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An investigation of the effects of budgetary controls on firm performance: case study TSF.

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Dedication

This dissertation is a special dedication to lovely parents Simon and Matildah Chikuvadze and the entire family.

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ABSTRACT

The research was carried out with the aim of investigating the effects of budgetary controls on Tobacco Sales Floor's performance during the period from 2011 to 2013. Although the TSF made profits during these years targeted performance were not met. TSF reports indicated that it is having difficulties in implementing its budgetary controls resulting in experiencing adverse variance in its expenditure for the past three to four years hence necessitated this research. Quantitative and qualitative data was collected. The sample size of 40 was used to carry out the study. The data presentation and analysis showed method of controlling cost, problems associated with budgetary controls and ways to improve TSF performance through the use of budgetary controls. Major findings were lack of staff training on budgetary controls, inflexibility of the budget structure and failing to constantly monitor feedback. The researcher suggested recommendations were that TSF staff should have a financial training on the budgetary controls has the organisation adopted and how they can be used to have a positive impact on the TSF's performance. Furthermore in a world of continuous and uncertainties' especially in agriculture where there many factors like climate, TSF should make use of the flexible budgetary controls. And finally TSF should have a continuous monitoring of results, which is weekly monitoring as it is associated with large volumes of data per day, any slack can be an opportunity for fraud.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

The chapter starts with background of the study followed by the statement of problem, research question, research objectives and significance of study. It will further highlight the delimitation of the study, limitations, assumptions, definition of terms and the summary of the chapter.

1.1 Background of the Study

Historically, Tobacco Sales Floor Ltd (TSF) opened in 1958 in competition with Tobacco Auction Limited and Tobacco Producers Floor. TSF had advanced to a monopoly situation from 1983 through to 1994 where it handled the entire Zimbabwe flue cured crop. In 1996 TSF moved to the present facility with the capacity to trade over two million kilograms daily. TSF offers many services that make it the leading auction floor in Zimbabwe, has consolidated the reputation as one of the world's largest and most efficient market place.

The budgetary control at TSF is decentralized, the managers surrender to to the accountant for estimates approval of revenues and spending of their departments. R .J Reddy (2004) page 59 “many business fail because of lack of efficient planning....” In the case of TSF’s due to the exceeding of the expected expenditure results in adverse variance being experienced and targeted profit not achieved. Budgetary control is “the establishment of plans relating to the duties of executives of a policy and the unceasing contrast of the actual with the budgeted outcomes, either to secure by singular action the objectives of the policy or to deliver a basis for its review” C I M A (2010). Budgetary control is one of the very

significant tools of preparation as well as control. In the half financial review meeting the Managing Director, MrMutambanesango, commented "During the off season we do have cash flow problems, that's why we need strong budgetary control." Continuous assessment is made among the actual and budgeted result, which is planned to also secure, through achievement of superiors, the goals of strategy or to even offer a basis for strategy revision (Drury, 2008).

TSF expected profit before tax for the year 2013 were US\$1,029,149 but failed to reach the target and the actual results were US\$928,292 as indicated in the table 1.1 below is the financial performance from 2011 to 2013 of TSF.

Table 1.1 Income and expenditure performance 2011-2013

Year	2011	2011	2012	2012	2013	2013
Details	Expenditure	PBT	Expenditure	PBT	Expenditure	PBT
Actual	900,000	238,000	3,286,146	1,408,493	4,493,063	928,292
Budget	500,600	250,900	1,727,555	1,478,269	2,569,576	1,029,148
Variance (adverse)	(399,400)	(12,900)	(1,724,269)	(69,776)	(1,923,487)	(100,856)

Source: TSF report of the executive meeting 10 June 2013

In the year 2011 budgeted expenditure were US\$500,600 whilst the actual expenditure were US\$900,000 which gives rise to an adverse variance of US\$399,400. The increase in cash outflows due to over spent on budgeted expenditure had a negative impact on the profit before tax as this resulted in adverse variance of US\$12,900 for 2011. In the year 2012 the adverse variance for expenditure multiplied by almost 4 times where the budgeted expenditure were US\$1,727,555 while the actual expenditure totaled to US\$3,286,146

resulting in an adverse variance of US\$1,724,269. Profit before tax of 2012 adverse variance multiplied by almost 5 times. In the year 2013 trend of adverse variance continues to increase where the adverse variance on expenditure increased to US\$1,923,487 were it triggers profit before tax to increase adverse variance to US\$100,856.

Budgetary controls are designed to ensure that business organizations survive and meet the expectations of investors. Evans et al (2001) observe that enterprises carry on to binder and fail since they have defective budgetary preparation and regulator systems, which they seemingly fail to identify. Mr Chagonda, the Finance Executive, is of the opinion that according to last quarter report October 2013 TSF is having difficulties in implementing its budgetary controls. The company's reported performance below what was expected since it has been experiencing adverse variance in its expenditure where the expenditure exceed by 52,57% for the period of 2013.

1.2 Statement of the problem

Against the above background TSF is experiencing adverse variance in its budgeted expenditure and profit before tax for the years 2011 to 2013 where it is not achieving the targeted expenditure as there are adverse variance suffered resulting in not reaching targeted profit. Adverse budget variances and overspending serve as components of the problem informing the study.

1.3 Research objectives:

The essence of the study is to investigate the performance of TSF, through effective budgetary control and establish the effectiveness of budgetary control. The studies compare the actual performance to the budgeted and try and relate the gaps to the theoretical budget.

Sub – research objective

- ? To establish the budgetary controls at TSF
- ? To identify the problems associated with budgetary control at TSF
- ? To establish the financial performance of TSF
- ? To identify the cost drivers at TSF
- ? To identify the link/relationship between budgetary control and TSF performance.

1.4 Research questions:

- What are the budgetary controls at TSF?
- What are the problems associated with budgetary controls at TSF?
- What is the economic performance of TSF?
- What are cost drivers at TSF?
- What relationship exists between budgetary control and organizational performance?

1.5 Significance of study

1. To the student

The research was done in partial fulfilment of the Bachelor of Commerce Honours Degree in Accounting.

2. To Midlands State University

The research will provide some literature for further research by other scholars.

3. To the organisation

The research would make recommendations for further consideration by TSF Ltd to help management improve budgetary control strategies thereby eliminating adverse variance on expenditure resulting in improved performance.

1.6 Delimitation

The study focuses on the effectiveness of budgetary control system employed by TSF Ltd. The research is based on TSF Ltd located in Harare. The study covers the period from 2011 to December 2013, and will be conducted over a period of three months.

1.7 Limitations

(a) Time

A larger part of the learning will be done simultaneously together with the semester modules. This means that the investigation will get shared attention as the modules are just as significant to the scholar. Therefore extra hard work has to be done to strike a balance between the two.

(b) Financial

In directive to harvest totally right and correctly insightful findings, it would necessitate currency to transportable and manner all the appropriate discussions at TSF ltd. However the scholar did not have any set economical for the determination of this study such that all economic costs were met from private available pocket cash.

(c) Access to Evidence

Some evidence was said to be strictly confidential which limited its availability in the research required. Triangulation will be used to access different sources of data such as interviews, questioners and document review.

1.8 Assumptions

The researcher will assume that information from the respondents on the interviews held, questioners answered portrays a fair view.

1.9 Definition of terms

Budgetary control- as the establishing of budget involving the duties of officials to the necessity policy, and the unceasing comparison of actual with planned results.

Effectiveness - the extent to which the organization attains its objectives.

Expenditure- an amount of money spent in acquiring goods and services.

Variance – disagreement between the budgeted or estimated expenditure or revenue for an activity and the actual expenditure or revenue for the activity. In budget control, variance institutes the dissimilarity between the planned costs and the actual expenditures for an activity.

Performance - subjective measure of in what way well an enterprise can use assets from its main mode of business and generate incomes

1.10 Summary

This chapter presented the research, argued in the background of the study which was immediately followed by the problem of statement along with the research questions. Research purposes which the study seeks to attain and a brief detailed significance of the study to the student, organization and the university. The student goes on to argue delimitations to limit focus of the study and then boundaries which could task the investigation's value, assumptions, definition of terms and summary. The following chapter will emphasize on the literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction.

This chapter reviews literature studied in the study is quoted mainly from scholars carried out in rising countries, concerning budgetary controls by other scholars and writers on budgetary controls from both published and unpublished sources. The sources include the internet, textbooks and e-journals. It establishes a conceptual framework within which the research will be conducted.

2.1.2 Budgetary controls

Scarlett, (2008) is of opinion that, budgetary controls refer to the values, techniques and performs of attaining given goals with use of budgets. The budgetary control system aids in setting the objectives for the entire business and combined determinations made for its accomplishments. It aids economies in the business. Arora (2009) defined budgetary control as a system of adjusting expenditures through preparing of the budgets. Budget is thus only a part of the budgetary control. According to C.I.M.A. (2010), “budgetary control is the establishing of budgets involving to the tasks of officials of a policy and the unceasing assessment of the definite with the planned results, either to secure by separate action the goals of the policy or to provide a basis of its review”. Drury (2013) referred budgetary control as the results or output controls where it involves collecting and reporting information about the outcome effort. Result controls involves the following stages: Establish results that

is performance that minimize adverse performance, establish performance goals, evaluating performance and providing rewards or penalty.

The budgetary control process

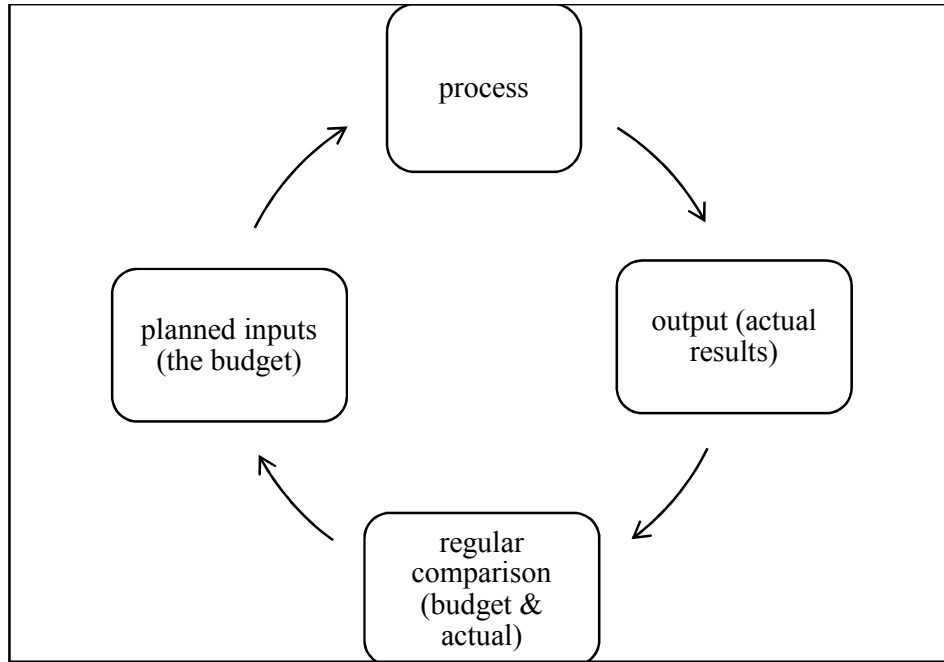


Fig 2.1Source: (Drury 2013:351)

Budgeting, Control and evaluating and feedback, analysing and reporting establish basics of budgetary control (Chandan, 1998). Budgetary control is the corner stone of excellent internal control. Budgetary control is the process of comparing actual results to budget results and if there are significant undesirable variance, taking corrective action in an attempt to prevent these variance from recurring Roose, (2011).

The features of budgetary control are to set a budget, record the actual performance, actual and budget comparison ,feedback, variance investigation, act immediately, if needed for remedial actions to be taken (Reddy, 2009; Lucey 2009).

The objectives of budgetary control can be summarized under the following- to coordinate, to communicate, to control and to plan (Reddy, 2009). In terms of budgetary control, the organisation aims to control the outcomes of its planning and target setting exercise that led to the development and use of its budgets. In corporate setting controls exist on many different levels (Duncan, 1998).

The key to the success of budgetary controls lies by means of use of budgets and taking needed action as a result of having used them.

2.1.3 Methods of controlling cost using budgets:

1. Link the planned activities for each expenses within department

This method can include the evaluation of the monthly budget to monthly expenditures or cost to yearly planned totals (Bragg, 2011). He went on to say that the yearly planned cost has some complications for the inattentive manager, since actual expenditures may be running well ahead of the plan for most of the year, but organization will not flag the difficult automatically until the whole year's budget has exhausted. Secret, (2013) urges that a evaluation to monthly planned statistics may effect in so many warning on so many financial records that other personnel will left only attending to the budget controls and put more workload of their responsibilities to the other staff.. The actual and budget expenses are compared, and investigate variance act immediately, if needed for remedial actions to be taken (Reddy, 2009; Lucey 2009).

2. To compare actual and budgeted results

This budgetary control system is to match actual results to planned results for the exact purpose of assessing the performance of the organisation (Foley, 2009). This approach the

actual performance is compared with standard or pre-defined data to determine the deviation and placing the responsibilities.

3. Control use of the budget to identify fraud

Nicola and Anca, (2010) states that the budget is commonly based on some years of actual reporting results, so except there are major deviations in activities levels actual expenses results should be objectively close to budgeted opportunities. If they are not inconsistency analysis is used to find out what occurred It is the process of comparing actual results to budget results and if there are significant undesirable variance, taking corrective action in an attempt to prevent these variance from recurring Roose, (2011).

4. Feedback loop

Bragg, (2011) feedback loop is done by issuing a chain of reports at the end of each reporting period that are designed specifically to match each responsibility centre. The approach can result in the making of lots or even hundreds of reports by bookkeeping department but the reports can be automated on most packaged accounting software systems, so that only the preliminary making takes up much accounting time.

2.1.4 Variance analysis

When the above budgetary controls has been exercised the may be need for variance analysis:

Variance analysis seeks to examine the elements that cause the actual outcomes to be at variance from pre-determined budgeted objectives (Drury, 2013). It helps the organisation differentiate between controllable and non-controllable items an identify persons or departments which are accountable for the variance. Bruce (2013), variances are analysed by each type of cost, by their price and quantity effects.

Budgetary control deals with the entire variance, the variance are calculated for the different departments or organisation as a whole. According to CIMA (2010) there are various factors that may cause variation which are long term trend for example changes in size or age structure of population, change in income and technology. Cyclical variations this is the way in which long term cycles in trade cause demand to rise and fall. Seasonal variations a way in which sales within a year follow a seasonal pattern. Finally, the random variations factors which are unpredictable and random affecting the sales for example hurricanes.

Budgetary controls use maximum resources to get maximum returns. It can perform the following roles in an organisation:

2.1.5 Planning

Dutt, (2009) prepares managers to plan the nature of their future activities. Planning is concerned how scarce resources are allocated to achieve targeted objectives. Drury (2013) defines planning as a budgeting system involving long range planning, formalized method for directing, and guiding future goals for period of more than one year. Budget is part of corporate planning. Having planned, we are half way towards controlling what we are planning for (Williamson 2009).

Drury (2013) states that there are short term and long term planning within the planning, decision making and control process. Planning is concerned with internal resource distribution to accomplish certain goals (Lucey, 2009). Planning includes setting actions and objectives to accomplish them. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This arises from the evidence system (Mocker, 2013; Lewis, 2008; Stoner, 2010) Good planning is categorized by clear aims and objectives. It must be comprehensive and simple. The plan should be flexible and well balanced so as to integrate changes in the resources and should be time assured. Properly enclosed plans tell when, what and how something is to be completed (Bhimani (2012).

Sound planning reflects significances and the preparation control cycle. Krishna (2009) state that the merits of planning can be seen as no confusion regarding targets remains as it deals with numerical goals, resources are utilized rationally and carefully to check the activities of the organisation to provide a better standard of performance.

2.1.6 Control

Control is the practise of making sure that a firm's accomplishments conform to its strategy and that its goals are attained (Drury, 2013). Control are used to provide evidence for assistance in defining the control action to be taken. According to Lucey, (2009) state control is concerned with the resourceful use of funds to achieve previous determined goals, or set of goals, contained in the plan. In a way controls are practised by the view of information on performance compared with plan. Strategic planning and operational control are linked through method of controls.

Anthony (2010) categorised control activities into three types which are management planning, strategic planning and operational control. The control of day to day operations is implemented by lower level managers. To control short term operations is essential because lower level managers are provided at rate of recurrence intervals with comprehensive comparisons of actual performance with budgeted performance (Drury, 2013). He went on to state that these comparisons cannot lead to actions that will rectify past events and the reasons for them will help managers to take actions that will avoid the same inefficiencies from reoccurring in the future.

This can be illustrated on control system below:

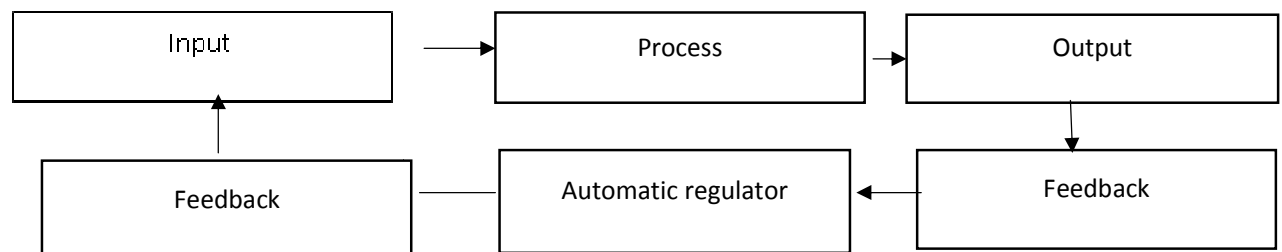


Fig 2.2 :Source: (Drury 2008:391)

Major merit of control Vigario, (2007) is that budgetary control is very accurate and helps to control the activities undertaking in the organisation. This was supported by Arora, (2009) who states that budgetary controls expose any deviation from budgeted standard and actual achievement immediately and proving the reason for deviation so that they can be controlled.

2.1.7 Coordination

Kinney and Raiborn (2012) states that state that budgetary control provide cooperation in various units in the organisation to enhance team spirit among workers. Since it comes under planning, it unites the activities of various departments. Through coordination all the activities of the organisation are checked and balanced according to the objectives of the organisation.

2.1.8 Communication

Hung & Chen, (2010) communication improves effectiveness of plan. This was supported by Ward, (2012) who also of opinion that a plan can only be effective if it is communicated to the person who should carry it out.

2.1.9 Merits of using budgetary controls

Budgetary controls aims at maximizing profits through effective planning and control of income and expenditure directing capital resources to the best and most profitable channel.

Clarity of objectives as it provides a clear definition of the objectives and policies to produce examination

Intelligent consideration of the events in the sense that it directs every activity of the enterprise towards the common goal set up by the top management. Budgeting creates plan mindedness in management, hence they consider future events intelligently. It is through budgets that action confirms to the policies and plans.

2.2.0 Problems associated with budgetary controls/Challenges affecting budgetary control

2.2.1 Weakness which give problems to budgetary control

Planning problems and operational problems come in the way of effective budgetary control system (Sahaf, 2009).

2.2.3 Guess work/ inaccurate figures impose limitations

Jacobsen, (2011) is of opinion that a budget is complicated guess work. Sahaf, (2009) supports the view and state that budget estimates are habitually wrong as they are centred on estimates and individual judgements. Its usefulness for being used as a standard for measuring the efficiency of various activities is questionable (Parthasathy, 2010). Deviations from standard may have serious effect on the personnel who performs those activities. Efficiency cannot be measured accurately when standards are unreliable. If figures are not related to reality, then little purpose will be served by using them (Ippolito, 2010). (Avis, 2009) concludes that the attainment of budgetary control depends on the accuracy of the forecast.

2.2.4 Hiding inefficiencies and wastages

Krishna, (2010) noted that budgetary controls may be used to hide inefficiencies and wastages. Most budgetary processes are costly and inefficient. It takes a long time to complete and by the time it is completed, it becomes slightly applicable or outdated as business environment has changed. A department may be inefficient even though its expenses are within the budget limits. Expenditure incurred in the past may become evidence for it in future, though it may be counterproductive (Gopal, 2009). Sharna, 2012 argues that the installation of budgeting system is costly even a economically sound enterprise must embrace the budgeting system after examining properly the cost and paybacks of the system. (Guthrine, 2009) under budgetary control system every budget centre aims to achieve targets

set for it without taking into concern the targets set for other budget centres and overall objective of the budgetary control. This will result in the conflict which ultimately interrupts the efficiency of the budgeting system. (Hofstede, 2012) mention that sometimes budgetary control cost exceeds the benefits obtained.

Budgetary control system involves a lot of paper work which the technical staffs continuously reset because it requires a lot of time, money and efforts. It does not fit their areas of specialisation. Other personnel also keep themselves busy in preparing budgets for almost a year. Therefore, the other managerial works suffer. (Thomsett, 2009) budgetary control is time consuming as a lot amount of work is lost in evaluation and review of the budgets.

2.2.5 Inflexibility budgetary structure

A good plan does not necessarily yield a good control. Increasing difficulties encountered by organisations trying to controlling their budgetary control have been caused by presenting a fixed budget that is pre-set and unchanging target (Gopal, 2009). In a very dynamic, rapidly changing, innovative environment, budgetary controls system has an inflexible structure which may result in it becoming rigid that it loses its usefulness (Sahaf, 2009). Existing literature has evidently revealed that (Odango, 2013). A budget becomes out of date prior or when used, in so doing not providing managers with helpful information for decision making Krishma (2010). A budget may come to be outdated in the course of the budget year or even before it initiates thus interpreting slight or no value to its intentional purpose. Present day economic atmosphere demands that business bring into the light new practices. Presented with the new competitive certainties, there is necessity for organisation to embrace flexible and adjustable budgetary planning and control structure which has the capability to swiftly In addition, because of the budgetary control inflexible systems, budgets causes the budget holders not to react to uncertainties (Niase, 2014). (Maheshwari, 2009) concludes that

because of inflexibility it is not possible to accommodate changes. In this way the non-inclusion of changes makes it difficult to implement the budget.

However Goyal, (2010) states that in a dynamic environment firms may make use of flexible budgets. A flexible budget is the one which changes as per the change of circumstance. ICMA, (2010) defines as “flexible budget as a dynamic budget which is intended to change with the level of activity achieved.” Arora (2009) went on to say that this budget is centred on the theory of cost variability in the sense that it is flexible in nature and can be prepared at different levels of activity.

2.2.6 Pressure device

Drury, 2013 is of opinion that budget goals sometimes are reflected as a pressure strategies which lowers morale of the personnel. Budgetary controls lowers down the morale of the people particularly when the budgetary control system does not operate properly. A research on the problems facing budgetary control systems in developing countries by OECD, (2010) showed that budgets can be unsuccessful because of reasons such as budgets used as pressure tool, central decision making process, lack of job security and bosses’ lack of training. This was also supported by Jacobsen (2011) who state that budgetary controls are cup able of being used as a pressure device by superiors and seen as a pressure device used on subordinate. The quality of budgets is related with the intelligence, skills and experience of the budget persons (Mckinsey, 2013). The system may create bad feelings unless conscious and systematic efforts are made to educate employees about the positive aspects of the system and to dispel the suspicions and fears among employees.

2.2.7 Human limitations

Kumar, (2012) states that the cooperation of all employees working in the enterprise is required to make budgetary control successful. But it is not always possible to get the cooperation of all the employees. Hofstede, (2012) an organisation’s employees are often

have a negative attitude towards budgets. Thus, for many people, budgetary controls represents limitations that are imposed on them and also a means by which others watch over and control their performance. Kumar, (2010) is of opinion there is chance that departmental supervisors may adopt self-justifying attitude when adverse deviations are brought to their knowledge. They may blame either the reliability of the standards or pass the blame to other departments. Margison and Ogden (2010) states that other results may be blame shifting between managers, budgeting staff, production staff and sales staff, internalise pressure. This may results in many problems and conflict in the organisation. This was supported by Dutt, (2009) is of opinion that if any deviation occurs in the budgetary controls the department managers may put the blame on other managers thus creating conflicts between them. Hudes, (2009) described budgetary controls as an endless cycle exercised by continuous unresolved conflict between top management and lower management.

2.3.0 To establish the financial performance

Performance measure return on investment the results is compared to a yardstick (Roose, 2011)

2.3.2 Financial performance

Randhawa, (2012), performance refers to the achievement of a given duty measured against pre-set values of accurateness, completeness, budget, and speediness. Landy and Conte (2010) supports this view stating that performance include organisational strategies and objectives and measurement of the actual results this is achieved through communication between supervisors and subordinate. However, Bellandi, (2012) is of opinion that there is no common definition of performance in accounting pronouncements, this was in same view with Enos, (2012) who state that performance are suggested by decision makers, organizational leaders and students of organizational management and performance.

Mulford and Comiskey (2011) is of opinion that financial performance refers to the extent to which financial objectives being achieved. It is the method of assessing the outcomes of an organisation's policies and procedures in financial terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance are the approaches and methods adopted by the organisation in aim to identify how it can improve profit and financial benefit of the company (Boughzala and Ermine, 2010).

The financial performance of a firm may show position at which the firm is through the statement of financial position and may reveal a series of activities over a given period of time as in the case of statement of comprehensive income (Baker and Powel, 2010). According to Leach and Melicher, (2014) the financial statements which are balance sheet and income statement helps the financial users such as financial analyst, investor, management, shareholders and other stakeholder in analysing the financial performance of an organisation. He went on to say that the balance sheet given a point of time it reflects the financial performance of the firm and the income statement summarise firms revenue and expenses over a specified period, ending with net profit or loss for the period. However, Fridson and Alvarez (2010) urges that the financial statements does not reveal all information related to the financial operations but only gives useful information which highlight financial soundness and profitability.

The financial analyst assess organisational profitability performance, social performance, liquidity performance, productivity and production performance, fixed assets performance, working capital performance and fund flow performance (Bini and Daineli, 2011). External analyst used published financial statements and internal analyst have access to information

related to the organisation and books of accounts and could take corrective actions where necessary (Epstein and Jermakowicz, 2010).

Epstein et.al (2010) states that analysis of financial performance can be possible through the use of accounting techniques such as cash flow analysis, CVP analysis, trend analysis, ratio analysis and financial trend analysis.

2.3.3 Performance of tobacco industry

Tobacco performance global, the national, and the local had been affected adversely over the past 10 years. Tobacco is grown in more than 100 countries, including about 80 developing countries. In a competitive market, the supply of tobacco is determined by the price of tobacco and production costs of tobacco relative to its competing crops. Real prices of tobacco have fallen in most countries, but much less rapidly than prices of other agricultural crops and basic commodities. Tobacco is one of the most profitable crops in many countries. For example, in Zimbabwe, tobacco is roughly seven times more profitable than the next-best crop (Marvanyika, 2010). In the United States, the net return of about \$2000 per acre from growing tobacco far exceeds the net return for most other crops. Tobacco is a cash crop for many farmers in developing countries. Thus, tobacco has been a crop that farmers prefer to grow in nearly all producing countries. The performance of tobacco industry is affected by is depended on demand, supply, and trade of tobacco leaves, demand for cigarettes, cigarette advertising, cigarette taxes, social costs of smoking, economic significance of tobacco industry, and farm issues associated with tobacco control.(Grise, 2009). Many economists once viewed cigarette smoking and other addictive behaviours as irrational and therefore not suitable for conventional economic analysis.

The campaigns against cigarettes smoking by world health organisation (2005 2012) found that the income elasticity for cigarettes fell over time. And because Zimbabwe tobacco relies on exports it has affected the performance of tobacco.

2.4.1 To identify the cost drivers

Cost driver refers to the driving force hidden behind cost, or refers to the factors that cause occurrence of cost (Chen- Tsung 2009). Fang and Kumar, (2012) the unit of an activity that pushes the change of cost in manufacture or servicing is a cost drive. Cost driver is to any activity that causes a charge to be incurred. The cost driver used to allocate overhead costs to cost objects relates to quantity of output. Cost driver is a factor, such as the level of activity or volume, which causally affects costs over a given period of time.

Drury, (2013) states that there are volume based cost drivers and non-volume based cost drivers. Volume based cost drivers is directly related to units produce for instance machine hours and labour hours. They are suitable for evaluating the used expenses such as indirect labour employed in production. Non volume based cost drivers are not activity based for example set ups.

In allocation of costs, the cost drivers are extraordinary importance (Rodgridhez and Stoner, 2002). Cost driver is a factor which has a systematic connection with a specific type of cost and the cost of that cause. The cost drivers are a key factor in describing of changes and rise of cost. It is important to allocate the appropriate cost drivers in relation to the activities by identification of overheads, analysing the activities that represent the epicentre of cost and defining the activities and the parameters of their cost drivers (Blagojevich et al, 2010).

Cost drivers are used to analysis and trace operating cost and capital cost drivers (Shil and Das, 2012)

2.5.0 Relationship exists between budgetary control and organizational performance.

2.5.1 Budgetary controls tool for measuring performance

Budgetary control system provides a tool for measuring the performance of various departments. The performance of each department is reported to the top management helping them to set the objectives. The up-to-date performance is compared with the previously budgeted performance to ascertain deviations so that corrective measures are taken, well at the right time. Helping the management to and maximise profits economise costs (Lucey, 2009).

Reddy urges that , (2009) budgetary control involves establishing a budget, record the actual performance, compare the actual performance with that of budgeted, compute the variances and investigation the cause for inconsistency and act instantly, if needed, for remedial actions to be taken.

Budgetary controls tool for monitoring performance

Budgetary Control is a preventive procedure against misuse of resources in terms of measures and rules that create the limitations of financial performance. According to Drury (2013), budgetary monitoring and control process is a methodical and unceasing one which, is categorised by the following stages,

Set up targeted performance or level of activity for each department of the business by way of set objectives to be achieved improves the observing of the firm's performance.

Effective communication so that information may flow freely to stakeholder in order to achieve targeted objectives at the end of the period. Checking actual returns or expenses information prepared through continuous contrast and evaluation of budgeted performance and actual performance and often report deviations to accountable managers. It aids in knowing the reasons for the variances between budgeted and the actual performance and taking the appropriate remedial actions (Olayinka and Osundia, 2012). Budgetary controls increases firms's activities assessment.

2.6 Summary

This chapter provided an overview of literature on budgetary controls, various theories and procedure associated to budgetary controls were evaluated with the aim to examine the problems experienced with the respect to implement effective budgetary controls. The next chapter emphasizes on the suitable research methods that the researcher used to gather information.

CHAPTER THREE METHODOLOGY.

Introduction

Methodology is a grouping of conceptual framework method of data collection, and manner of analysis that collectively gives the basis for the technical study of subjectivity (Salkind, 2010). This chapter outlines the several ways, skills and methods employed by the student to enable gathering and collecting of relevant information and examination. It is composed of the research design, area of study, sampling, sampling procedures, sources of data used, data collection procedures and data analysis procedure. This section outlines also the justification of the research methodology used to conduct the research.

3.1 Research Design.

Research design is the logic of social inquiry (Brynnner and Stribley, 2010). Research design is related to the identification and formulation of the problems (Mooi, 2011).A descriptive research design was taken to establish the relationship between the budgetary control and performance.

3.1.2 Descriptive research

Fitzpatrick et.al (2012) 'descriptive research involves collecting and or analysing data to characterise a group, concept or phenomena. It can use quantitative or qualitative

methodologies'. Descriptive research is an effective way to obtain evidence used in developing hypothesis and recommending associations (Moisen and Horn, 2008). Gravetter and Orzano, (2012) says that descriptive research typically involves assessing a variable or set of variables as they occur. It is concerned by the explanation of individual variable. Johnson and Larry, (2010) went on to say that the focus of descriptive research is on defining the variable that occur in a given circumstances and sometimes on defining the relationship that exist between individual variables.

The main drive of descriptive research is to make available an correct explanation of the status, characteristics of a phenomenon (Johnson and Larry, 2010). Thyer argues that descriptive research attempts to define characteristics of a sample and relationship between phenomena, circumstances and occasions detected by the researcher. Mooi and Sarstedt, (2011) agrees and states that descriptive research is about describing certain phenomena, characteristic or function.

3.1.3 Casual research design

Zikmudd and Babin, (2012) states that casual research seeks to identify causes and effect relationship to demonstrate that one event really makes another happen. Casual research is used to obtain evidence of cause and effect relationships (Reddy and Acharyulu, 2009). Bhujanga, (2011) supports stating that casual research aims at identifying the reason and consequence between variables.

Casual research is suitable for the determination of indicating the variable that cause which is independent variables and which variables are the effect that is dependent variable of a occurrence. It is also appropriate in define the nature of the link between casual variables and the outcome to be predicted (Reddy and Acharyulu, 2009). Casual research attempt at establishing the appropriate order of happening that forms the casual sequence and thereby

provides a means of measuring the variation between cause and effect and it further provide explanations in regard to the effect (Bhujanga, 2011).

3.2 Population of the Study.

Population is the full set of characters to which outcomes of the study are to be determined.

Population is defined by Quinn and Keough (2009) as the collection of all the possible observations of interest.

3.3 Sampling

According to www.edu.com 09/09/14; 12:51 sampling is the method by which conclusion is made to the whole by study a part. The drive for sampling is to offer various types of arithmetical evidence of a qualitative and quantitative nature about the population by examine a sample.

3.3.1 Sample size

Sample size is the total opinions in the sample. The sample size at TSF:

Table 3.1

Department	Population	Sample	% Representation
Company Accounts	11	10	90%
Growers accounts	10	6	60%
Administration	5	2	36%
Selling	12	5	41%
Data capture	10	8	80%

Marketing	7	4	57%
Total	55	35	63%

3.2.2 Sample

The collection of observation we take from the population is called a sample. Moule and Goodman (2009) states that a sample is a subset of population, selected through sampling techniques. A sample is a selected sub set selected from the entire group in an order to understand the features of the group (Johnson and Christensen, 2010).

3.3 Sampling methods

Sampling techniques which were used in the study to determine the specific individuals who constitute the sample. The sampling procedure constitute the probability and non-probability sampling methods.

3.4 Non-probability sampling

Marlow, (2010) states that non-probability sample allows the student in research to select the sample in accordance to the environment of the research problem and the occurrence under study. Non probability is cost prohibitive or otherwise infeasible, researchers can use a non-probability sampling method (Andrew et.al, 2011)

3.4.1 Judgemental sampling

Judgemental sample needs professional experience for the selection of the sampling locations. Data from judgemental sampling is often the basis for more systematic field measurements and sampling in selected parts of the size (Envirch, 2009).

3.5 Data sources

3.5.1 Primary data

Burt et.al (2009) states that primary data are obtained from the organisation that is initially collected the data. Primary data means data collection can be fit to the specific requirements

of the study, enabling strategic decisions on how best which information and from whom. Primary data are collected at the time of and specifically for the purpose of measuring some type of descriptive or outcome information (Salvia and Terhoar, 2014). Primary data is collected through interviews, questionnaires, focus groups, observation, the examination of primary sources such as writings of speeches, or a variety of other such as collection methods (Vartanian, 2010).

Primary data collection methods can be quantitative or qualitative.

? Quantitative data collection- involves the collection, aggregation and analysis of numerical data that can be expressed in numerical form.

? Qualitative methods focus on collecting, synthesizing and interpreting data and attributes of data as expressed in words rather than numbers.

3.5.2 Secondary data

Thyer, (2010) states that secondary data examination is the reanalysis of present data for descriptive purposes. Information that has previously been collected, typically by other scholars is secondary data (Burt et.al, 2009). Mann, (2010) secondary data is obtained from a source that did not originally collected from the entity. The sources are those that have been collected for a purpose other than the researchers' purpose and may or may not have been collected at the same time as the project implementation.

However, the major disadvantage of relying on secondary data is loss of control over precision of definition of relevant variables because the data are not collected gathered expressly to suit the purposes of the needs assessment at hand.

3.6 Data collection instruments

Data collection mechanism refer to the structure in which the data are collected and techniques or instruments that would appropriately measures variables the researcher wish to investigate (www.edu.com)

3.6.1 Questionnaires

Moltby et.al, (2014)questionnaires can be used to collect quantitative and qualitative data. A questionnaire defines questions to be asked, the possible answer, the order in which the questions must be asked and the conditions under which the questions have been asked (Bethlehem and Biffignandi, 2011). Questionnaires can be used to gather information about large numbers of respondents and from samples. David and McNabb, (2013) states that questionnaires can be premeditated to regulate what general public know, what they think or how they intend to act. They can size people's opinions, attitude or motives for behaviour in certain ways.

Types of questions

Open- ended question

Weissman and Hendrick, (2014) argues that open ended questions stimulate verbal exchanges, best questions are those that draw respondent out and prompt them to elaborate. Open ended question have many possible answers, but have single correct answer (Kostelnik, 2014). Open ended questions helps responded to approach work with open mind and not to set of preconceived notions (Bernhardt and Creise, 2014).

Closed ended question

Rimondini, (2010) states that closed ended questions are those that suggest a yes or no response or a involuntary select among the two or more requests. The respondent is requested to choose an answer from among a list provided by the researcher (Babbie, 2012). Hence they are necessary to examine skilfully areas and can be very beneficial if skilfully used and can give fast and intently focused evidence that can be extremely important at some stages of the assessment. Closed questions give the researcher facts, are easy to answer and

keep control of conversation with the respondent (Chang 2012). Closed questions are the ones which the response alterations are pre-specified by the researcher.

In this research closed question will only be asked on the extent at which those who has other information to add at the end of open ended questions.

However closed questions are difficult to design, there is loss of spontaneity in respondents' answers and they may be irritating to respondents when they are not able to find a category that they feel applies to them.

3.7 Likert scale

Offredy, (2013) likert scale is intended to determined the view or approach of a subject and comprise of a number of reports with a scale after each report. Likert scale consist of a chain of statements, with each statement tracked by a number of ordered response changes (Monette et.al, 2013). Erwin, (2014) states that likert scale takes the form of a chain of speeches that are rated on a five opinion measure. Likert scale questions contains a statement followed by a list of five category choices:

Strongly agree	Agree	Undecided	disagree	Strongly disagree
1	2	3	4	5

(Liu, 2010). Likert major advantage is their simplicity (Michie, 2014). However, validity may be difficult to demonstrate.

3.7 Interview.

1.Face to face interview

www.edu.com 14/09/14:12:05 conversation in which the student researcher asks inquiry of one or more individuals from whom material is required for research is identified as an interview.

The advantages of using the interview techniques approach are that the respondents can expand on areas of interest. An interview allows the interviewers to note stated and non-stated actions of the respondents. Keogh (2009) also supports that an interview is a way of obtaining personal information, attitudes, perceptions and beliefs. However, conducting a interview technique other participants may not respond to all questions and is time consuming.

3.8 Data gathering procedures

The student was allowed the permission to carry a research at the institute earlier, the implements were controlled to the respondents.

3.9.1 Questionnaires administration

The questionnaires were hand delivered to selected employees who include eight top managers and fifteen middle managers. Several follow ups were done by the researcher to retrieve the questionnaires back. Some respondents were busy however the student had to kindly explain and ask the respondents for their cooperation in completing the questionnaires.

3.9.2 Interview administration

Appointment was made in advance by the researcher so that the respondents could spare their time for the interview. The top management team were the targeted sample who were

interviewed. The interviews were done in order to compliment the questionnaires to ensure validity of data as well the reliability of information.

3.9.3 Validity and Reliability of research instruments

Reliability is the degree of consistency and precision or accuracy that a measuring instrument demonstrates. According to Fraenkel et.al, (2010) a reliable instrument is one that gives consistent results.

Validity deals with the relationship of data obtained to the nature of the variables being studied. The degree to which an instrument measures what it is supposed to measured is validity (Fraenkel et.al 2010)

3.10 Data Presentation

In this research both qualitative and quantitative data was obtained. Graphs, pie charts, and tables were used to illustrate research findings. Comments for both interviews and questionnaires were given after presentation of collected data on each graph, pie chart and table to analyse qualitative data from closed ended questionnaires.

2.1 1 Data Analysis

Descriptive analysis was used to describe the distribution and range of responses to each variable. Percentages, mode, mean and the median were used to analyses the results.

3.12 Summary

This chapter emphasis on the presentation of the data collected through interviews and questionnaires. Data in this section is offered in figures, tables and graphs.

CHAPTER FOUR DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter deals with Presentation, analysis and interpretation of data collected focuses on the presentation of data collected through the interviews, questionnaires and summary. Data in this chapter is presented in tables, graphs and figures. The chapter ends with a summary.

Response rate on questionnaires: Table 4.1

Questionnaires dispatched	40	100%
Questionnaires returned	35	87.50%

The table 4.1 shows that of the 40 questionnaires distributed to the TSF staff and only 35 of them were returned and 5 questionnaires were not responded to giving a total of 87.50% total response rate to the questionnaire.

Question (1): Sex

The questionnaire required the respondents to indicate their sex. The questionnaire was issued to both male and female TSF compliance staff. The responses are tabulated below:

Table 4.1.2

Gender	Sample size	Respondents	Percentage
Male	25	22	88%
Female	15	13	86.67%
Total	40	35	87.5%

The gender participates information can be presented in a **fig 4.1** below:

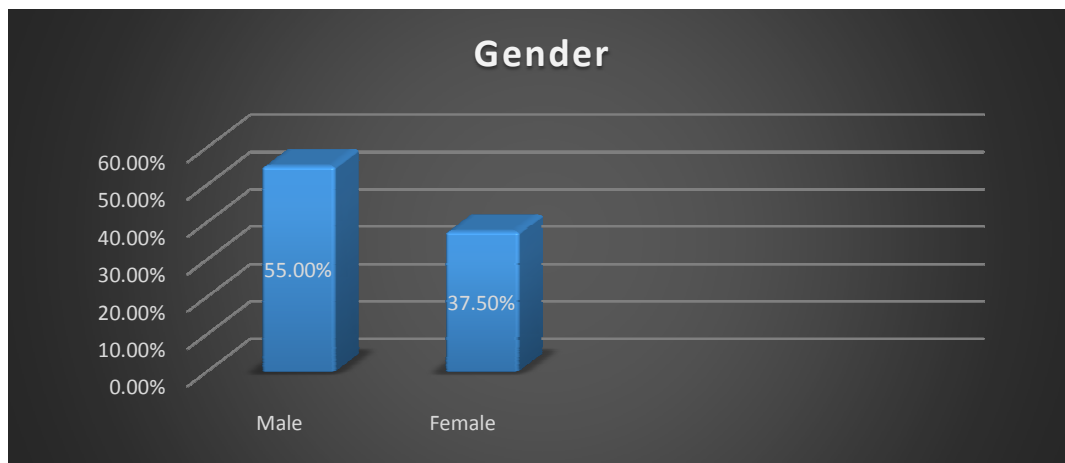


Fig 4.1 above illustrates 22/40 (55%) respondents were male and 15/40 (37.50%) respondents were female.

QUESTION 2: BUDGETARY CONTROLS AT TSF?

The research also planned to identify if the respondents were aware of the methods of controlling cost through the use of budgets at TSF.

Methods of controlling cost through the use of budgets: Table 4.2

	STATEMENT	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Total
a.	We normally compare budgeted cost with the actual cost at the end of	5	12	10	7	1	35

	month. Percentage	14.28%	34.29%	28.57%	20%	2.86%	100%
b.	We compare actual results to budgeted results for performance assessment Percentage	2 5.71%	2 5.71%	8 22.86%	16 45.72%	7 20%	35 100%
c.	We use the budget to control and detect fraud. Percentage	5 14.28%	8 22.86%	11 31.43%	9 25.71%	2 5.71%	35 100%
d.	We issue a series of reports at the end of each reporting period for feedback purposes. Percentage	2 5.71%	5 14.28%	14 40%	8 22.86%	6 17.14%	35 100%

We normally compare budgeted cost with the actual cost at the end of month

The data above illustrate that 5/35 (14.28%) strongly agreed that deviations are monitored weekly, 7/35 (20%) agreed, 10/35 (28.57%) were undecided, 12/35 (34.29%) disagreed and 1/35 (2.86) strongly disagreed.

The results revealed that 48% of the responders agreed that at TSF they compare their budgeted cost with the actual cost at the end of month. According to research conducted Secrett, (2013) states that they should be a link of the budget for each expenses within department and the actual expenses incurred for specific period. Bragg, (2011) was of opinion that the firm should conduct a comparison of the monthly budget to monthly costs or cost to annual budgeted totals.

Most responders 52% disagreed with statements of comparing budgeted cost with the actual cost at the end of month. In literature review, Secret, (2013) urges that a comparison to monthly budgeted figures may result in so many warning on so many accounts that other personnel will left only attending to the budget controls and put more workload of their responsibilities to the other staff.

According to the research the student made it reveals that TSF is failing to implement the methods of controlling cost as a larger percentage of 52% disagreed that they compare their

budgeted cost with the actual cost at the end of month which is leading adverse variance on expenditure.

We compare actual results to budgeted results for performance assessment

The response shows that 2/35 (5.71%) strongly agreed, 2/35 (5.71%) agreed, 8/35 (22.86%) were undecided, 16/35 disagreed and 7/35 strongly disagreed.

The results reflect that 4/35 (11%) agreed actual results are compared against budgeted results for performance assessment. In the research literature Foley, (2009) urges that organisation compare actual results to budgeted results for the specific purpose of evaluating the performance of the organisation.

The responders 89% disagreed on the case of comparing actual results with budgeted for performance evaluation. Thomsett, (2009) time consumed as a good amount of work is wasted in evaluation of performance and revision of the budgets.

The research conducted reveals that performance assessment is done at a lesser extent as this is reflected by the findings were disagreeing responders have a highest mode of 89%.

We use the budget to control and detect fraud.

The findings reviewed that 5/35 (14.28%) strongly agreed, 8/35 (22.86%) agreed, 11/35 (31.43%) were undecided, 9/35 (25.71%) disagreed and 2/35 (5.71%) strongly disagreed.

The results reflect that 36% agreed that budgetary controls are used to detect fraud. In chapter two Nicola and Anca, (2010) states that the budget is usually based on several years of actual operating results, so unless there are major changes in activities levels actual expenses results should be fairly close to budgeted expectations. If not variance analysis is used to find out what happened.

The majority responders in the sample of 64% disagreed with this view.

The research reveals that budgetary controls are not effectively implemented at TSF.

We issue a series of reports at the end of each reporting period for feedback purposes

The presentation above shows that 2/35 (5.71%) strongly agreed, (14.28%) 5/35 agreed, (40%) 14/35 were undecided, (22.86%) 8/35 disagreed and (17.14%) 6/35 strongly disagreed.

The results reflects that 20% of the responders agreed that TSF issue a series of reports at the end of each reporting period for feedback purposes. According to TSF meetings minutes they

showed that at the end of each reporting period reports are issued for internal use in evaluating organisation's performance and helping management making sound decisions.

QUESTION 3: WHAT ARE THE PROBLEMS ASSOCIATED WITH BUDGETARY CONTROLS AT TSF?

The research intended to establish whether challenges affecting the budgetary controls at TSF.

Challenge affecting budgetary controls: Table 4.3

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	There is flexibility of budget in structure Percentage	Nil 0%	Nil 0%	15 43%	16 46%	4 11%
b.	There is positive attitude among employees towards the budget Percentage	6 17%	8 23%	10 29%	5 14%	6 17%
c.	There is full knowledge about budget controls among employees Percentage	3 9%	5 14%	8 23%	9 26%	10 29%
d.	Failure to involve the finance function in the initial process. Percentage	5 14%	7 20%	9 26%	5 14%	5 14%

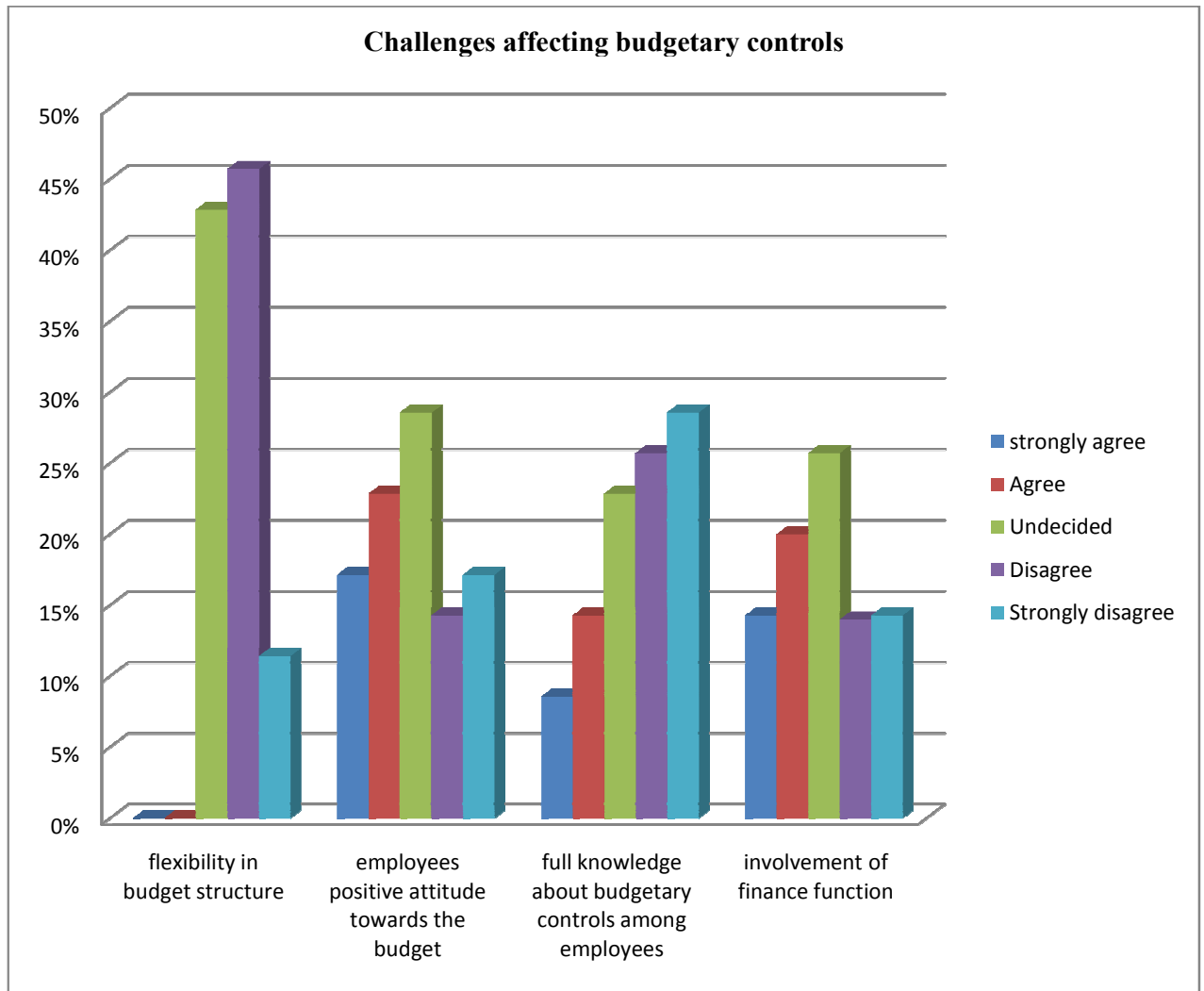


Fig 4.2

Flexibility

The data above illustrates that no one strongly agree or agree that the budget structure is flexibility, 15/35 (43%) were undecided, 16/35 (46%) disagreed and 4/35 (11%) strongly disagreed.

All respondents 100% disagreed that there is flexibility in the budget structure of TSF. Lucey, (2009) budgets are designed to remain unchanged even if output or turnover deviates from the plan. It has become a fixed performance evaluator.

0% agreed on flexibility of the budget. Gopal, (2009) state that in a world of continuous change and uncertainty, many of the increasing problems experienced by organizations' trying to manage their budgetary control procedures have been caused by presenting a fixed budgets (Pre-set and unchanging target).

It can be concluded that the research reveals that TSF budgets are fixed there by affected by the continuous changes in economic world.

Employees' positive attitude towards the budget

The results shows that 6/35 (17%) strongly agreed, 8/35 (23%) agreed, 10/35 (29%) undecided, 5/35 (14%) disagreed and 6/35 (17%) strongly disagreed. The response showed that there is equal positive and negative attitude towards budget at TSF.

The results reflects that 50% responders indicate that employees have negative attitude towards the budget. Drury, 2013 who is of the opinion that budget targets sometimes are considered as a pressure tactics which lowers morale of the employees. Budgetary controls lowers down the morale of the people particularly when the budgetary control system does not operate properly. This was also supported by Hofstede, (2012) who state that an organisation's employees are often have a negative attitude towards budgets. Thus, for many people, budgetary controls represents limitations that are imposed on them and also a means by which others watch over and control their performance.

The 50% responders agreed that employees have positive attitude towards the budget. Hudes, (2009) claims that employees have a positive attitude when they participate in the budgetary process and participation in of monitoring results.

The research indicate that employees at TSF have a fairly attitude on budgets.

Knowledge about budget controls among employees

The results revealed that 3/35 (9%) strongly agreed, 5/35 (14%) agreed, 8/35 (23%) undecided, 9/35 (26%) disagreed and 10/35 (29%) strongly disagreed.

The responses show that a larger number of 78% respondents disagreed that there are full knowledge about budget controls among TSF employees.

Data collected 22% agreed with OECD, (2010) stating that budget controls fail due to reasons such as less knowledge about budgetary controls because managers lack training.

QUESTION 4: FINANCIAL PERFORMANCE OF TSF.

The study sought to establish the financial performance at TSF. The questionnaire thus required respondents to indicate their views on the TSF financial performance. The diagrams below show the reaction of the respondents.

Table 4.4

	Statements	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Total
a.	We achieve most of our predefined goals Percentage	2	5	11	12	5	35
b.	We prepare monthly financial statements.	25	10	0	0	0	35
c.	The financial statements helps the financial users in evaluating the firm performance	9	22	2	2	1	35
d.	The financial statements made available to both internal and external users	14	17	2	2	0	35

We achieve the predefined goals



Fig 4.3

The presentation above illustrates that 2/5 (12%) strongly agreed, 5/35 (15%), 11/35 (30%) were undecided, 12/35 (37%) disagree and 5/35 (12%) strongly disagreed.

The smaller portions of the presented data are those agreeing (21%). Enos, (2012) state that performance are suggested by decision makers, organizational leaders and students of organizational management and performance.

The larger portion which disagreed. Drury, (2013) the objective of the firm is not only about improving performance.

The research can indicate that set goals of the TSF are not met.

Preparation of financial statements

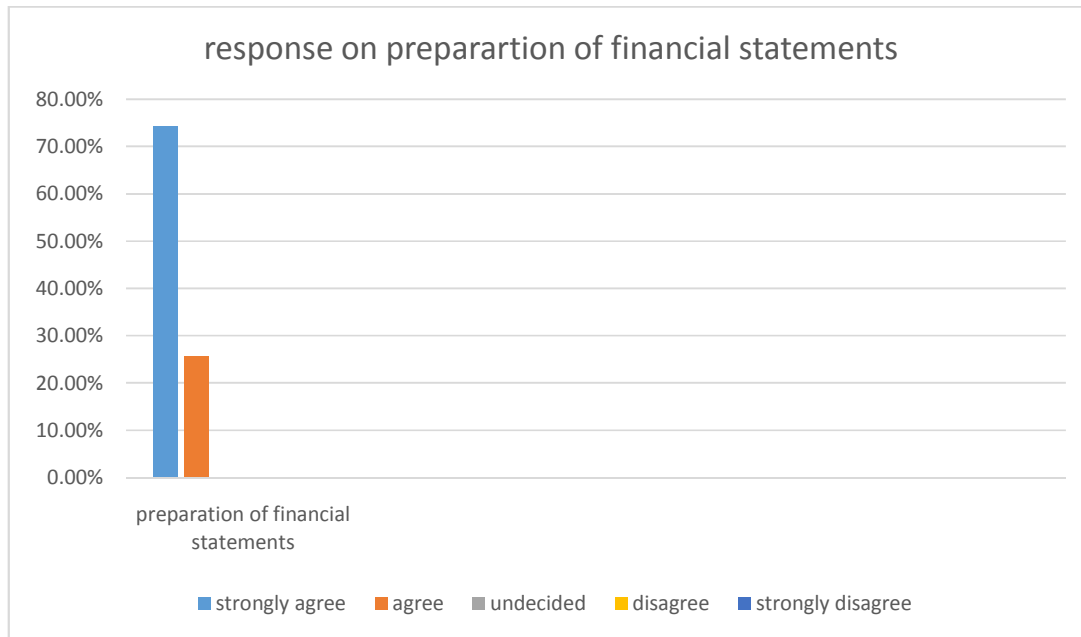


Fig 4.4

The results reflect that the whole group 100% agreed that the in TSF financial statements are prepared. Fridson and Alvarez (2010) firms should prepare financial statements to show its financial position and financial performance. The entire group agreed on the preparations of financial statements. TSF is a listed company it publish its financial statements in the financial gazette quarterly.

The research show that it is company policy to prepare financial statements.

The financial statements help the financial users in analysing the financial performance of TSF Preparation of financial statements

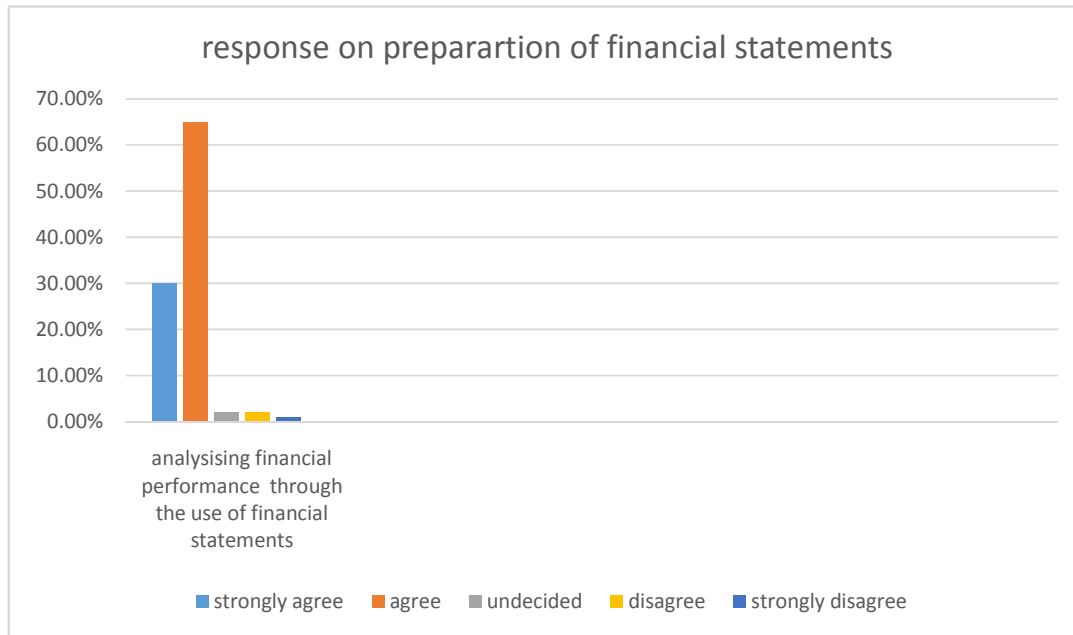


Fig 4.5

The information above reflects 30% strongly agreed and 65% agreed, 2% were undecided and 3% disagreed.

Those who agreed were 95%. Baker and Powel, (2010) is of opinion of the financial statements helps the financial users in analysing performance of an organisation. The meeting minutes of TSF show that the management make use of the financial statements in making strategic and operational decisions. Financial statements of TSF are published in the financial gazette quarterly to provide the financial analyst with necessary information to analyses the firm performance.

The responders who disagreed were 5%. Fridson and Alvarez, (2010) states that financial performance does not reveal all information on financial performance of the organisation.

It can be concluded that 95% of TSF personnel agreed that financial statements reflects financial performance of the firm.

Is the financial information made available to internal and external users?

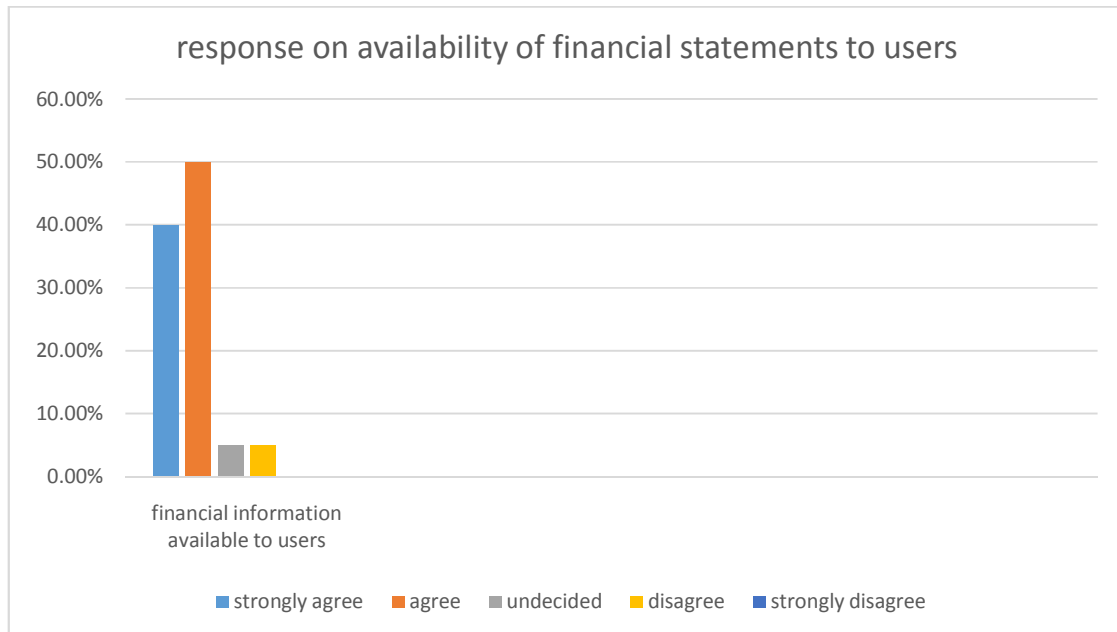


Fig 4.6

Agreeing responded supports Epstein and Jermakowicz, (2010) who is opinion that external analyst used published financial statements and internal analyst have access to information related to the organisation and books of accounts and could take corrective actions where necessary. TSF its published financial statements since it is a listed company on the Stock Exchange of Zimbabwe

Some information is confidential and cannot be of public knowledge only for top management (Bini and Daineli, 2011) this scholar was in agreement with those who disagreed

The conclusion drawn is that TSF make availability of financial information for the organisation.

QUESTION 5: WHAT ARE THE COST DRIVERS AT TSF?

The questionnaire required respondents to reflect their views on whether the cost drivers are clear and well defined.

Table 4.5

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	Cost drivers that determine the organisation cost are effectively identified.	Nil	Nil	15	18	2
	Percentage	0%	0%	43%	51%	6%
b.	Cost are classified.	Nil	Nil	12	10	13
	Percentage	0%	0%	34%	29%	37%
c.	Cost drivers are used to allocate cost.	Nil	3	16	12	4
	Percentage	0%	9%	46%	34%	11%

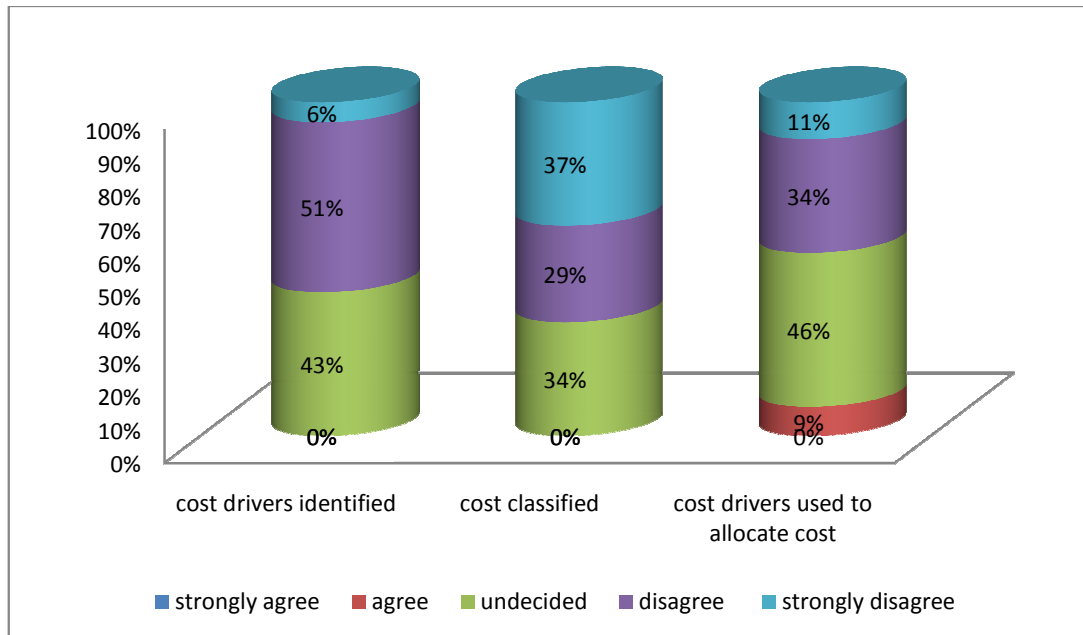


Fig 4.6

Cost drivers identified

The presentation illustrates that 0/35 (0%) strongly agreed or agreed, 15/35(43%) are undecided, 18/35 (51%) disagreed and 2/35 (6%) strongly disagreed.

0% agreed that cost are identified this means that no one at TSF agrees with (Chen- Tsung 2009) who states that the driving force hidden behind cost, or to the factors that cause occurrence of cost are cost drivers which an organisation should be able to identify.

It can be concluded that all respondent at TSF does not identify cost drivers.

Cost classified according to their nature

The data above 0/35 agrees, 12/35 were undecided, 10/35 disagreed and 11/35 strongly disagreed. Drury, (2008) states that there are volume based cost drivers and non-volume based cost drivers.

Cost drivers used to allocate cost

The results takes the review that 0/35 strongly agreed, 3/35 agreed, 16/35 were undecided, 12/35 disagreed and 4/35 strongly disagreed. It is important to allocate the appropriate cost drivers in relation to the activities by identification of overheads, analysing the activities that represent the epicentre of cost and defining the activities and the parameters of their cost drivers (Blagojevich et al, 2011).

QUESTION 6: THE FOLLOWING IS THE RELATIONSHIP THAT EXISTS BETWEEN BUDGETARY CONTROL AND TSF PERFORMANCE?

The study sought to establish the relationship that exist between budgetary controls and TSF performance. Questionnaire thus required respondents to indicate their views. The diagrams below show the reaction of the respondents on the relationship that exist.

RELATIONSHIP THAT EXIST: TABLE 4.6

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	We achieve most of our budgeted plans in my organisation Percentage	Nil 0%	2 6%	9 26%	17 49%	7 20%
b.	All the budgeted activities are implemented as planned and budgeted for Percentage	14 40%	9 26%	8 23%	3 9%	1 3%
c.	We met our previous year's budget targets Percentage	Nil 0%	Nil 0%	10 29%	13 37%	12 34%
d.	We spend in accordance to the planned activities Percentage	11 31%	17 49%	5 14%	2 6%	Nil 0%

Achieve most of the budgeted plans

The presentation above illustrate that 0% of the respondent strongly agreed, 2/35 (6%) agreed, 9/35 (26%) undecided, 17/35 (49%) disagreed and 7/35 (20%) strongly disagreed. Budgetary Control is the process of relating actual results with planned results and reporting on the variations

Most respondent disagreed that they achieve most of their budgeted plans

Budgeted activities implemented as planned and budgeted for

The results reflect that 14/35 (40%) strongly agreed, 9/35 (26) agreed, 8/35 (23) undecided, 3/35 (9%) disagreed and 1/35 (3%) strongly disagreed. Drury, (2013) for successful controlling of cost budgets should be implemented as planned

The majority had an opinion that budgeted activities are implemented as planned and budgeted for.

We met our previous year's budget targets

The presentation illustrates that 10/35 (29%) were undecided, 13/35 (37%) disagreed and 12/35 (34%) strongly disagreed.

Of the responders in the sample size 100% state that previous year's budget targets were not met. Gruen, (2010) is of opinion that achieving planned levels of income at the end of the period is not the only objective of an organisation.

The results shows that all the respondent disagreed that previous years budgeted target were met.

We spend in accordance to the planned activities

The findings reflect that 11/35(31%) strongly agreed, 17/35 (49%) agreed, 5/35(14%) were undecided and 2/35 (6%) disagreed.

The responders who agreed were 66% and agreed with 49% being the one with the highest mode. Krishna (2009) states that planning eliminate confusion regarding organisational target, and scarce resources are utilised rationally.

Major percentage respondents agree that TSF spend according to the planned activities.

Response rate on interviews

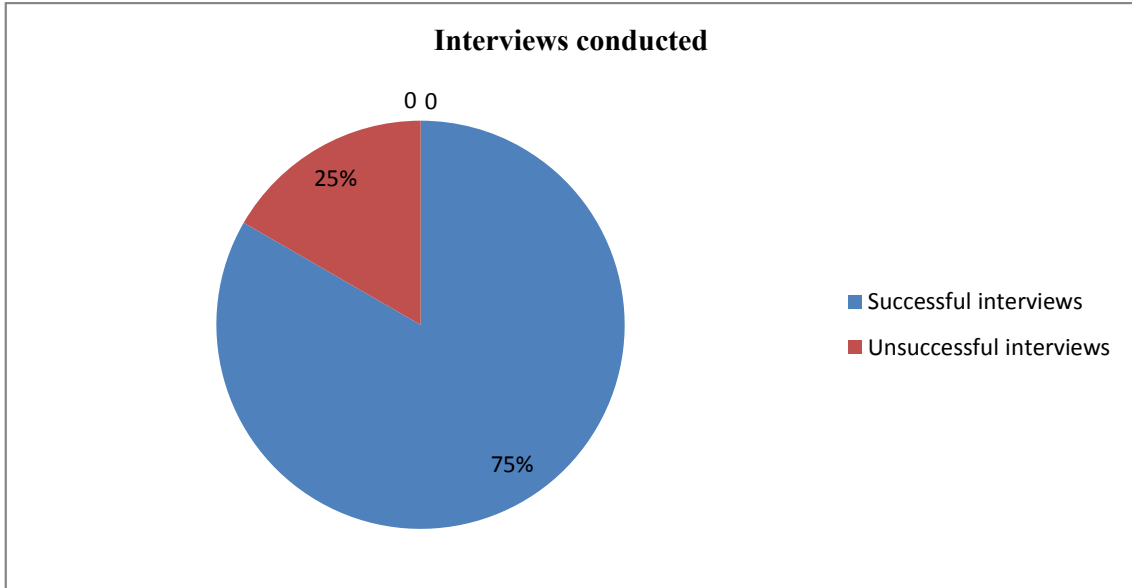


Fig 4.7Source: Research Data

Four interviews were scheduled and three were actually carried out giving a 75% success rate as illustrated by fig 4.1 above. Mosley (2013) postulated that a 15% response rate warrants an analysis of the results of any tested sample of data. The 87.50% and 75% response rates in both questionnaires and interviews respectively therefore give a platform to warrant the analysis of the findings.

Table 4.7

Instrument	Scheduled	Respondents	Percentage
Face to face	4	3	75%

As indicated in the table 4.7.1 above 75% of the responded were interviewed face to face.

Interview findings

1. Are there budgetary controls at TSF?

All of the responded interviewed 3/3 (100%) were of the same view that TSF has put in place budgetary controls. TSF uses budgetary control as a system of controlling costs through preparation of budgets. At the end of month TSF compare each department's budgeted expenses against actual expenses and they compare actual results with the budgeted results taking into not any divergencies and take corrective actions where necessary. Foley, (2009) control compares actual performance and budgeted, helping to kept expenditure within agreed limits. This concurs with the findings of Lucy, (2009) stating budgetary control as the process of relating actual results with planned results and reporting on the variations.

2. What are the problems associated with budgetary controls at TSF?

The responders were of opinion that the major problem is inflexibility of the TSF budgets. The respondent further illustrate that in a very dynamic, rapidly changing, innovative environment, budgetary controls system has an inflexible structure which result in it becoming rigid that it loses its usefulness for the organisation results in failing to achieve targeted objectives. This was supported by (Odango, 2013) who is of the view that budgets controls have myriad of challenges that can at times be a hindrance towards achieving the overall effects of budgetary control

The responders went on to state that problems are due to the fact that budget estimates are often wrong as they are based on approximations and personal judgments. Budgets estimates which will be controlled may be far from reality as more expenses may have incurred in preparation of receiving more revenue through tobacco leaves but the tobacco leaves might be destroyed by fire or hail storm in the fields. Avis, (2009) concludes that the success of budgetary control depends on the accuracy of the forecast.

Responders finally state that TSF staff have a negative attitude towards the budgetary controls. The responded says that all employees should cooperate in order for the budgetary controls to be successful. Kumar, (2012) states that the cooperation of all employees working in the enterprise is required to make budgetary control successful.

3. What is the financial performance of TSF?

All the respondent state that even though TSF is failing to achieve the set goal it's the financial performance is well considering it its market share price which has continuously increase.

The responders says that their financial shows the financial performance of TSF. Leach and Melicher, (2014) say that the balance sheet given a point of time it reflects the financial performance of the firm and the income statement summarise firms revenue and expenses over a specified period, ending with net profit or loss for the period. However, Fridson and Alvarez (2010) urges that the financial statements does not reveal all information related to the financial performance but only gives useful information which highlight financial soundness and profitability.

The responders states that they analysis the performance of the organisation with the financial trend analysis of the financial statements generated at the end of every month and with cash flow analysis. Epstein et.al (2010) states that analysis of financial performance can be possible through the use of accounting techniques such as cash flow analysis, CVP analysis, trend analysis, ratio analysis and financial trend analysis.

4. What are the cost drivers at TSF?

The respondent were uncertain about the question and this to the researcher show that the respondent had no knowledge about the cost drivers' inexistence at TSF

5. What relationship exists between budgetary control and organizational performance?

Responders were of opinion that budgetary control is established to control the budget by the managers so as to increase the performance of TSF. This is in harmony with Nicola and Anca, (2010) who says that budget is a management instrument used by an entity, to ensure the dimension of the objectives, revenues, expenses and results at the management centres level.

They highlighted that the existence of budgetary control practices at TSF improves organisation performance as it respond to divergencies from planned outcomes. Scarlett, (2008), Abnormalities should be noted and remedial action taken. Thus if there are significant undesirable variance, taking corrective action in an attempt to prevent these variance from recurring Roose, (2011).

Summary

The chapter dealt with data presentation, analysis and interpretation. The chapter looked at the personal profile of respondents and Likert scaling responses in detail. The chapter then

summed up the research findings. The next chapter, which is chapter 5 will deal with the summary, conclusions and recommendations.

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CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0. Introduction

The chapter reviews the whole study project. It includes a summary of outcomes assessed and available in the previous chapter as read with the study goals and literature. Appropriate recommendations were given in agreement to the study outcome. Areas of additional study are added up at the end of the chapter.

5.1 Chapter Summaries

The research aimed at investigating the effects of budgetary controls on firm performance a case study of Tobacco Sales Floor. In Chapter 1, the researcher defined the related of the study, research topic, study goals, study questions and importance of the research. Contribution of the study, limitations and delimitations of the research problem are highlighted together with the assumptions of the study.

Chapter 2 focused on giving theoretical foundation and framework of the research. The researcher highlighted the existing thoughts of the effects of budgetary controls on firms, definition of budgetary controls and importance of budgetary controls. Many scholars and authors on the ground of study studied suggested theories that were given by the researcher. Observations, speeches and statements renowned authorities and legends on the subject also found their way in the review. The researcher also reviewed problems associated with the budgetary controls on firm's wide world. In addition, the author highlighted the relationship that exist between budgetary controls and organizational performance. The prominent authors in this chapter were Colin Drury, Terrence Lucey, S.M Bragg and Reddy & Acharyulu.

In Chapter 3, the researcher looked at the research methodology. The research methodology were study design, investigation method, and population, sample and sample techniques. The student also defensible why she used the investigation instruments, like questionnaire. The research design used was descriptive research design.

Data analysis, presentations and interpretation were used on Chapter Four. The statistics were collected from TSF staff members. The investigation was obtainable using questionnaires and interviews. The data was offered using graphs, pie charts and tables the information was examined using measures of central tendency.

5.2 Major findings

- Inadequate knowledge about budgetary controls among employees at TSF

The major problem of the findings was the fact that 50% of the responded do not have adequate knowledge about budgetary controls implemented in TSF.

- Inflexibility of budgetary controls

It was found out that most of the respondents selected for this study agreed that the budgetary control at TSF is inflexible as they all disagreed that the budgetary controls have a flexibility structure. The findings revealed that all the responders of the interview responds that the inflexibility of the budgetary controls have a negative impact on TSF's performance.

- Corrective actions on deviations not taken on time

Another finding was that budget deviations and corrective actions, the major percentage responded agreed that deviations and corrective actions are noted monthly. This indicate that budgets deviations and corrective actions were not taken on time.

As a result of the above findings TSF does not achieve most of its budgeted plans.

5.3 Conclusion

It can be concluded that the objectives were met and research was a success in the sense that the highlighted areas of weaknesses and recommended strategies to be adopted by TSF to enhance performance through the use of budgetary controls.

5.4 Recommendations

In an effort to improve budgetary control voluntarily TSF may consider the following recommendations from the research study;

- Financial training to TSF staff

TSF should offer financial training to its staff on budgetary controls that has been adopted within the organisation and how they can be implemented to have a positive impact on the TSF's performance. A research on the problems facing budgetary control systems in developing countries by OECD, (2010) showed that budgets can be unsuccessful because of reasons such as bosses' lack of training, therefore staff should have workshops on budgetary controls.

- Adopt to flexible budgetary controls

In a world of continuous and uncertainties' especially in agriculture where there many factors like climate, TSF should make use of the flexible budgetary controls. Stoner, (2010) good planning is characterized by clear objectives and goals, the plan should be well balanced and flexible so as to incorporate changes in the resources and should be time bound. Goyal, (2010) states that in a dynamic environment firms may make use of flexible budgets. Flexible budgetary controls are desirable where business is subject to vagaries of nature, such as

seasonal selling products in the case of TSF being tobacco where the actual production depends on the supplies from the tobacco farmers and revenue depends on the demand of tobacco by buyers which are exports.

- Continuous monitoring of results

Finally, TSF should have a continuous monitoring of results, at weekly monitoring as it is associated with large volumes of data per day, any slack can be an opportunity for fraud. According to Drury (2013), budgetary monitoring is an unceasing process. Continuous comparison is made between the actual and budgeted result, to provide a basis for policy revision (Drury, 2013).

5.5 Suggested areas of study for further research

The research recommends that a further research of how budgetary control can improve organization's performance can be done. The forthcoming study ought to try to explore other elements other than budgetary control that affects the performance in Tobacco Sales Floor limited. There should also be an effort to gather data from other tobacco organizations'.

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WEBSITES:

APPENDIX 1



Midlands State University
Established 2000

Our Hands, Our Minds, Our Destiny

Midlands State University
Faculty of Commerce
Department of Accounting
P O Box 9055
Gweru

15 September 2014

Dear: Respondent

REF: REQUEST TO RESPOND TO QUESTIONNAIRES

My name is Chikuvadze Wayne a final year student at Midlands State University (MSU). I am currently undertaking a research on the topic: An investigation of the effects of budgetary controls on firm performance case study Tobacco Sales Floor Ltd.

This is being done in partial fulfillment of the Bachelor of Commerce Accounting degree and any information provided will be treated as confidential and used for academic purposes only.

Would you please kindly complete the attached questionnaire by providing ticks in the appropriate boxes and filling in the spaces provided.

Your views and contributions would be greatly appreciated

Yours faithfully

Wayne Chikuvadze
R11750C
0773518841 waynechikuvadze@gmail.com

APPENDIX 2

QUESTIONNAIRE: TSF staff

PART A: DEMOGRAPHIC CHARACTERISTICS

Instructions

Please do not write your names on this questionnaire.

Answer all questions on the spaces provided.

For given answers, please tick (V) in the box in order to indicate your response.

1. Gender

Male	
Female	

2. Please indicate your age category

Below 21	
21-30	
31-40	
41-50	
60 and above	

3. Indicate your highest level of qualification

O' level	
A' level	
Diploma	
Degree	
Masters	
Doctorate	

4. Which department are you in?

Company accounts	
Growers accounts	
Marketing	
Selling	
Data capture	
Administration	

5. Indicate your position in the Organisation.

Finance Executive	
Company accountant	
Growers accountant	
Marketing manager	
Sales manager	
Data capture manager	
Accounts clerks	
Head of department clerk	

6. For how long have you been working at (TSF)?

1-5 years	
5-10 years	
10 and above years	

7. Do you attend any formal financial training?

Yes	
No	

PART B: BUDGETARY CONTROL.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

	STATEMENT	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	We normally compare budgeted cost with the actual cost at the end of month.					
b.	We compare actual results to budgeted results for performance assessment					
c.	We use the budget to control and detect fraud.					
d.	We issue a series of reports at the end of each reporting period for feedback purposes.					

PART C: CHALLENGES AFFECTING BUDGETARY CONTROL.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	There is flexibility of budget in structure					
b.	There is positive attitude among employees towards the budget					
c.	There is full knowledge about budget controls among employees					
d.	Failure to involve the finance function in the initial process.					

PART D: FINANCIAL PERFORMANCE OF TSF.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

	STATEMENT	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	We achieve pre-set goals					
b.	TSF prepares financial statements					
c.	The financial statements help the financial users in analysing the financial performance of TSF					
d.	The financial information is made available to internal and external users?					

PART E: COST DRIVERS.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	Cost drivers that determine the organisation cost are effectively identified.					
b.	Cost are classified.					
c.	Cost drivers are used to allocate cost.					

PART F: FINANCIAL PERFORMANCE.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

	Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
a.	We achieve most of our budgeted plans in my organisation					
b.	All the budgeted activities are implemented as planned and budgeted for					
c.	We met our previous year's budget targets					
d.	We spend in accordance to the planned activities					

Please write any other information you may think helpful to the research or you any wish to raise here

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.....
.....

Thank you for your time, dedication and cooperation in this study.

APPENDIX 3

INTERVIEW GUIDE FOR MANAGEMENT

1. What are the budgetary controls at TSF?

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2. What are the problems associated with budgetary controls at TSF?

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3. What is the financial performance of TSF?

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4. What are the cost drivers at TSF?

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5. What relationship exists between budgetary control and organizational performance?

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.....
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Thank you for your time, dedication and cooperation in this study

