

**BUDGETING AS AN INSTRUMENT OF INTERNAL
CONTROL IN A MANUFACTURING
ORGANIZATION**

(A CASE STUDY OF AMA BREWERIES ENUGU)

BY

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ACC/2009/541

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ENUGU, ENUGU STATE**

AUGUST 2013

TITLE PAGE

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APPROVAL PAGE

This project on budgeting as an instrument of internal control in any manufacturing organization was supervised and approved in partial fulfilment of the requirement for the award of Bachelor of Science (B.Sc.) Degree in Accountancy.

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DEDICATION

I dedicate this work to God Almighty, who has always been my strength and my guide and also to my parents Mr. and Mrs. Odeghe and my two lovely sisters Abigail Odeghe and Elizabeth Odeghe.

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I am profoundly grateful to almighty god for the mercies he accorded me through my course of study and for guiding me through the completion of my course of study in the department of Accountancy Caritas University Amorji Nike.

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ABSTRACT

An efficient budgeting control system is one that produces the desired result. A balanced budget is the one that produces no variances but to achieve this, we are left to contemplation rather than a reality. This has become the problem of most of our manufacturing concerns in Nigeria. This study investigated the budget control and execution in manufacturing concerns in Nigeria with a view of appraising their efficiency. Out of a population of one hundred and fifty six drawn from the manufacturing concern, seventy eight were selected as the sample size using statistical sample tools (Taro Yamani). A questionnaire was designed and distributed to elicit information from the sample population; also data was sourced through primary and secondary sources. These data collected were presented and analyzed by means of tables and percentages. The hypotheses adduced were tested using such tools as chi-square. It was observed that manufacturing concerns do plan their profit so as to minimize losses though the procedure is not religiously carried out. However, it was discovered that the procedure is inadequate and inefficient. An inadequate budget procedure and execution causes a high accumulation of inventory thereby tying down the capital which could have yielded greater profit to the organization. Therefore there is need for the proper control of budgets in manufacturing concerns as to minimize losses and maximize profits.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to Enudu (1999), the business environment is characterized by a lot of uncertainties ranging from such factors as: Economic environment, political and legal factors, social environment, supply and demand forces, competition, consumers' attitude and technological changes.

A critical look at the performances of some of these manufacturing business organizations will reveal a lot of business failures as a result of lack of proper planning against these uncertainties.

According to Drury (2000), proper planning of business helps in reducing uncertainties thereby providing the management of these enterprises with a clear direction by determining their courses of actions in advance.

According to Pandey (2010), for any enterprise to achieve these goals and objectives, they must be managed effectively and efficiently. Management is efficient if it is able to accomplish the objectives of the enterprise and becomes effective when it accomplishes the objectives with minimum efforts and costs. One of the ways in which the management can achieve these objectives is through profit planning and control or budgeting.

According to Nweze (2011), Budgeting in its true word is the design of