budget is a list of all anticipated receipts and disbursements of cash over the forecast period. It can be thought of as a detailed cash flow forecast in which all traces of accrual accounting have been eliminated.

2.7.11 Budgeted balance sheet

Hilton et al (2003) state that the budgeted balance sheet shows the expected end-of-period balances for the company's assets, liabilities and owners equity assuming that planned operations are carried out.

According to Garrison and Noreen (2002), the budgeted balance sheet is developed by beginning with the current balance sheet adjusting it for the data contained in the other budgets.

2.8 Profit

Eugene and Joel (2000) define profitability as the net result of policies and decisions. They add that the profitability ratios show the combined effects of liquidity, asset management and debt on operating results.

There exist four types of ratios to determine the firm's profitability: Profit Margin on Sales, Basic Earning Power (BEP), Return on Total Assets (ROA) and Return on Common Equity (ROE).

2.8.1 Profit Margin on Sales

The Profit Margin on Sales, calculated by dividing net income by sales, gives the profit per dollar of sales.

2.8.2 Basic Earning Power (BEP)

The Basic Earning Power (BEP) ratio is calculated by dividing earnings before interest and taxes (EBIT) by total assets.

This ratio shows the raw earning power of the firm's assets, before the influence of taxes and leverage, and it is useful for comparing firms with different tax situations and different degrees of financial leverage.

2.8.3 Return on Total Assets (ROA)

The ratio of net income to total assets measures the return n total assets (ROA) after interest and taxes.

2.8.4 Return on Equity (ROE)

Ultimately, the most important accounting ratio is the ratio of net income to common equity, which measures the return on equity.

According to Garrison and Noreen (2002), a budget is a step taken by business organizations to achieve their desired levels of profits. This process is generally called planning. Profit planning is accomplished through the preparation of a number of budgets, which when brought together, form an integrated business plan as the master budget.

They go on talking about profit centre and say that it is any business segment whose manager has control over both cost and revenue. Like a cost centre, a profit centre generally does not have control over investment funds. For example, the manager in charge of one of six resorts would be responsible for both the revenues and costs, and hence the profits, of the resort but may not have control over major investments in the resort. Profit centre managers are often evaluated by comparing actual profit to targeted or budgeted profit.

Crystal and Lipsy (1997), state that a firm's profits are the difference between the revenue it receives from selling its outputs and its costs of producing that output. Firms seek profits by producing and selling products. The materials and factor services used in the production process are called inputs and productions that emerge are called outputs

It is also known that greater profits may be obtained by either increasing total revenue or decreasing the cost of goods sold, and often conditions are such that a firm can do both.

As mentioned above, budgets are an integral part of management control systems. When administered thoughtfully by managers, budgets:

a. promote coordination and communication among subunits within the company
b. provide a framework for judging performance and facilitating learning
c. motivate managers and other employees

In fact, coordination is meshing and balancing all aspects of production or service and all departments in a company in the best way for the company to meet its goals. Communication is making sure those goals are understood by all employees.

Budgets enable company's managers to measure actual performance against predicted performance.

Most employees are motivated to work more intensively to avoid failure than to achieve success. As employees get closer to a goal, they work harder to achieve it.

Budgets are very important because they express management's operating and financing plans-the formalized outline of the company's financial objectives and how they will be attained. Budgets are tools that, by themselves, are neither good nor bad. Budgets are useful when administered skilfully.

CHAPTER THREE

METHODOLOGY

3.0 Overview

This chapter discusses the methodology used in the study. It gives the research design, study population, sampling design, study area, data collection instruments, data collection procedures and data analysis.

3.1. Study design

In this work, the research design used is a descriptive survey method to examine the effects of budgetary control at Nyanza Dairy Plant. The researcher chose this design because it is easy to use while collecting original data from the population.

3.2 Target population

The researcher had prepared 50 questionnaires for 50 employees including heads of department, lines managers and general staff to examine the role of budgeting on profitability at Nyanza Dairy Plant.

3.3 Sampling selection and size

The researcher had selected 8 respondents from senior level, 16 respondents from middle level and 26 respondents from lower level to constitute a sample.

According to Amin (2004), the formula for ascertaining the stratified sample size is given as **(nk): N = f**

With this formula, **n** is a desired sample, **k** is a population of stratum, **N** is the total population of the study and **f** is a sampling fraction (fraction of the desired sample size). With this study, the total population equals to the sampling size because of the little numbers of the employees.

3.4 Study area

The study had been done on the effects of budgetary control in dairy industry in Rwanda and the case study was Nyanza Dairy Plant. The researcher had collected the data on budgets and analysed them in order to see if there was any influence on the success of that industry.

3.5.1 Data collection instruments

In this study, the researcher had used both primary and secondary data collection instruments.

Firstly, as the primary data collection instruments, the researcher used the questionnaires. The sample population was 50 respondents.

Secondary, the researcher used the books and annual reports budgets of Nyanza Dairy.

3.5.2 Data collection procedures

The researcher got a letter from the Director of Post Graduate Studies of KIU. This letter had been given to the Director in charge of production in Rwandan Defence Ministry in order to have permission to interview various people concerned by budgets at Nyanza Dairy Plant.

After receiving the letter, the researcher prepared schedule and questionnaires and took them to the chosen population. As I have said; he used primary and secondary data collection instruments. After getting the questionnaires, he sat down and analyse the data collected for interpretation.

3.5.3 Data Processing and analysis

In collecting data, the closed and open ended questions had been prepared to allow respondents in answering. These questionnaires were presented to the staff of Nyanza Dairy and after filling them, the researcher took them for analysis.

3.5.4 Data presentation

The data collected was presented on tables and charts. The interpretation of data has been done using the percentages.

3.5.5 Reliability and validity of research

The researcher had taken the questionnaires to the respondents for the second time to see if the answers were the same and made a friendly atmosphere for getting a participation control in answering questionnaires to increase validity of the research. When the questionnaires were presented for the second time, the respondents gave the same answers as they did for the first time. In addition of this, the researcher ensured that required respondents had fully and honestly participated in answering questionnaires in order to increase reliability of results.

3.5.6 Ethical consideration

There is need for the researcher to use professional and ethical standards to plan, collect and process data. The researcher ensured that he had been objective and had used objective methods in data collection. The information given had been treated with utmost confidentiality and had been used for purpose of research only.

3.5.7 Limitations of the study

The researcher met some constraints which limited the study as follows:

There were a series of delays to get access to the information which required prior appointment as I was to travel from Kampala to Rwanda for the research study.

There was also time constraint for the whole exercise to be completed on time.

Financial constraints took a toll of the researcher's requirements such as transportation to and from the research study site and developing the research questionnaires as well.

Finally, there was a problem of accessing the information needed from the respondents due to confidentiality.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION

OF THE DATA

4.0 Overview

This fourth chapter gives the presentation of data, analyses and interprets the findings during this research.

4.1 Data Presentation, Analysis and Interpretation of the Data

After collecting the data using the questionnaires distributed to the staff of Nyanza Dairy Plant, the findings were the following:

Table 4. 1: Respondents 'response on the meaning of budgeting.

	Alternatives	**Frequency**	**Percentage**
1	True	26	52
2	False	7	14
3	No answer	17	34
	Total	**50**	**100**

Source: Author.

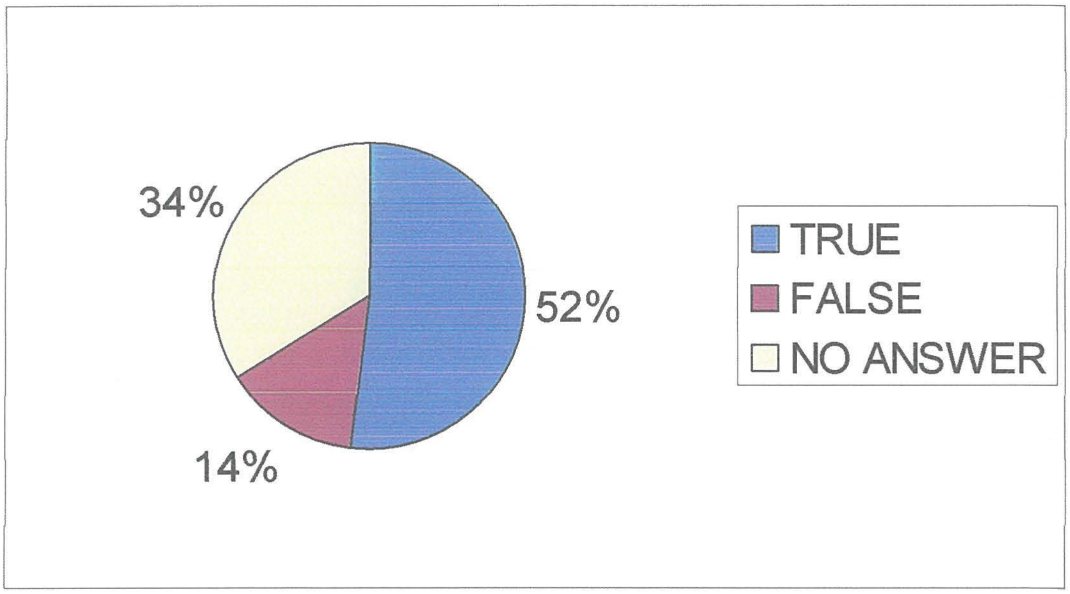

Figure 2:
Source: Author

The figure and table above showed that 52% of the respondents in Nyanza Dairy Plant understand the meaning of budgeting, 14% do not get the meaning of budget and 34% have no idea.

The budgeting system at Nyanza Dairy Plant is between a management committee and the rest of the staff has no idea.

According to Horngren, C.T at al (2009), budgeting is most effective when lower-level managers actively participate and meaningfully engage in the budgeting process. Participation adds credibility to the budgeting process and creates greater commitment and accountability toward the budget. But participation requires honest communication about the business from subordinates and lower-level managers to their bosses.

Many managers regard budgets negatively. To them, the word budget is about as a popular as say downsizing, layoff or strike. Top managers must convince their subordinates that the budget is a tool designed to help them set and reach goals.

Table 4.2: Respondents' response on advantages of budgeting.

	Alternatives	Frequency	Percentage
1	True	28	56
2	False	9	18
3	No answer	13	26
	Total	50	100

Source: Author

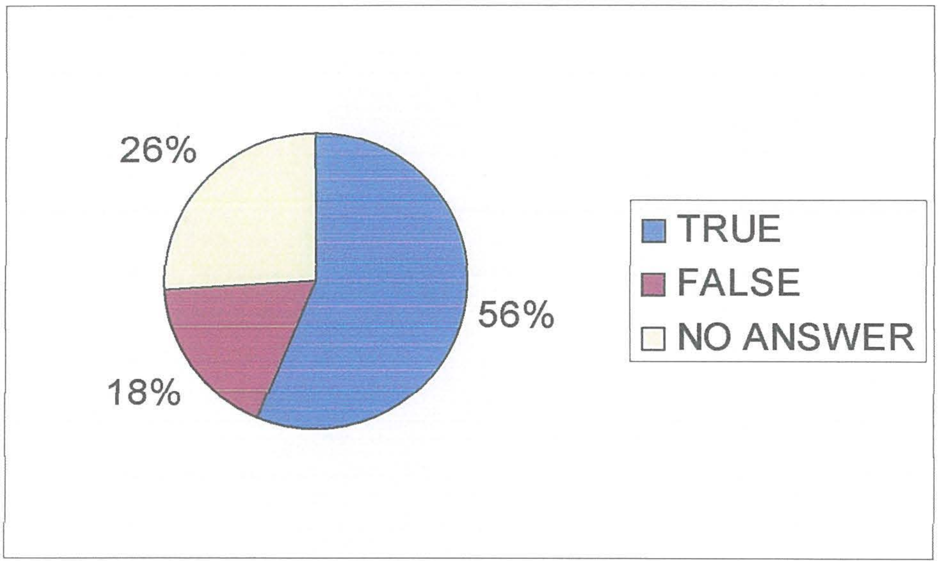

Figure 3
Source: Author

The figure and table showed that 56% of the respondents in Nyanza Dairy Plant are able to explain the advantages of budgeting, 18% do not explain clearly and 26% have no answer on this question.

The answers given on this question showed that most of the people at Nyanza Dairy Plant recognise the advantages of budgeting system for developing their company.

This indicates that t Nyanza Dairy Plant the management takes enough time for educating its employees about advantages of budgeting system.

Table 4.3: Respondents' response on participation in budget preparation.

	Alternatives	Frequency	Percentage
1	True	8	16
2	False	33	66
3	No answer	9	18
	Total	**50**	**100**

Source: Author

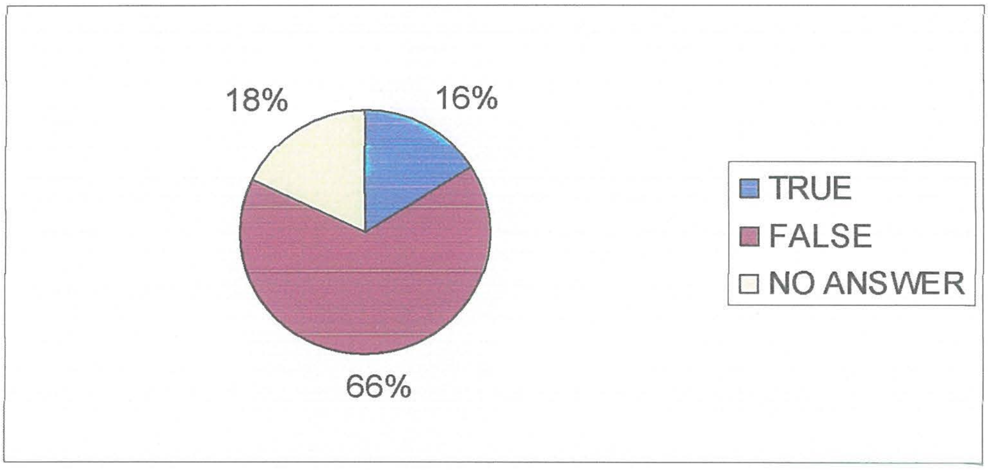

Figure 4
Source: Author

The table and figure above showed that 16% of the respondents in Nyanza Dairy Plant are allowed to give a piece of advice on budgeting, 66% are not allowed and 18% had not answered this question.

With this statement, the researcher had realized that there is a great importance to advice the Nyanza Dairy Plant to help its staff in participating to the budget preparation.

A number of advantages are commonly cited for such self-imposed budgets: individuals at all levels of the organization are recognized as members of the team whose views and judgements are valued by top management; the person in direct contact with an activity is in the best position to make budget estimates.

Also, Pandey (1998) says that the primary responsibility of the staff organization is to assist line executive in preparing budgets by providing data and technical advice and coordinating the budgets of various departments.

Table 4.4: Respondents' response on master budget.

	Alternatives	Frequency	Percentage
1	True	28	56
2	False	8	16
3	No answer	14	28
	Total	50	100

Source:Author

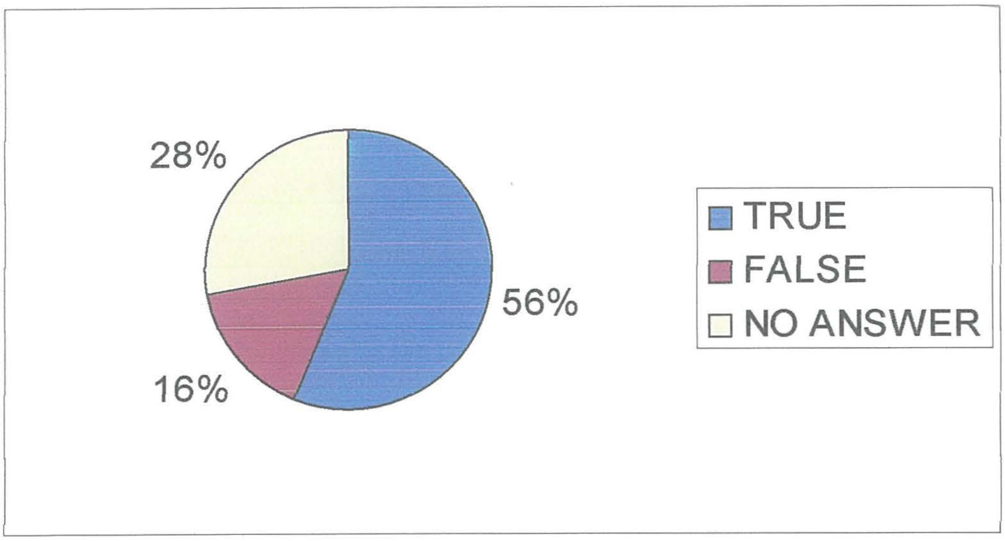

Figure 5
Source: Author

The figure and table showed that 56% of the respondents in Nyanza Dairy Plant confirm the existence of the master budget in the Dairy (and they confirm their understanding on the meaning of the master budget), 16% said that it does not exist and 28% don't know whether it exist or not. This showed that there existed a certain education on master budget in Nyanza Dairy Plant.

Garrison et all define a master budget as a summary of a company's plans that sets specific targets for sales, production, distribution and financing activities. It generally culminates in a cash budget, a budgeted income statement, and a budgeted balance sheet. In short, it represents a comprehensive expression of management's plans for the future and how these plans are to be accomplished

Table 4.5: Respondents' response on sales budget.

	Alternatives	Frequency	Percentage
1	True	31	62
2	False	7	14
3	No answer	12	24
	Total	50	100

Source: Author

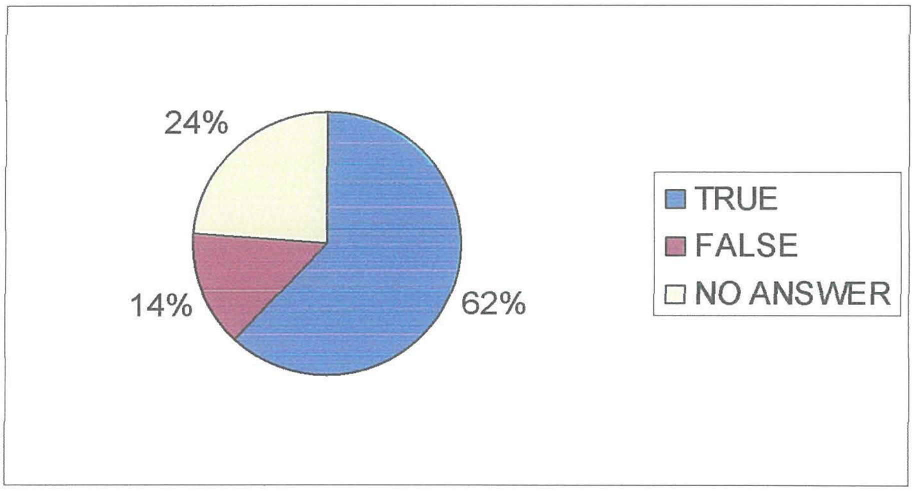

Figure 6
Source: Author

The above figure and table showed that 62% of the respondents in Nyanza Dairy Plant understand the meaning of sales budget, 14% do not get the meaning of sales budget and 24% have no idea.

Edmonds et al (2000) say that the preparation of the master budget begins with the sales forecast. The accuracy of the sales forecast is critical because it acts as the data source for all of the other budgets.

Table 4.6: Respondents' response on production budget.

	Alternatives	Frequency	Percentage
1	True	30	60
2	False	7	14
3	No answer	13	26
	Total	**50**	**100**

Source: Author

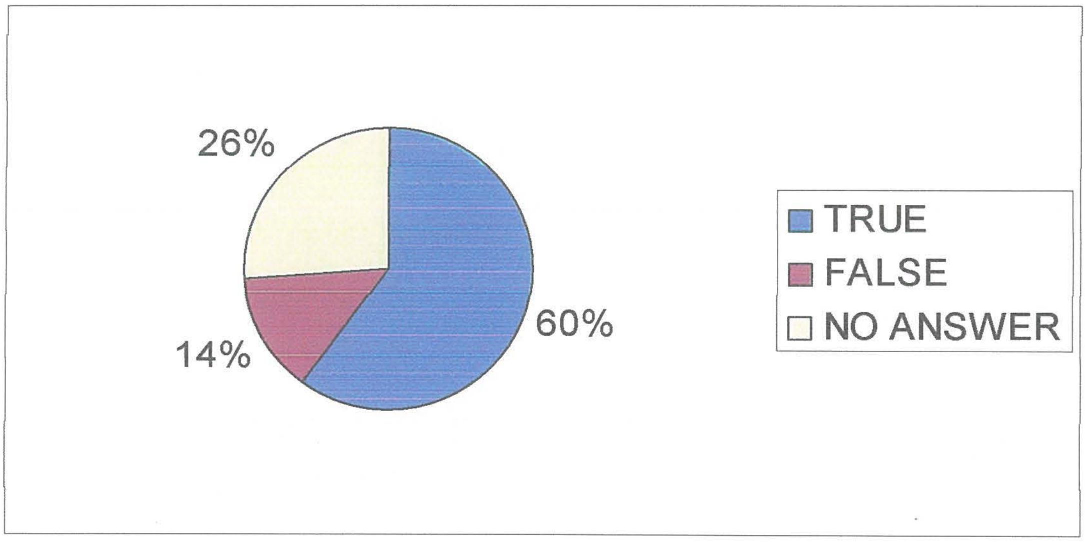

Figure 7
Source : Author

The above figure and table showed that 60% of the respondents in Nyanza Dairy Plant understand the meaning of production budget, 14% do not get the meaning of production budget and 26% have no idea.

Table4.7: Respondents 'responses on direct materials budget.

	Alternatives	Frequency	Percentage
1	True	19	38
2	False	10	20
3	No answer	21	42
	Total	50	100

Source: Author

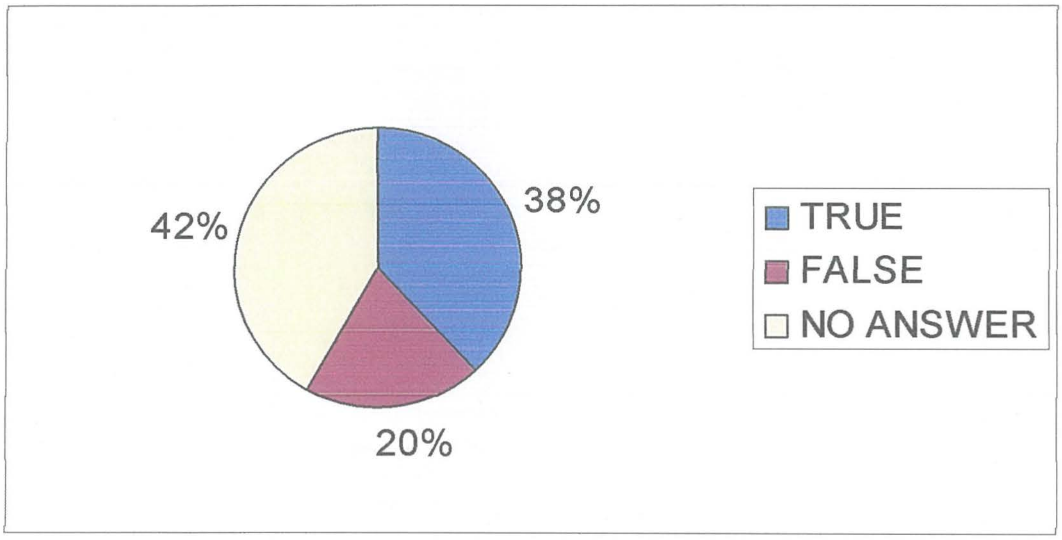

Figure 8
Source: Author

The above figure and table showed that 38% of the respondents in Nyanza Dairy Plant understand the meaning of direct material budget, 20% do not get the meaning of direct material budget and 42% have no idea.

Hilton et al (2003), state that direct material budget shows the number of units and the cost of material to be purchased and used during a budget period.

Table 4.8: Respondents' responses on direct labour budget.

	Alternatives	Frequency	Percentage
1	True	3	6
2	False	17	34
3	No answer	30	60
	Total	**50**	**100**

Source: Author

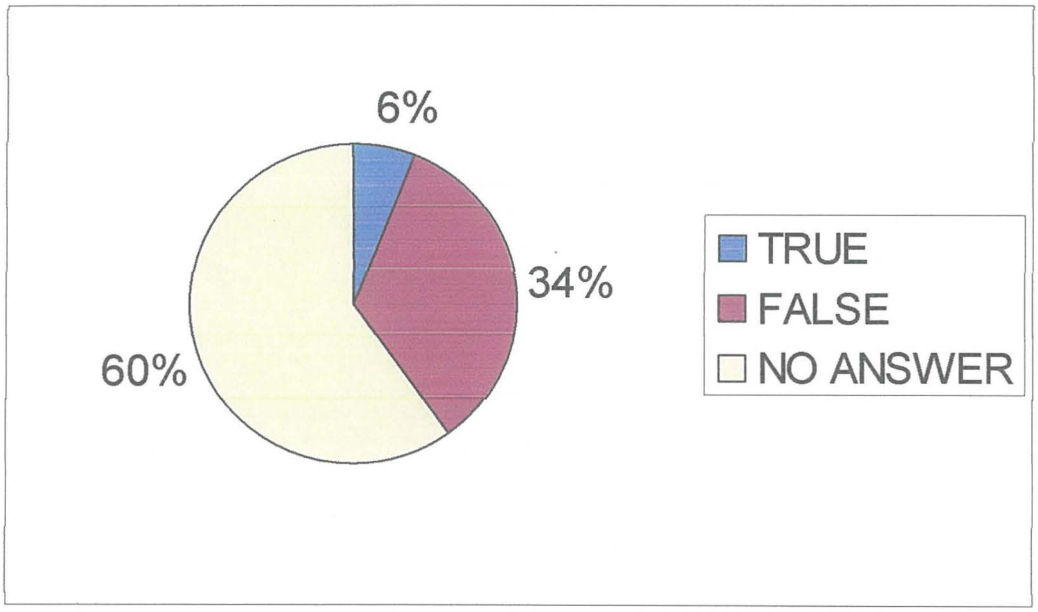

Figure 9
Source: Author

The above figure and table showed that 6% of the respondents in Nyanza Dairy Plant understand the meaning of direct labour budget, 34% do not get the meaning of direct labour budget and 60% have no idea.

This is not in agreement with Garrison and Noreen (2002), who say that the direct labour budget is developed from the production budget. Direct labour requirements must be computed so that the company will know whether sufficient labour time is available to meet production needs.

Table4.9: Respondents' responses on ending inventory overhead budget.

	Alternatives	Frequency	Percentage
1	True	20	40
2	False	11	22
3	No answer	19	38
	Total	**50**	**100**

Source: Author

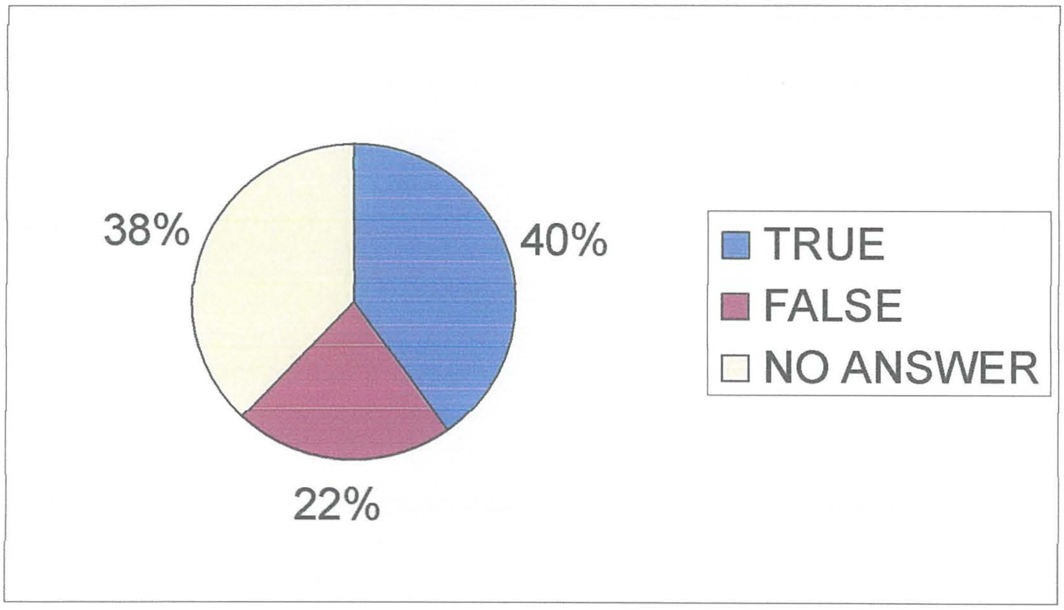

Figure 10
Source: Author

The above figure and table showed that 40% of the respondents in Nyanza Dairy Plant understand the meaning of direct labour budget, 22% do not get the meaning of direct labour budget and 38% have no idea.

In their book Garrison and Noreen (2002), state that the carrying cost of unsold units is computed on the ending finished goods inventory budget.

Table 4.10: Respondents' responses on cost of goods sold budget.

	Alternatives	Frequency	Percentage
1	True	1	2
2	False	34	68
3	No answer	15	30
	Total	**50**	**100**

Source: Author

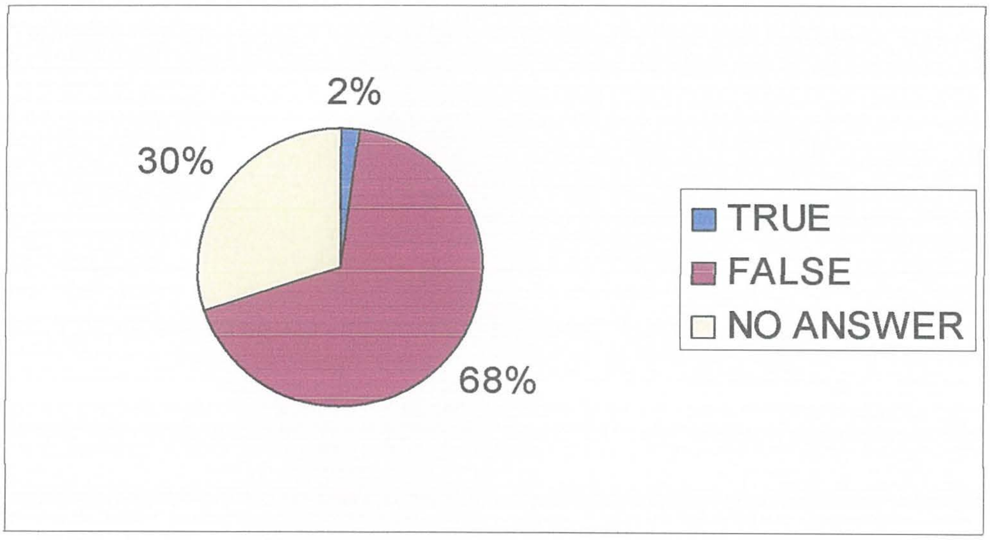

Figure 11
Source: Author

This table showed that 2% of the respondents in Nyanza Dairy Plant understand the meaning of cost of goods sold budget, 68% do not get the meaning of cost of goods sold budget and 30% have no idea.

This shows the no existence of cost of goods sold budget at Nyanza Dairy Plant.

This is not in agreement with Hilton et al (2003), who said that the budgeted schedule of cost of goods sold details the direct material, direct labour and manufacturing overhead costs.

Table 4.11: Respondents' responses on marketing and administrative office expense budget.

	Alternatives	Frequency	Percentage
1	True	23	46
2	False	7	14
3	No answer	20	40
	Total	**50**	**100**

Source: Author

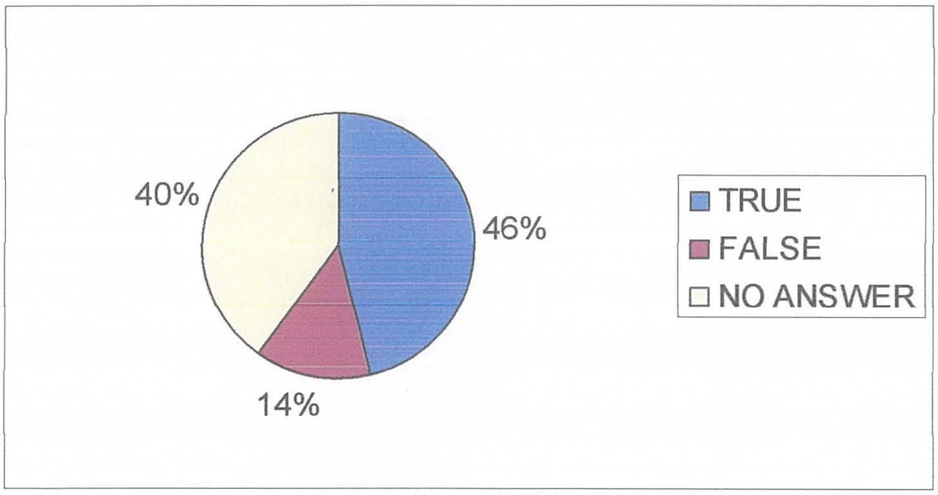

Figure 12

Source: Author

The above figure table showed that 46% of the respondents in Nyanza Dairy Plant understand the meaning of marketing and administrative office expense budget, 14% do not get the meaning of marketing and administrative office expense budget and 40% have no idea.

According to Garrison and Noreen (2002), the selling and administrative expense budget lists the budgeted expenses for areas other that manufacturing.

Table 4.12: Respondents' responses on budgeted income statement.

	Alternatives	Frequency	Percentage
1	True	2	4
2	False	35	70
3	No answer	13	26
	Total	**50**	**100**

Source: Author

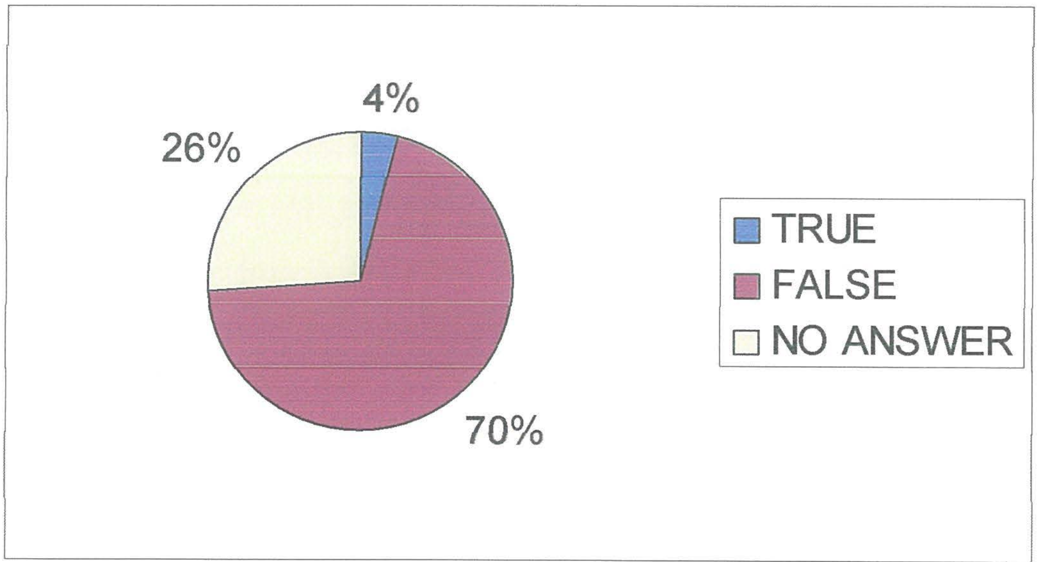

Figure 13
Source: Author

The above figure and table showed that 4% of the respondents in Nyanza Dairy Plant understand the meaning of budgeted income statement, 70% do not get the meaning of budgeted income statement and 26% have no idea. With the answers on this question, the researcher has seen that there is no great importance put on the budgeted income statement in this company.

This is not in agreement with Hilton et al (2003), who affirm that the budgeted income statement shows the expected revenue and expenses for a budget period, assuming that planned operations are carried out.

Table 4.13: Respondents' responses on cash budget.

	Alternatives	**Frequency**	**Percentage**
1	True	31	62
2	False	7	14
3	No answer	12	24
	Total	**50**	**100**

Source: Author

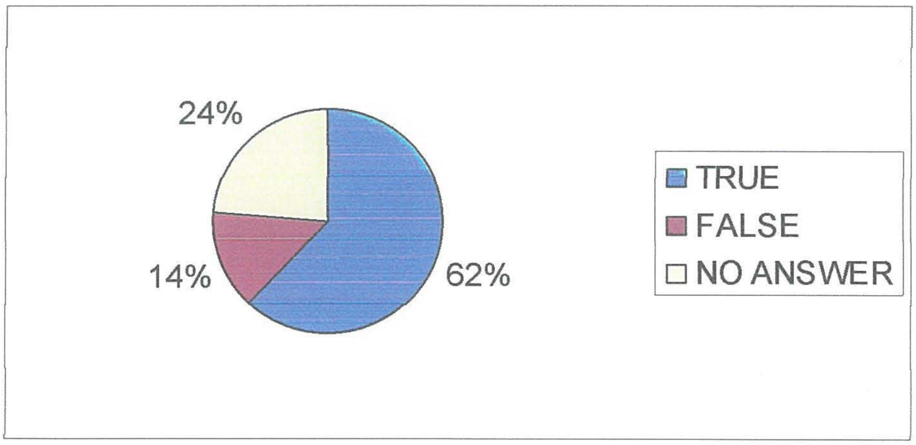

Figure 14
Source: Author

The above figure and table showed that 62% of the respondents in Nyanza Dairy Plant understand the meaning of a cash budget, 14% do not get the meaning of a cash budget and 24% have no idea. The answers given to this question showed that at Nyanza Dairy Plant there is a serious respect of the cash budget. This is very interesting because all the cash used in this company must be budgeted before and to respect this helps the company to achieve the fixed goals.

This is in agreement with Horngren et al (2009), who note that the cash budget is a schedule of expected cash receipts and disbursements. It predicts the effects on the cash position at a given level of operations. In practice, monthly-and sometimes weekly-cash budget are very helpful for cash planning and control. They thus keep cash balances in line with needs. Ordinarily, the cash budget has the following main sections:

6. The beginning cash balance plus cash receipts equals the total cash available before financing. Cash receipts depend on collections of accounts receivable, cash sales, and miscellaneous recurring sources such as rental or royalty receipts;
7. Cash disbursements (including Direct materials purchases, direct labour and other wage and salary outlay, other costs depending on timing and credit terms, interest for long-term borrowing and income tax payments);
8. Financing effect .Short-term financing requirements depend on how the total cash available for needs and the ending cash balance
9. Ending cash balance.

Table 4.14: Respondents' responses on budgeted balance sheet.

	Alternatives	Frequency	Percentage
1	True	3	6
2	False	28	56
3	No answer	19	38
	Total	**50**	**100**

Source: Author

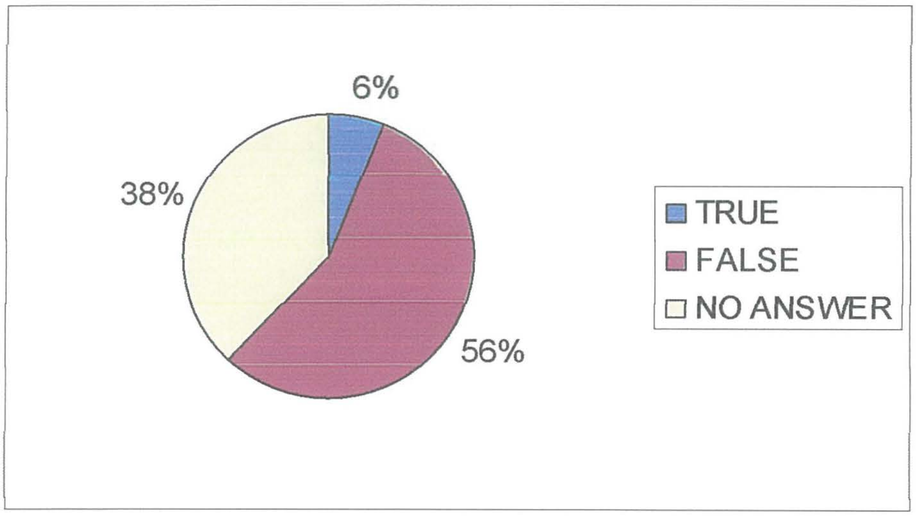

Figure 15
Source: Author

The above figure and table showed that 6% of the respondents in Nyanza Dairy Plant understand the meaning of budgeted balance sheet, 56% do not get the meaning of budgeted balance sheet and 38% have no idea. The true answers on this question are few. This showed that the budgeted balance sheet has no great importance in this company.

Garrison and Noreen (2002) say that the budgeted balance sheet is developed by beginning with the current balance sheet adjusting it for the data contained in the other budgets.

Table 4.15: Respondents' responses on effects of budgetary control on profitability.

	Alternatives	**Frequency**	**Percentage**
1	True	38	76
2	False	4	8
3	No answer	8	16
	Total	**50**	**100**

Source: *Author*

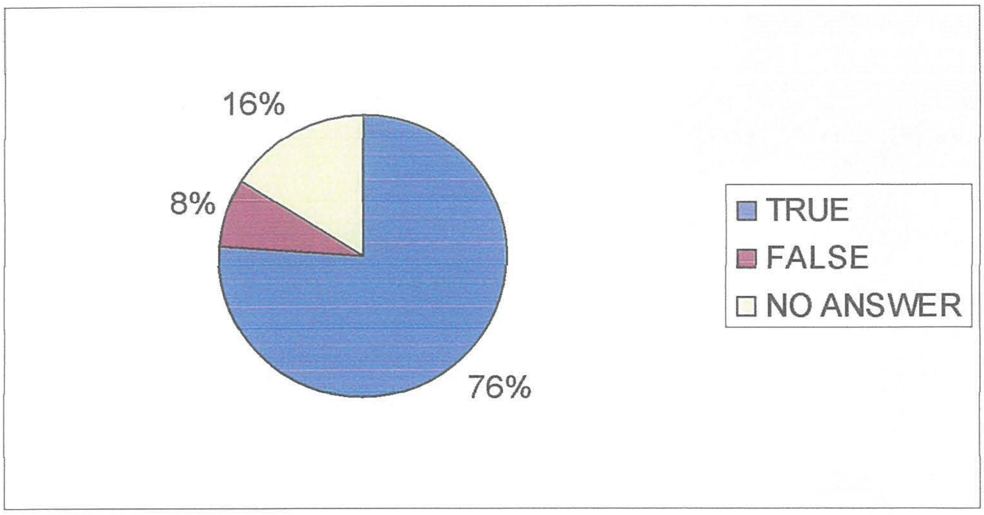

Figure 16
Source: Author

The above figure and table showed that 76% of the respondents in Nyanza Dairy Plant confirm the positive influence of budgetary control on profitability of the firm, 8% do not see the impact of budgetary control on profitability and 16% have no idea.

According to Khan and Jan (2001), budgets are an important tool of profit planning

This was the very important question and the answers got from the study were a vital tool nd helped the researcher to know whether there is a positive influence of budgetary control on profitability or not or if there is a relationship between budgetary control and profitability.

16. What are the challenges faced in the enforcement of budgetary control?

On this question the respondents gave these answers:

10. lack of knowledge concerning the budgeting system
11. some staff members think that they are not concerned with making budgets
12. sometimes there are changes in what planned before

17. Suggest two ways of making a budget in your organization.

On this question the respondents had given different answers but most of them suggested the following:

13. to sit down together and make all the budgets
14. To give to the heads of departments the responsibility of making their proposals and sit together for finalizing.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

In this fifth part of this book, it is question of summarizing the findings and give recommendations without forgetting the conclusions.

5.1 Summary of findings

1 The budgetary information is given to few of employees, except the budget committee members and some few people in relation with cash in the organization, there no other people who have an idea on how prepare, implement and execute the budget at Nyanza Dairy Plant.

2 The rate of participation of budgeters is low

3 There is no comparison of budgeting system with budgets of other companies of the same group

4 There is a serious use of the budget to achieve goals of the organization, as said by one of the budget committee member, it is forbidden to go out of the budget thinking that this or that is better while it is not mentioned in the budget.

5 There exist a budgetary control committee in Nyanza Dairy Plant, at this Dairy the budget committee is composed by the Director, the chief of

production, the accountant and the cashier. These persons work hand by hand on the preparation of Dairy budget.

5.2 Conclusions

During the time of this research, the author realized that at Nyanza Dairy Plant, the management team meets several time to plan for its profitability in the future. They agree that it is impossible to achieve profit without making a budget system and respect it.

The majority of the staff affirmed that at Nyanza Dairy Plant, it is not possible to set an operation without checking the budget. The research has also revealed that the Dairy earns profits due to its budgeting system. This has also shown by the respondents' answers.

Due to budgetary control that has contributed to profitability, Nyanza Dairy Plant has implemented several innovations improving the sales by marketing programmes with ultimate goal for matching a company's product and service to the people who need and want them.

At this level, it is very important to say that the mission of marketing is to bridge the gap between the conflicting needs of the producers and consumers by complementing the production process. Most of its activities involve helping the producers better understand the needs of consumers so that they will be more likely to produce goods that consumers want.

At Nyanza Dairy Plant, marketing helps to find answers to the five questions that drive every economic system: What product to produce? How much to produce? When to produce? Who should produce? For whom goods should be produced?

5.3 Recommendations

After analysing the finds, the author has suggested the following recommendations:

According to the answers given on the question number 3 where the researcher wanted to know the participation of employees on budget preparation, there is a low rate of participation. So, the management of Nyanza Dairy plant must do the best in order to have a participative budget.

A participative budget or self-imposed budget is a budget that is prepared with the full cooperation and participation of managers at al levels. A number of advantages are commonly cited for such self-imposed budgets: individuals at all levels of the organization are recognized as members of the team whose views and judgements are valued by top management; the person in direct contact with an activity is in the best position to make budget estimates; people are more likely to work at fulfilling a budget that they have participated in setting than they are to work at fulfilling a budget that is imposed from above and a self-imposed budget contains its own unique system of control in that if people are not able to meet budget specifications, they have only themselves to blame. On the other hand, if the budget is imposed from above, they can always say that the budget was unreasonable or unrealistic to start with, and therefore was impossible to meet.

Concerning the comparison of budget, it would be better for Nyanza Dairy Plant to compare its budget not only at national level but also at international level. This has an importance of sharing information and makes some modalities together or the improvement of standards.

It is also much recommended to the Nyanza Dairy Plant to give a certain budget education to the staff and to allow the budget communication from top management up to junior staff.

It is also very important to recommend to the Nyanza Dairy Plant to give enough time for budgetary control and make some more budgets which are not found in this Dairy. According to Garrison and Noreen (2000), operating budgets are ordinarily set to cover a one-year period and the one-year should correspond to the company's fiscal year so that the budget figures can be compared with the actual results.

5.4 Areas of the future research

This research helps the researcher to recognize the existence of various questions which need a further study.

Some of these studies can be for example:

- Examining the influence of budgeting system on profitability of a firm.
- Determining profitability achieved through budgetary control education

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APPENDIX A: QUESTIONNAIRE

Dear Sir/Madam

Please participate in filling this questionnaire to enable the researcher collecting data about his research topic titled **"Examining the effects of budgetary control on profitability in dairy industries in Rwanda a case of Nyanza dairy plant"**. The information given would be treated with utmost confidentiality and would be used for purpose of research only.

I. Instructions

1. The questionnaire consists of both closed and open ended questions.
2. Tick the appropriate option.
3. Where necessary, briefly elaborate and give your personal view on certain issues.

II. Personal identification

Age: 20-29:……….. 30-39:………… 40 and above…………

Sex: Male………… Female………..

Marital status: Single…… married…….. Widow(er)……. Divorced…………

Post…………………………………………………………………………………

Experience in this organization: 0-1 year…… 2-5 years:…… More than 5 years…..

III. Questions

1. I hereby confirm that every body in this industry gets to know how budgeting is done.

   a) True.......

   b) False......

   c) No answer.....

2. The advantages of budgetary control are clear in this industry.

   a) True.....

   b) False......

   c) No answer....

3. In Nyanza Dairy Plant every employee is allowed to give any advice about budgeting.

   a) True.....

   b) False.......

   c) No answer....

4. Nyanza Dairy Plant prepares a master budget.

   a) True......

   b) False......

   c) No answer....

5. Nyanza Dairy Plant prepares sales budget.

   a) True......

   b) False.......

   c) No answer....

6. Nyanza Dairy Plant prepares a production budget.

a) True…….

b) False……

c) No answer…..

7. Nyanza Dairy Plant prepares a direct materials budget.

a) True……..

b) False…….

c) No answer….

8. Nyanza Dairy Plant prepares a direct labour budget.

a) True……

b) False……

c) No answer….

9. Nyanza Dairy Plant prepares an ending inventory overhead budget.

a) True…….

b) False…….

c) No answer…..

10. Nyanza Dairy Plant prepares a cost of goods sold budget.

a) True…..

b) False……

c) No answer…..

11. Nyanza Dairy Plant prepares a marketing and administrative office expense budget.

a) True.......

b) False......

c) No answer....

12. Does your industry prepare a budgeted income statement?

a) True.....

b) False......

c) No answer....

13. Nyanza Dairy Plant prepares a cash budget.

a) True........

b) False.........

c) No answer.....

14. Nyanza Dairy Plant prepares a budgeted balance sheet.

a) True......

b) False........

c) No answer.....

15. I hereby affirm that the budgetary control helps this industry to earn profits.

a) True......

b) False........

c) No answer....

16. What are the challenges faced in the enforcement of budgetary control?

17. Suggest two ways of making a budget in your organization.

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OFFICE OF THE ASS.DEAN
SCHOOL OF POSTGRADUATE STUDIES

Date: 20/4/2009

To:
Director of production
in R.D.F
....
....
....

Dear Sir/Madam

RE: HABYARIMANA ATHANASE **REG.NO:** MBA/10031/81/DF

This is to certify that the above mentioned is a bonafide student of Kampala International University at the School of Management, he/~~she~~ is pursuing a Two years, Four semester Programme in Masters of Business Administration / F & A and ~~she~~/he is in Second year third semester.

He/she wishes to carry out research on Examining the role of budgeting on profitability in milk factory in Rwanda Case of NYANZA Dairy Plant

Any assistance extended to him/her will be highly appreciated.

Thank you,

Yours sincerely,

Dr. Kerosi J. Bosire
Ass. Dean SPGS School of Business

KAMPALA INTERNATIONAL UNIVERSITY SCHOOL OF BUSINESS MANAGEMENT STUDIES P.O. BOX 20000, KAMPALA