

The impact of budgetary control on job performance in an organisation accounting ...



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The effectiveness of any budgetary system depends not only on the appropriateness of its technical characteristics to the particular organisation and environmental circumstances to which it is applied, but also on the way in which organisational participants make use of information that it promotes. It is a common place that budgetary system is often ignored, sometimes manipulated and even falsified by those whom it is provided to. Rosen and Sneck (1997) Lowe and Shaw (1968), Mintzerg (1995), and Yetton (1967) indicate that dysfunctional behaviour frequently stems from the fact that the budget information provided by the accounting system does not adequately match the complexity of the underlying organisation and economic events, but it is also evident that distortion of information can occur even when the budgetary system itself is technically adequate. Such distortion is a consequence of the divergence of individual goals from those of the organisation and most commonly manifests itself in attempts to make budgetary reports reflect more favourably on an individual's contribution to the overall organisational performance.

Budgetary control is very important in the management of an organisation because it helps in achieving organisational goals. Once the final budget is agreed to, it becomes a plan against which the actual cost, revenue and performance are periodically reviewed and compared with.

Budgetary control is exercised by line management for control over cost through continuous appraisal of actual expenditures, using as a guide the planned costs as expressed in the budget. The principle is also applied to the various types of income and to items that affect the balance sheet, such as receivables inventories, cash, fixed assets, etc.

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Budgetary control is the preparation of targets or budgets for agreed areas of business. An area may be a functional management area e. g. sales, purchases or production it may be an agreed cost centre area, e. g. machinery assembly, planning which may consist of a machine, group of machines or a group of employees.

Budgetary control, as such, controls nothing. Management has a control “yardstick” and when the actual results are compared with the budget figure management should be prompted into action. The information can assist in controlling operations and improving decision making budgetary control of it will control nothing.

Budgetary control systems based upon financial measures are widely used in economic organisations. The principal designs for assigning financial responsibility in an organisation can be classified as follows: standard cost centre, revenue centre, discretionary expenses centre, profits centre and investment centre (Vanal, 1973). The order of this classification is from narrowest to broadest in terms of the decision making discretion permitted or required of the manager.

Budgets are financial plans and provide a basis for directing and evaluating the performance of individuals or segments of organisations. Through a budget, activities of different parts of an organisation can be coordinated and controlled. A control system typically incorporates measures and techniques which conform to the responsibilities delegated to managers under the organisation’s structure. As the decision making authority is decentralised and parts of an organisation become more autonomous,

managers will be responsible for more financial variables and financial control systems will be more complex in the sense that they will incorporate more variables.

Budgets are potential means of influencing behaviour control is the successful exercise of power to influence behaviour available to an organisation. Two other primary means to influence behaviour are interpersonal contact i. e. leadership, and organisational structure i. e. the distribution of authority and work roles. This study focuses specifically on the relationship between formal properties of organisational structures and budgetary control. This is in contrast to other studies of budgeting which examined the relationship between interpersonal variables and budgetary control (Decoster and Fertakis, 1968, Foran and Decoster, 1974, Hopwood, 1974, Swieringa and Moncur, 1972 and 1975).

Budgets in the organisation serve multiple roles of planning, evaluation, coordination, communication, and decision making. Participants in budgeting are another important issue because it reflects the degree of consensus, an important aspect of management style.

Budgets require management to specify expected sales, cash inflows and outflows, and costs, and they provide a mechanism for effective planning and control in organisation (Flamholtz, 1983). The budget is a standard against which the actual performance can be compared and measured.

Budgets are financial blueprints that qualify an organisation's plan for a future period.

Therefore, for the resources of the organisation to be effectively utilised, and for the objectives of such organisation to be achieved, the executive need to fully understand the importance of budgetary control.

Research Questions

What impact has budgetary control on job performance?

Do budgetary decisions determine the future destiny of the organisation?

In which specific ways does planning and control affect the organisation?

What is the type of budgetary control used on the application?

Do budgets represent an important part of the organisational motivation system?

Rational

To identify the planning and control system of the organisation.

To examine the existing budgetary control system that affects organisation job performance.

To outline the areas of budgetary control that requires further studies and problems encountered in carrying out such controls.

To find out causes of workers per attitudes and how moral the budgetary system.

To offer relevant recommendation that can help gear job performance in an organisation.

Methodology

The research design to be used in the collection of data would be primary and secondary source. The primary source would include personal experience, observation while the secondary source is the literature survey through the use of scholarly journals and relevant texts. The methods of data collection would be a self administered questionnaire.

Limitations

The study would be impeded by some inevitable circumstances like labour, transportation, as well as logistical problems in the process of data collection. Another limitation would be that the sample was therefore not strictly random or to convince the respondents to fill the questionnaire without delay.

Definition of terms

Budgetary control: it emphasizes the control of plans by comparing actual results to identify variances upon which corrective actions can take place.

Budget: is a financial qualitative statement prepared and approved before a defined period of time for the purpose of attaining given objectives.

Budget: the budget is a plan or target in qualities and/or money value prepared for a future period of time.

Performance: is the assessment of individuals' potential for future promotion.

Organisation: Schein (1983) defines an organisation as the planned coordination of the activities of a number of people for the achievement of some common, explicit purpose or goal, through division of labour and function and through a hierarchy of authority and responsibility.

Organisation: Robbins (1990) defines an organisation as a consciously coordinated social entity with a relatively identifiable boundary that functions on a relatively continuous basis to achieve a common goal or set of goals.

Significance of study

It is the aim of the study to have considerable significance in:

exposing the real impact of budgetary control on job performance

making significant recommendations to improve the budgetary system of the organisation

inducing the leadership of the organisation to set up constructive budgetary programme to alleviate redundancy

organisation cannot survive in isolation without individual supporting the effectiveness of the budget.

Statement of Hypothesis

The researcher formulated three hypotheses for this study. This is to determine whether the result of the research would accept or reject the hypothesis in question.

Hypothesis one

H0: Budgetary control is not significantly related to total organisational performance

H1: Budgetary control is significantly related to total organisational performance. Variables involved are:

Budgetary control

Total organisational performance

Hypothesis two

H0: Budgetary control does not significantly and communication among top and lower management.

H1: Budgetary control significantly and communication among top and lower management.

Variables involved are:

Budgetary control

Avenue for communication

Hypothesis three

H0: Budgetary control does not significantly improve proper planning and control of operations in organisations.

H1: Budgetary control has significantly improved proper planning and control of operations in organisations. Variables involved are:

Budgetary control

Improved proper planning and control

Scope of study

This study pays particular attention to the human aspect of budgeting which is the most complex, dynamic and unpredictable factors in the organisation

This study will also learn stakeholders about the use of budgetary control as a means of effective organisational control and to make decisions that will improve the overall job performance of the company.

Definition of the problem

The coordination of efforts and activities of individuals in an organisation is to achieve the desired aims and objectives of that organisation has long been one of management most important, difficult and controversial problem. Organisations are established to achieve a set of defined goals, when an organisation is set up, the authority which established it also assigned certain budgetary functions. For those functions and objectives to

be carried out the organisation has to carry its employees along. The following may pose problems:

Which budgetary control system is in place and how effective has this helped the management in making decision?

How has budgetary control helped in the application principles of:

Planning and control

Job performance

Will budgetary control furnish a standard to management? for ascertaining the performance of different parts of the organisation?

Historical Background of Budgetary Control? and Motivation.

Budgetary participants relates to the involvement of managers in the budgetary process and their influence over setting of budgetary targets (Shields and Young 1993) the argument that managers participation in budget setting affects job related outcomes such as performance is premised on two explanations. First, models based on psychological theories suggest that participation is related to performance through identification and ego involvement with the budget goals (Murray 1990). This in turn leads to enhanced motivation and commitment to budget (Vroom, 1964, Brownell and McInnes, 1986). Second, from a cognitive perspective, participation is seen to improve the flow of information between superior and subordinates, leading to higher quality decisions (Lock and Schweiger, 1979, Shields and Young, 1993). Similarly, participation may promote better performance

through facilitation of learning and knowledge acquisition (Parker and Wall 1998). There is evidence, however, that BP is not always beneficial. Previous studies have found that a variety of factors including perceived environment uncertainty (Gul 1991), job difficulty (Mia 1989), organisational structure (Gul, Tsui, Fong and kwok 1995) and budget emphasis in performance evaluation (Brownell 1982) may motivate the relationship between Budget Participation and managerial job related outcomes. For instance, Gul et al. (1995) found budgetary participation to be negatively related to managerial performance in less decentralised, (i. e. more hierarchical) situations. The role organisational culture perceptions, however has attracted only limited research attention. The importance of these perceptions was underlined in a three - case analysis undertaken by Flamholtz (1983). Flamholtz (1983: 168) concluded that ' if a firm's culture and its core control system are not synchronized, it is not likely that even a well integrated core control system will actually influence behaviour in its intended ways. More specifically, managers in one of Flamholtz's (1983) cases described their organisational culture as being highly rules oriented and tradition bound and therefore felt that budgetary participation was only " Pseudo". Therefore, when a zero budget cuts.