APPLICATION OF BUDGET IN THE MANAGEMENT OF GOVERNMENT ESTABLISHMENTS: A CASE STUDY OF AHMADU BELLO UNIVERSITY, ZARIA

BY

JEMILAYE SUNDAY OMUYA
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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS'FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MR^Jl,

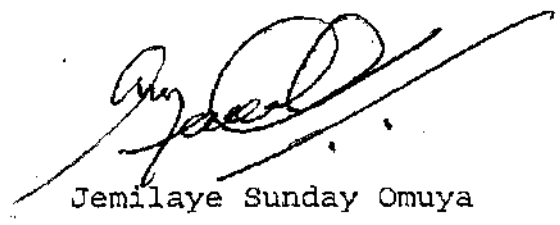
DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY,
ZARIA.

MARCH, 1999

DECLARATION

I hereby declare that this project is an original work of mine and that it has never been presented anywhere for the award of any degree.

However, where references are made to other sources, they have been duly acknowledged as notes at the end of the relevant chapter.



Jemilaye Sunday Omuya

CERTIFICATION

This project entitled "Application of Budget in the Management of Government Establishments: A case study of Ahmadu Bello University, Zaria" by Jemilaye sunday Omuya meets the regulations governing the award of the degree of Master of Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Supervisor — Date 12/02/99

(Signed) — External Examiner — Date 26/3/99

Head of Department — DEPT. OF BUSINESS ADMIN. INSTITUTE OF ADMIN. A.B.U. ZARIA. Date 7/10/99

Dean, Post Graduate School — Date 17/03/01

DEDICATION

This piece of work is dedicated to the memory of my late father Mr. Apata Jemilaye who, unfortunately for me, passed on to eternity at my infancy, and to my dear old mother, Madam Serah Jemilaye who had to struggle very hard all alone to provide for the foundation of my education.

ACKNOWLEDGEMENT

I thank God Almighty for His grace and mercy in seeing through this course successfully at such a time when life was a bit difficult for me. I give Him all the glory and adoration.

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My thanks also go to all the lecturers and other staff of the Department of Business Administration, Ahmadu Bello University, Zaria for their assistance throughout the period of my course.

I also acknowledge the moral and financial support of my elder brother, Mr. S.A. Jemilaye and his family as well as the love, care and support from my cousins, Mr. John Y. Umoru and Dr. Idris A. Lawal and their families. I thank all of them in deed.

So also I cannot forget the immense co-operation from all my colleagues and superior officers in Bursary Department, Ahmadu Bello University, Zaria as well as my numerous friends whose names I may not be able to mention individually for lack

of space. But I must not fail to mention the Acting Bursar, Alhaji A. Abdallah for allowing me have access to some documents which assisted me a lot in getting the data for the research. In addition, I must not fail to mention the name of my colleague and friend, Mr. Stephen Kwaya for his valuable contribution.

Last and not the least, I wish to thank Mr. Patrick Adeh for assisting me in typing the project on time despite his tight schedule.

Once more, I thank you all and I pray that God in His infinite mercy will bless each and every one of you. (Amen)

ABSTRACT

There are many establishments in Nigeria that depend heavily on government subventions for their operations. Many of our educational institutions are in this group of establishments. The various level of government expend huge amount of money in running primary, secondary and tertiary institutions annually. Most particularly the task of running a university is very enormous. It involves huge investments in capital projects as well as recurrent projects. This heavy financial requirements for many establishments may seem to be almost adequately met at the initial stage because the government usually releases enough funds for their take-off. Consequently, there are no much problem and things would normally work out well at this initial take-off.

With time however, it becomes highly necessary to do serious planning because it is soon discovered that what the government releases can hardly cover all the needs of the establishments. This planning is very necessary to remove wastage without incurring unnecessary costs. The planning exercise requires the involvement of the top management staff of the organisation. Finance being the life wire of the organisation especially has to be planned properly.

With the present economic situation of the country, any organisation that does not plan its finances properly is heading for the rock. Even individuals plan their finances at

the family level, business level or association level.

The essence of this study is to see how government establishments can help themselves by properly planning their finances with the use of a very important management tool known as budget. Budget is not a new phenomenon in Management. In fact, it is as old as management itself, but many organisations especially government owned organisations have not utilised this very important tool to its fullest value.

Hence this study is given the theme "Application of Budget in the Management of Government Establishments: A case study of Ahmadu Bello University, Zaria", and it is the believe of the researcher that it will contribute to knowledge in no little measure. The study has shown that although the university has proper budgeting procedures, it has no-installed adequate budgetary control system to curtail wastage of financial resources at minimal level.

Recommendations are therefore offered to ensure not only proper budget implementation, but also to provide for adequate fund utilisation.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It has been observed that several factors including fraud, badluck, unforeseen circumstances of nature and many others can cause failure in an organisation. But the most noticeable and probably the most important factor is poor management. If an organisation is composed of weak management team, then there is the high probability that such an organisation is not likely to perform well. On the other hand, an organisation that has a very strong management team will perform well and everybody will like to be identified in one form or the other with such an organisation.

For the purpose of this study and discussion, management functions are usually divided into the three sub-functions of direction, coordination and control. It might be well tc mention here that in the actual performance of the management function, it is impossible to segregate positively each of these sub-functions. In other words, it is not possible to dc the directing job without doing some coordinating and controlling. In the coordination process often through some form of inspection, considerable direction and control take place as well.

For the purpose of effective performance of the management, an organisation depending on its size, is divided

to some departments. Each department has its manager who is charged with specific responsibilities. Then there is the overall manager who coordinates the activities of all the various departments. The failure of a department can cause the failure of the entire organisation.

So, each of the departments has to perform up to expectation in order for the organisation to record a measurable level of success. In this regard, the manager of each department has to device several management techniques to assist him in the smooth operations of the department.One of such techniques is the use budget. The overall head of the entire organisation also employs the use of budget for the whole organisation. Thus, a manager can budget for staff, materials, equipments, sales, production, tools, and so on.

The application of budget in the operations of an organisation is very essential and many establishments can not afford to take it with a light hand. The design and use of budgets has a serious impact on the performance of organisations. Faulty budgets have caused serious problems for management in many establishments.

The application of budget has to be in conjunction with other management tools or techniques. In other words, budget can not be used in isolation; it has to be applied together with one or more other techniques to get the best results for the ogarnisation's operations.

1.2 Statement of the problem

Ahmadu Bello University, Zaria is one of the several government establishments that has to rely absolutely on the government subventions for its operations. Ahmadu Bello University, one of the federal universities in Nigeria, charged with the responsibility of promoting learning through teaching and research gets major part of its funding from the federal government. It is this funding that the university rely on to discharge its responsibilities of promoting learning with a view to providing skilled and semi-skilled manpower for the growing economy of Nigeria and other countries of the world.

The university also generates some revenues from other external and internal sources though these constitutes a minute percentage of its total funds.

Despite the huge funds of the university, it is sad to discover that the university can not meet all of its essential commitments every year particularly in the recent past. Prior to November 1995, the university was at the verge of collapse due to many problems that confronted its management. These problems all hinged on the finances of the university. There were so many uncompleted and/or abandoned projects, obsolete library books, journals, damaged offices and laboratory equipments that required replacement; deteriorating and decaying buildings that required rehabilitations; lack of chemicals and other working materials

and above all stinking environments. As if these were not enough, staff salaries and allowances were not paid promptly as at when due and in some cases were not even paid at all. In addition, bills payable to National Electric Power Authority, Nigerian Telecommunications Ltd, Water Board, Internal Revenue Board piled up to staggering sums.

All the problems eventually combined together leading to incessant crises in the university. The teaching and administrative staff were constantly at war with each other, with the university authority, with government, with the students and even with other people in the university community and environments. In fact many people developed hostile attitude within the university such that the work became seriously affected due to constant industrial and students unrest. Parents became more worried considering the facts that many students had overstayed the duration of their studies. The situation degenerated to such an extent that people became fed up with being part of the university or associated with it because everything almost came to a stand still. The above situation was the view of Daku (1998)[1].

With all these problems facing the university, accusing fingers were pointed at the management of the university that time. In most discussion regarding the causes of the crises, many people accused the management of financial recklessness. The university administrators were alleged not to have devised a proper way of judiciously spending the available

funds. The management of the university on the other hand blamed the government (National Universities Commission) for inadequate funding. The Chief Executive Officer of the University (ie Vice chancellor) also blamed the Bursar and in deed the whole Bursary Department most of the time supplying wrong and/or inadequate information which led the management to taking poor decisions concerning the finances of the university . There are still others like the vocal and critical members of the Academic Staff Union of Universities (ASUU) who blamed the top management of the university of mismanagement, misappropriation and outright embezzlement of university funds.

Having all these problems at the back of his mind the researcher decided to undertake a study of how the university management has employed the use of budget, a very vital technique in financial management in its attempt to manage the affairs of the university in some past years.

1.3 Objectives of the Study

The main objectives of this study are:

(a) To examine how budgetary system operates in Ahmadu Bello University.

(b) To look at those factors hindering effective implementation of budgetary control in the university.

(c) To suggest positive steps towards devising new strategies to curb wastage of government funds and other resources.

(d) To identify the strength, weakness and relevance of budget in the university.

(e) To explain in great depth the concept and process of management and budget.

(f) To proffer possible solutions to some of the management problems in regard to budgeting in the university.

1.4 Significance of the Study

This study is relevant to Ahmadu Bello University management, other Nigerian universities, other government management establishments, staff and students as well as other scholars who may be studying management related courses.

It has the following significance:

(a) It sheds more light on budget preparation and implementation

(b) It signals the way towards an efficient management through the use of budget together with other techniques.

(c) It will assist the management in its efforts of allocating its available resources to its various departments.

(d) It will help the management in developing ways of introducing control.

(e) It will provide a bench work for enhancing performance of management and subordinate staff.

(f) It will assist management in developing ways of evaluating the performance of the various deparments.

(g) It throws more light on how variance analysis can be derived from the use of budget.

(h) It creates a system of motivating or punishing functional departments who are charged with various responsibility in an organisation.

1.5 Scope of the Study

Though the objectives of budgeting are multi dimensional and far reaching; this study only intends to examine the effective potentialities of budgeting and the use of budget in the management of funds in government establishments with particular reference to Ahmadu Bello University, Zaria.

For the purpose of this study, analysis would be made of budget - its formulation and administration in Ahmadu Bello University, Zaria. So it will cover the main campus of the university that is responsible for the master budget ie collating the submissions from the various departments and organs to come up with a comprehensive estimates for the entire university.

This research study therefore covers a period of five years, from 1992/93 to 1996/97 financial years, a very critical period in the history of the university.

1.6 Limitations of the study

Conducting a research study of this nature is not an easy task. The research, therefore was constrained by lack of

adequate finance. It was undertaken at a time the economic hardship was biting hard on every Nigerian worker and the researcher had no sponsorship.

A second limitation was lack of adequate time for the researcher to make as many consultations as possible. The researcher has to apportion his available time to his full-time work, this research study as well as many family and domestic problems that required his attention at the time when the study was expected to be completed.

There was also the difficulties in obtaining some information because of poor record keeping by the university staff especially in the Bursary Department and some academic departments.

Lastly, the study was limited by possible biased responses from people interviewed and suspicious attitude of some top management staff at that very period when the university was operating under a highly volatile climate.

1.7 Research Methodology

Data inputs into this research work was collected from two principal sources which are generally classified into:

(a) Primary source

(b) Secondary source

Primary Data

For the purpose of this study, the major source of primary data was by oral interview, observation and actual

participation in the operations of the university for several years.

To gain an indepth knowledge of the concept the interview was divided into two sections. The first section dealt with the concept of budgeting. The aim among others was to collect information on how budget is prepared in the university. The second part of the interview dealt with the implementation and effectiveness of budgeting. Data were collected in two measures of effectiveness:

1. the curtailment of expenditure by heads of department to ensure that it is in line with approved estimates.
2. the analysis of variances where expenditure is over or below the approved budget. The ultimate aim in this regard is to discover the cause of the deviations and perhaps to take corrective measures.

Secondary Data

For the purpose of this research study, extensive use was made of secondary data include library books, periodicals, magazines, journals, newspapers, handbooks, and many other publications.

All the above sources contributed in no small measure to materials used for this research work.

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CHAPTER TWO

DEFINITIONS AND MEANING OF TERMS, AND LITERATURE REVIEW

2.1 DEFINITIONS AND MEANING OF TERMS

2.1.1 The term Management

Management is a new discipline and as such has not got a universally acceptable definition; rather different authors have defined it differently. However, each definition whether it contains few or many words is usually intended to convey the same thought and meaning.

Management therefore is thought of to be a social process entailing responsibility for the effective and economical planning and regulation of the operation of an enterprise in fulfilment of a given purpose or task. In broad term, management is a process which is concerned with seeing that the jobs get done and done efficiently.

In the attempt to get things done effectively, certain processes or functions are performed and these include planning, organising, staffing, co-ordinating, directing and controlling.

Management has undergone development over the years and in the modern content, the term is considered to have two distinct meanings. One has to do with the action i.e. the doing of something, and the other refers to the group of people in the organisation who are responsible for performing the action. In the action phase, management is the function of

nlooking after or overseeing the operations of an organisation. The organisation may be the total industrial enterprise, a group of operations conducted in a specific geographical area , a department, a division, a section, a branch or a work unit. The second phase which refers to the group of people responsible for carrying out the action means to explain that the manager is not a 'personal doer' in the usual sense. He is to ensure that things are done through others. When the manager personally performs individual task or operation other than for the purpose of demonstrating to a subordinates, or for the purpose of executing some other features of his management functions, he is no longer managing. Job of the people who do not do any specific work, except seeing that others do their work, seems to be a rather simple activity. But, however, getting the work done is a very difficult management function. It has become especially difficult because the character and composition of the work force has undergone substantial changes. The people who are to be made to work are no more a crowd of unskilled people, requiring only visual supervision of physical work.

Many have considered management as the real engine of economic growth and development because it is the management which makes use of technology on a commercial basis and even indicates the requirements to the scientists and researchers.

If one wants to know what actually keeps management physically and mentally busy, the answer is that they make

decisions. These decisions, moreover, have to be made not only with speed but also with a condition that the results is increased efficiency and progress of the entire organisation and at reduced costs without aggravating its problems. The success of the entire organisation, thus depends on the speed and quality of decisions made by the management. Since management constitutes a broad spectrum, the function of decision making is delegated to lower levels down the line depending upon the position and responsibility of managerial personnel at their respective levels. The process of management therefore involves many intricacies and consequent problems, which were not known to be a predominant concern of management in the past.

Management now requires:

1. A clear definition or statement of objectives. These objectives have to be concerned and defined in terms of not only overall broad objectives of any establishment such as optimisation of overall efficiency, but more specific in concrete terms, bordering with targets to be shot or goals to be achieved.
2. The objectives have to be clearly communicated to other executives and personnels responsible for detailed supervision at the lower level, or chiefs of divisions and sections. Test of communication does not lie only in verbal or written statement but success in getting the message actually conveyed to and understood by the people

to whom it is addressed, and who have to get it implemented, namely executives or supervisory personnel.

3. Then comes the problem of consensus and acceptance. The day to day decision making by the management of any organisation is going to be effective and smooth or even meaningful only if the people through whom it is going to be executed or implemented accept of decisions to be correct, realistic, and very essential. In short, there has to be a sort of "collective commitment" by the executives and supervisors. This requires that the decision making should be based on some kind of consultative process and a sort of consensus, which alone can ensure enthusiastic acceptance and effective implementation of the management decisions.

4. Management of educated, trained and sophisticated personnel, finally requires a good deal of motivation. In the present context of things, motivation requires not only economic or financial incentives, which are very important but not sufficient. There is a great need for 'psychological motivation' or a sense of importance or belonging in the set up of overall management involving recognition, participation, and reasonable scope of decision making at their own level as well. As the standard of education, training and sophistication rises, the motivations of this kind becomes more and more important. Many times, dissatisfaction of personnel

leading to their exit from an organisation, lies in the failure of management in this field, a failure in human relation.

In the framework of modern business enterprises, with all their problems and complications, a good part of the functions of enterprise as a factor of production, and to some extent entrepreneurial abilities have been transferred to top management.

In order to carry out the decision making functions effectively, the management has to possess and keep on collecting information. This information could be regarding scientific researches, government policies, international development many others. In the modern business world information is not only inevitably needed but is abundantly available in different forms ranging from research reports to casual gossip.All these informations are relevant and useful. The manager has, however, to sift them out and make use of the right information in his decision making activities. Needless to say, a good deal of this information may have to be passed down to or shared with other colleagues or substitutes, and sometimes given out to the public in general.

Demands on management today are so enormous that the abilities required of the management are spread over a very wide scope or horizon.It was in this background that the education and training in the field of business management and administration has perhaps spread as rapidly, if not more than

nuclear physics and advanced mathematics. Success in the expanded role of management, moreover is not confined to the benefits from training in the field of business management alone. Gradually, training or at least a major orientation, in various other disciplines has become necessary. These disciplines include not only engineering and mathematics, but also sociology, psychology and such other social sciences. After all decision making in modern management requires such a broad horizon and vision and that a multi-disciplined approach is simply inevitable.

In the light of the foregoing therefore, many establishments these days seek to have the best of managers who would be ready to commit their intellectual abilities to the affairs of the establishment. Most of the time when one speaks of management the top management is being refereed to. Needless to say the administrative approach or philosophy of the top manager inevitably permeates down to the lower level of management as well as the ordinary worker at the bottom. Similarly, the personnel and professional qualities of the top management are reflected in the entire operations of the organisation concerned. A manager at the top level has to possess several qualities to enable him to perform his job satisfactorily. The most important of these qualities, or pre-requisites would be the quality of 'leadership'. It is the manager who has to show the initiative and give a direction not only to the organisation as such, but also to the people

working in it., especially the divisional chiefs and other executives. Besides giving a sense of direction, he has to inspire the rank and file of the executives in the establishment. Another quality that the manager has to demonstrate in order to justify his existence and to promote the cause of the organisation, is the quality of 'innovativeness'. With the passage of time the business strategy and technology as well as organisational and managerial techniques are likely to become obsolete and stale. New ways and new devices have to be sought, on a more or less continuous basis. The innovations or major improvements have to be effected in several spheres, such as engineering and technology, marketing devices and personnel management.

At this juncture, it is important to mention that in general usage, the term "management" and the term "administration" are synonymous with each other. However, specific usage of the terms provides some minor distinction between them. In government circle, administration is preferred to management. Another possible distinction between the two terms is when making reference to the level of the organisation. In business, the term administration normally refers to the activities of the higher level in the managerial ranks, for example, Broad of Directors, General Manager, Managing Director. Yet another distinction between them is that administration refers to the determination of major

policies and objectives while management refers to the carrying out of the policies and plans designed to accomplish the given end.

But for purpose of this research work, it is not very important to consider too seriously these artificial differences because the concepts and tools learned will be useful to anybody either as an administrator in the public service or as a manager in the private sector.[1]

2.1.2 The Term organisation

Organisation may be regarded as the establishment, with necessary authority and provision for co-ordination of relationship between persons assigned in the performance of specialised tasks for the achievement of an enterprise's objectives. It is thus, the structural relationships by which an enterprise is bound together and the frame-work in which individual effort is co-ordinated.

To organise is to put things in order. Organising is that managerial function aimed at designing and maintaining a system of role relationships among executives in any collaborative endeavour with the aim of achieving the objectives of the organisation. For an organisational role to exist and be meaningful to people it must incorporate:

1. verifiable objective - on objective that can be tested.
2. clear concepts of major duties or activities

3. invovlerstood area of discretion or authority so that the person filling the position knows what he or she can do to accomplish results.

With this frame-work, organising refers to grouping of activities necessary to attain objectives and assignment of each group of activities to a manager with authority to supervise and the provision for coordination horizontally and vertically in the establishment's structure.

It is necessary therefore to design an organisation to clarify the environment so that everyone knows what is to be done and who is responsible for what result, to remove obstacles to performance caused by confussion and uncertainty of assignment to furnish a decision making, communication network so as to reflect and support establishment's objectives. Essentially, organisation grows out of the human need for coorperation.

Human beings are forced to coorperate to achieve personal goals because of physical, biological, physiological and social limitations. It is important to note that organisation as a structure and as a process is not an end in itself, but a means or tool to accomplish enterprise objectives. Efficient organisation will contribute to the success of an establishment and the structure must fit the task and not vice versa.

It is very important to mention that the term organisation and the term establishment are most of the time

used interchangeably. Both are used in government circle as well as in private sector. So also the term enterprise can be used to mean either organisation or establishment, though the term enterprise is mostly used in the private sector where profit maximisation is the objective.

In any establishment, there are at least two types of organisation that can easily be noticed and they conform to the two structural relationship which are operating side by side.

The first is the intended relationship in the establishment and it is refered to as formal organisation while the second is the unintended relationship in the establishment and it is refered to as informal organisation.

An organisation is formal when the activities of two or more persons are consciously designed and co-ordinated towards a given objective. The essence of formal organisation therefore lies in conscious common purpose. It is an official relationships of the positions in a corporation shown as a rule on the organisational chart and embodied in jobs description.

On the other hand, the informal organisation within an establishment exists and it depicts the unofficial (interpersonal) relationships and may pursue common goals as well, but these goals differ significantly from the goals of formal organisation. Sometimes, they lay down norms and the workers may follows the norms. They may be rivals and they may

also constitute some problems to the organisation.

The net-work of relationship between the various positions and position-holders is known as organisational structure. Organisational structure is to facilitate the making of the desired decision and actions by managers and to limit or exclude the making of undesired decisions. The commonest type of organisational structure is the hierarchical type or model. The model consists of two dimensions:

1. horizontal dimension
2. vertical dimension

A vertical dimension is made up of different levels of authority and responsibility from top to bottom while the horizontal dimension consists of different units in the same level like departments, branches and divisions. The shape of the model will be pyramidal if employees are arranged on a series of common level so that the number of people at each level increases from the highest level (occupied by only one person) to the lowest level (occupied by very many people).

As earlier mentioned, the whole essence of organising is to ensure that the right thing is done by the person and at such a time that it does not adversely affect the performance of any other person in the organisation.

In the formal organisation therefore, the organisational structure is such that:

1. there is a clear - cut division of labour

resulting in a host of specialised experts in each position.

2. there is a hierarchy of offices, with each lower one being controlled and supervised by a higher one.
3. there is a consistent system of abstract rules and standards which ensure uniformity in the performance of all duties and the co-ordination of various tasks.
4. there is a spirit of formalistic impersonality in which officials carry out the duties of their offices.
5. there is employment based on technical qualifications.[3]

2.1.3 The term Budget

The term "budget" is defined in the terminology of Cost Accountancy of the Institute of Cost and Management Accountants as " a financial and /or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective".[4] When view this way, the concept of Budget is strategic in nature.

In the words of John Gibbs, "A budget is the expression in financial and quantitative terms of a business plan for a defined period of time"[5]. Budget therefore is a statement or

plan consisting of a number of targets which are to be achieved by the managers and departments in an establishment. If these target are achieved, the performance will be in line with the budget.

Since budget is a detailed commitment to a plan of action, it differs from forecast which is merely an assessment of future events which are likely to occur if no positive planning action is taken.

John Gibbs however argues that forecasts

"are a necessary preliminary to budget preparation. It is only when the existing trends have been extrapolated and modified to take account of changed condition that it becomes impossible to take decisions about the actions necessary to alter the forecast results and to establish a budget plan"[6]

From whichever angle one looks at it, it is pertinent to note that there is always a distinction between budget and budgeting. While budget is the document (or a set of documents) containing the plans which is prepared to show how resources will be required and used over a given period, the act of preparing the plan is known as budgeting.

Budgeting is very essential as it forces the person responsible for incurring expenses or for generating income to plan for the future, and to anticipate changes and make suitable adjustments.

Budgets place manager in the spotlight. The natural reactions to restrictions, to criticism and to control is resistance and self defence. The Budget is not a heinous means of squeezing the last drop of sweat out of employees. Properly

used, it is simply a systematic tool for establishing standards of performance, for providing motivation, for gauging results and for helping management advance towards its objectives.

The budget technique in itself is free from emotion its administration however, is often packed with trouble. The importance of this human aspects cannot be over emphasises as explained by Garabath and Mimier. They assert that :

"Without a thoroughly educated and co-orporative management group at all levels of responsibility budgets are a mere drain on the funds of the business and a hinderance instead of a help to efficient operations. a budgetary programme per-se is not a remedy for weak management talent, faulty organisation on a poor information system"[7]

2.1.4 Budgeting Philosophy

One of the major budgeting philosophies is known as Incremental budgeting. This is a situation of making minor changes or marginal increases over the existing budget for the coming year estimates. Thus, the current year budget is used as a base or starting point for next year's budget. Incremental budgeting ia an extension of "incrementalism" a policy process developed by Charles C. Lindblom.

According to him, public-making is essentially incremental, that is only a marginal change is made for another year over what has already been practised or the status-quo. He asserts that if a policy is changed slightly, the consequences are largely predicable and it could easily be reversed. Whereas if a policy is changed completely as

preached by "rational comprehensiveness" the policy will be difficult to reverse in case of mistake or unforeseen circumstances.

Illustration:

Assuming a university with the following departments wants to prepare its annual budget for the year 1995. The departments are Vice Chancellor's office, Registry, Bursary, Health services, Maintenance and Services, Chemistry, Physics,Electrical Engineering, Mechanical Engineering, History, Economics, Civil Law, Business Studies. Equally assuming that the university has ₦17 million from the government while internally generated revenue is almost non-existent.

The fund could be allocated as below:

Department	Allocation in ₦'million
Vice Chancellor	1.5
Registry	1.1
Bursary	1.2
Health Services	1.5
Maintenance and services	1.3
Chemistry	1.0
Physics	0.8
Electrical Engineering	0.9
Mechanical Engineering	1.1
History	1.6
Economics	1.7
Civil law	1.7
Business studies	1.6
	₦17.0 million

In the year 1996, the university may decide to revise the budget up depending on the availability of funds.

The second major budgeting philosophy is called Zero - Base Budgeting. This is a budgeting technique in which the total cost of every item included in a proposed budget must be justified and approved. That is to say that no item in the budget has a permanent place in that budget.

The main theoretical difference between incremental budgeting and Zero-base budgeting is the base used as the starting point. While the former makes the current budget as its base for the next year's budget, the latter start from a base of zero and all the appropriation packages have to competes equally for the available monetary resources.

There is also a very important concept called Flexible budgeting in budgeting philosophies particularly in production company. It is the comparison of actual performance based on actual level of activity with budgeted performance based on expected level of activity. However, the deviations will not be meaningful if actual level of activity differs from expected or planned level of activity. To measure the deviations (variances) correctly, actual performance should be compared with actual level of activity. It should be able to be achieved because of varying circumstances. Flexibility is required for this kind of uncertainty in achieving budgeted level of activity.

When there is a significant difference between actual level of activity and planned level of activity, it is inappropriate to use budget (plan) based on planned level of activity for the purpose of performance evaluation. For example if a firm expected to produce 10,000 units during a given period but could produce only 9000 units the budget for profit plan with revenues cost based upon 10,000 units would not be meaningful standard for measurement. A performance report showing the revenue and cost that should have been incurred at 9000 units would be more appropriate for appraising performance.

The performance budget is prepared from the flexible budget.

A flexible budget is a series of fixed budget that provide for an estimate of revenues and costs at different levels of operating activity. A system of flexible budgeting provides for adjusting the level of activity experienced in the budget period. A hypothetical flexible budget is illustrated in the table below.

Level of activity (unit)	2000	4000	6000	8000	10000	12000
Revenue at ₦8/unit	₦16000	₦32000	₦48000	₦64000	₦80000	₦96000
Variable cost at ₦8/unit	(₦6000)	(₦12000)	(₦18000)	(₦24000)	(₦30000)	(₦36000)
Fixed cost	(₦20000)	(₦20000)	(₦20000)	(₦20000)	(₦20000)	(₦20000)
Net Profit/Loss	(₦10000)	-	₦10000	₦20000	₦30000	₦40000

Table 1 - Illustration of Flexible Budget

While preparing a flexible budget, costs should be divided as variable and fixed costs. Variable costs vary (in total) in direct proportion to the level of activity. on the other hand, total fixed costs remain constant with the level of activity. In practice, majority of the costs are mixed in nature (i.e. variable as well as fixed). Various techniques are used to separate mixed costs into fixed variable components.

2.1.5 Budgetary control

It has already been mentioned that one of the major purposes of budgeting is to provide a bench mark for controlling performance of managers and subordinates. Control is sought to be achieved by comparing actual performance with budgeted performance and taking an action to correct the budget variance as rightly said by Garbutt,D (1972).

"Budgetary control is the prediction of the levels of expenditure to be expected in a business within a period of time. Budgets are sub-divided so that the executives

responsible for different sections of the business may given reports comparing actual expenditure with the budgets. Each executive is held responsible for implementing the business policy within the requirements set by the budgets. He is expected to take individual action to attain policy objectives and this may lead to budget and/or policy revision"[8]

In fact, the budgetary control process involves a number of steps:

1. Realistic budgets or plans are proposed to provide directions to carry out business operations.
2. Actual performance for each area of responsibility is measured. generally, the accounting system is used to measure actual performance in financial terms.
3. Actual performance is compared with the budgeted performance to identify significant deviations (or variances).
4. As a feedback mechanism, reports are prepared to inform management about deviations from the budget (plans).
5. Corrective action is initiated to ensure that future performance is in accordance with budgets (plans). Actions may involve motivating people to implement policies, modifying certain policies, retraining employees or changing the operating methods. The budget will have to be revised if the deviation(variance) is due to incorrectly set budget.

The principle of management by exception should be applied while enforcing control through budgets. No action or intervention is required so long the actual performance approximately conforms with the budgets. Management attention

should be focused only on exceptional or significant deviations. To determine significant deviations, control limits that represent the range of normal deviations from budget should be developed.

In summary budgets are intended to establish the responsibilities of executives in relation to the requirement of the overall policy of the organisation. Budgetary control assist management in planning, co-ordinating and controlling activities of individuals and the overall performance of the establishment. The basic tenant of budgetary control is that executives develop and accept responsibility for the success or failure of their budget.

2.1.6 Essentials of budgeting

A successful and sound budgeting system is based upon certain prerequisites.These prerequisites or essentials represent management attitude, organisational structure and managerial approaches necessary for the effective and efficient application of the budgeting system. The following are some of the important essentials or fundamentals of a successful budgeting.

(a) Top management support

(b) Clear and realistic goals

(c) Assignment of authority and responsibility

(d) Creation of responsibility centres

(e) Adaptation of the account system (responsibility

accounting)

(f) Full participation

(g) Effective communication

(h) Budget education

(i) Flexibility

Top Management support

A budget system will be a fatal failure if it is not initiated and supported by the top management of the organisation. Top Management must realise that budgeting is not merely accounting device, but it is an important management tool. Top Management must therrefore:

(i) understand the nature and characteristics of budgeting

(ii) be convinced that this particular approach is preferable for their situation

(iii) willing to devote the effort required to make it operative

(iv) support the programme in all its ramifications.

(v) View the results of the planning process as very essential in taking further management decisions and actions.

Clear and Realistic goals

Budgeting is a means to achieve goals and objectives. All planning pre-supposes that objectives and goals have been clearly and unambiguously established. Budgeting will not succeed if the goals to be achieved are not clear because

budget implementation will not be systematic. In the absence of goal clarity, employees will lack a proper direction; the efforts of management will be wasted. The financial manager or the budget director, therefore must ensure that the objectives and goals have been properly laid down. As far possible, objectives and goals should be written in formal terms. But too much formality should be avoided as it can make budgeting system inflexible.

The enterprise or establishment objectives and budget goals to be accomplished through budgeting should be reasonable and realistic; they should be capable of attainment. Budget goals should not be set at too high or low a level. Goals set at a very high level are impossible to attain and, as a result have a depressing effect on the employmees morale. Once the employees know that the goals are unrealistic and unattainable, they do not put any serious efforts to achieve them. Goals set at a very low level do not provide any challenge to employees. Their achievement does not require any special effort and therefore, employees do not feel motivated. The enterprise objectives and budget goals must provide a real challenge and should be capable of motivating employees. What are the realistic objectives and goals for an enterprise depend upon a host of factors, such as size of the establishment or enterprise,managerial philosophy and quality, age of the establishment or enterprise, nature of activities and many psychological and other factors. Goals set

realistically provide better motivation to employees in the long run.

Assignment of Authority and Responsibility

A sound organisational structure is essential for the success of the budgetary system.

Authorities and responsibilities of each manager should be clearly identified and established. A sound organisational structure and clear-cut assignment of authorities and responsibilities provide an effective means to achieve the enterprise objectives and budget goals in a co-ordinated and efficient manner.

The budgetary system should be established in terms of the assignment of authorities and responsibilities; the performance of each manager should be evaluated in terms of the assigned authorities and responsibilities. If there is no synchronisation between the budget and the organisational structure of the enterprise, the planning and control system would not be effective. In the absence of the clear-cut assignment of authorities and responsibilities either managers cannot be held accountable or they will be held accountable for those activities for which they have no responsibility.

Creation of Responsibility Centre

A small firm can possibly be managed by an individual or a small group of individuals. But the activities of a large

firm cannot be supervised by an individual or a few individuals. For effective control of all activities, a large firm is divided into meaningful segments,departments or divisions. Each sub-unit has certain activities to perform and its manager is assigned specific authority and responsibility to carry out those activities and is held responsible for his decisions effecting those activities . the sub-units of an enterprise for the purpose of control are called responsibility centres and decision centres. A responsibility centre is a sub-unit of an organisation under the control of a manager who has the responsibility for the activities of that responsibility centre. The responsibility centre can be a big unit, such as a production department or a small unit, such as a cash section of an accounting department or a machine in the production department. The important criteria for creating a responsibility centre are that the unit of the organisation should be separable and identifiable for operating purposes, and that the performance measurement should be possible. For planning and control purposes, responsibility centres are usually classified into three classes: cost centres, profit centres and investment centres.

Cost centre: A cost centre is a responsibility centre where the manager is responsible for costs (expenses) incurred in the sub-unit. He is not responsible for profit or investment in the centre. Thus costs are the primary planning and control data in a cost centre. The performance of the

managers is evaluated by comparing the actual expenses incurred with the budgeted expenses for the cost centre. For control purposes, the management attention is focused upon the variance between actual and budgeted expenses.

In a cost centre, the consequences of decisions are measured by costs alone, the accomplishments of the cost centre are not measured in financial terms. Thus the effectiveness of the cost centre cannot be properly evaluated. A cost centre spending the least is considered as the best. This kind of analysis of course, ignores the contributions made by the cost centre to the firm's overall profitability.

Profit centre: A profit centre also known as a contribution margin centre, is a responsibility centre where the manager is responsible for both costs and revenues and thus, for profit(or contribution margin). A profit centre provides more effective assessment of performance as both costs and revenues are measured in financial terms.A profit centre is more relevant for profit planning and control as it follows the measurement of both output and input units of the centre.

To ensure effective control through the profit centre system, the controllable and non-controllable activities should be identified. The manager of a profit centre should be 8held responsible only for those costs and revenues which are controllable by him through his decisions. The indirect costs are usually non-controllable, therefore, they may not be

allocated to a profit centre. If the allocation of indirect cost is avoided, one may think in terms of contribution margin centres, rather than profit centres. Contribution margin is the difference between controllable (variable) costs and revenues of the centre.

Investment centre: An investment centre is a responsibility centre where the manager is responsible for costs and revenues as well as for the investment in assets used by the centre. In an investment centre, performance is assessed not only by cost incurred but also by profit realised by the centre. Investment centres are treated as separate firms where the manager is responsible for overall activities affecting costs, revenues, and investments.

The creation of responsibility centre (i.e. cost centre, profit centres and investment centres) is essential for successfully implementing plans (budgets), attaining objectives and accomplishing control. A budgeting system should be tailored to the organisational sub-units (responsibility centres)

Adaptation of the Account system

The accounting system catering only to the needs of external users is not adequate for the purpose of profit planning and control and internal management. Budgeting is based on the data generated by the accounting system. Control of performance involves the comparison of actual performance

(results) with the planned performance. Therefore, the accounting system should be suitably adapted to facilitate the planning and control process it should be structured around the areas of responsibility. In fact, a sound budgetary system needs the creation of a responsibility accounting system. A responsibility accounting system is primarily oriented towards the organisational responsibilities and is a means to achieve effective control. The accounts are classified and prepared by responsibility centres.

An accounting system, tailored to the responsibility structure of the enterprise generate data that are relevant to the planning and control system.

A cost accounting system has two primary aims:

(i) to measure the cost of production and

(ii) to furnish data for planning and control.

Historical cost accounting has paid more attention to the measurement of cost of production than the planning and control functions. In responsibility accounting, the emphasis is on planning and control, accounts are classified on responsibility basis, not on a product cost basis. The cost accumulated for planning control purposes can easily be recast for product costing purposes.

But it is difficult to use cost data accumulated for product cost purposes for planning and control.

In summary, it may be stated that for effective and successful budgeting the accounting system must be structured

around the planning and control needs of management.

Full Participation

Full participation of managers and their subordinates at all levels should be sought in developing the budget system. The participation should be meaningful and real. If employees have effectively participated in the budget goals and targets, they will make special efforts to see that the budgeting process succeeds. A meaningful participation creates a positive motivation. Participation tends to increase commitments, commitment tends to heighten motivation; motivation which is job-oriented tends to make managers work harder and more productively; and harder and more productive work by manager tends to enhance the company's prosperity. To re-emphasise, it is the real and meaningful participation that is good. A non serious effort on the part of top management to see participation of managers and their subordinates will not motivate them, rather at times, it produces negative motivation and makes employees less productive.

Effective Communication

Communication is the process of transmitting thought or information from one person to another. The basic purpose of communication is to bring mutual understanding among people. It is a device to bring people together in an enterprise . A sound budgeting system requires effective communication of

enterprise objectives and budget goals and means of implementing budgets through the organisation so that a unified effort may be directed to accomplish these objectives and goals.

Budget Education

It has been mentioned earlier that participation of all should be sought in preparing budgets; and that the budgets are prepared by line executives, though the final approval is accorded by top management. Participation can only be meaningful only when people at all levels of management are convinced of the usefulness of budgets, understand the nature and characteristics of budgets and know the role which they have to play in efficiency planning and control. In fact for the success of budgeting, everyone in the enterprise should have confidence in the budgeting system and should be involved and committed to it.

The line executives who actually prepare the budgets should not only be confident of their ability to plan the future with reasonable precision, but also should understand the technicalities of budgeting. They should know how to readjust the budget when the circumstances change. They should also be able to sell the idea of budgeting to their subordinates in order to seek their meaningful participation and involvement.

This requires a continuous budget education. The employees of an enterprise must be educated about the nature, characteristics, value and methods of budgeting. They should also be taught how to interpret the budget results and how the performance is evaluated through budgets. Seminars, conferences, lectures, discussion sessions, executive development programmes etc can be organised. Written materials can also be distributed. The line executives who must be conversant with the budgeting methods may be given on the job training explaining to them how budgets are actually prepared.

Whatever may be the methodology, the basic point to be emphasised is that there should be a proper system of educating employees about various factors of budgeting to have a better improvement, commitment and participation.

Flexibility

The budgeting system should be flexible enough to take advantage of all opportunities that arise from time to time and are not covered by the budget. Inflexibility in budget impairs the initiative and freedom of managers and subordinates in making decisions. A rigidly administered budgeting programme dominates the business and imposes some difficulties in implementing the budgets(plans).

On the other hand, if the budgeting programme is administered in a flexible and and sophisticated way, managers at all levels get greater freedom in applying the budgets. In

fact, budgeting is a device to bring all levels of management together into the decision-making process of the organisation. Once the budgets have been developed with full participation of all and have been approved top management can delegate more authority and responsibility to lower levels of management and can exercise better control over them through budgets. In other words, budgeting allows more freedom to management at lower levels within the broad framework of budgets they are free to take decisions. Top management would exercise a tight control over lower levels of management and would put restrictions on them to make decisions in the absence of a sophisticated budgeting system.

A flexible and comprehensive budgeting permits management to readjust plans when a new situation arises.

The principle of flexibility is particularly significant in cost control. The expenses budgeted for at an anticipated level of activity cannot be compared with the control expenses incurred for an actual level of activity to find out the variance. For a rational answer, we should compare actual expenses with budgeted expenses for the actual level of activity. Expenses budgeted should not be used rigidly.

Therefore, variable or flexible expense budgets are employed to make a meaningful comparison of the actual and budgeted expenses when the anticipated circumstances changed.[9]

2.1.7 Types of Budgets

All organisations make plans; some in a systematic and formal way, while others in informal manner. However, they differ in their budgeting practices. Generally, the large and medium organisations have a comprehensive system of budgeting - they prepare budgets for all of their important operations, but small organisations and some medium sized organisations do not have a comprehensive system of budgeting- they prepare budgets for only a few of their operations. A comprehensive budgeting involves the preparation of master budget with a complete package of the component budgets. The three most important components of the master budget are:

(i) Operating Budgets
(ii) Financial Budgets
(iii) Capital Budgets.

Operating Budgets

Operating budgets relate to the planning of the activities or operations of the organisation. Operating budget is composed of two parts - a programme or activity budget and a responsibility budget.
These represent two different ways of looking at the operations of the organisation, thus arriving at the same results.

The programme or activity budget specifies the operations or functions to be performed during the next year. One logical

way to prepare this kind of budget is to plan for each product the expected revenues and their associated costs. The programme budget exhibits the expected future in an impersonal manner and is helpful in ensuring balance among various operations or functions of an organisation.

The responsibility budget specifies in terms of individual responsibilities. The basic purpose of this kind of budget is to achieve control by comparing the actual performance of responsible individual with the expected performance. Of course, an individual will be responsible only for the controllable activities. An individual should be involved to prepare those parts of the operating budget which relates to his responsibility.

These two ways of depicting the operating budget are significant because the programme budget is primarily a planning process while the responsibility budget is a control device. The programme budget need not be tailored to organisational structure of the enterprise, but the responsibility budget must be. Therefore, plan must be converted into the control(responsibility budget) before the actual implementation, and communicated to the person involved in the execution of the plan so that they precisely know what is expected of them.

There are two ways in which the operating budget can be prepared: (i) periodic budgeting and (ii) continuous budgeting. The method of periodic budgeting involves the

preparation of the budget for the forth-coming year without providing for a compressive revision as the budget period passes. The budget period is generally divided into months; that is annual budget consists of the monthly estimates. Continuous budgeting provides for a system of revising the budget for the changing conditions continuously.

The method involves the preparation of a tentative annual budget with the provisions that the month or quarter just ended is dropped and a moth or quarter in the future is added. Continuous budgeting (also known as Rolling budgeting) forces management constantly to think in concrete terms about its shorth range planning.

In case of the stable firms, which can forecast with reasonable precision, periodic budgeting can be used. Continuous budgeting would however, be desirable in case of those firms which operate under the uncertainties of consumer demands and are exposed to a greater degree of cyclical fluctuations.

Financial Budgets

Financial budgets are concerned with the financial implications of the operating budgets, that is the expected cash inflows and cash outflows, financial position and the operating results. The important components of financial budgets are: Cash budget, proforma balance sheet and income statement and statement of changes in financial position.

Cash budget is the most important component of the financial budgets. A good management would keep cash balance at minimum level; too little cash endangers the liquidity of an organisation and too much cash tends to impair efficiency of the organisation. The major objective of the cash budget, therefore is to plan for cash in such a way that the organisation always maintains sufficient cash balance to meet its needs and uses the idle cash in the efficient manner.

In addition to a cash budget, it is also useful to prepare a projected, or proforma balance sheet and income statement. A cash budget reveals expected cash position of an organisation while the proforma financial statements give information as to the future assets, liabilities and income statement items. The proforma statements are prepared to identify the anticipated results of the budgeted operations. The analysis of the present and past financial statements indicates the direction of change in the financial position and performance of the organisation. The future can be planned to follow the past direction. The preparation of the cash budget and proforma statements compels management to look ahead and balance its policies and activities.

The cause of the changes in the financial position of organisation is better revealed by the statement of changes in financial position. This statement has become quite significant nowadays and being prepared as a third financial statement by the establishments. The

statement very clearly shows the sources and uses of the establishment's financial resources. The projected statement of changes in financial position can be prepared from the proforma balance sheet and income statements to show the effect of the budgeted operations on the financial resources of the organisation, and accordingly, the establishment can plan its policies appropriately.[10]

Capital Budgets

Capital budgets involves the planning to acquire worthwhile projects, together with the timings of the estimated cost and cash flows of each project. Such projects requires large sum of funds and have long-term implications for the organiation. Capital budgets requires investments of funds on acquisition of fixed assets such as lands and buildings, plants, machineries, computers, motor vehicles and other heavy equipments.

Capital budgets are generally prepared separately from the operating budgets. In many establishments, there is a separate committee from the budget committee to appropriate funds for capital investment projects. In the capital budgeting, the efficiency of each project has to be carefully evaluated, and this can be done with the aid of various techniques. Whatever technique is adopted, if should be free from personal biases and capable of clearly indicating whether the project should be accepted or not.

Advantages of Budgeting

To reiterate budgeting is a management tool, it is a way of managing. Many benefits are derived from budgeting, although it is a means, not and end in itself. Budgeting is a feed forward process; it makes an evaluation of the variable likely to affect future with reasonable precision and removes uncertainty to a greater extent. The following are some of the significant advantages of budgeting.

(i) Budgeting compels management to plan for future.

The budgeting process forces management to look ahead and become more effective and efficient in administering the operations of the establishment. It instills into managers the habit of evaluating carefully their problems and related variables before making any decisions.

(ii) Budgeting helps to coordinate, integrate and balance the efforts of various departments in the light of the overall objectives for the organisation. This results in goal congruency and harmony among the departments.

(iii) Budgeting facilitates control by providing definite expectations in the planning phase that can be used as a frame of reference for judging the subsequent performance. Undoubtedly, budgeted performance is a more relevant standard for comparison than past performance, since past performance is based on historical factors which are constantly changing.

(iv) Budgeting improves the qualify of communication. The

organisation objectives, budget goals, plans are clearly written and communicated through budget to all individuals in the organisation. This results in better understanding and harmonious relations among managers or heads of department and subordinates.

(v) Budgeting helps to optimize the use of the organisational resources - capital and human; it aids directing the total efforts of the organisation into the most efficient channels.

(vi) Budgeting increases the morale and thus, the productivity of the employees by seeking their meaningful participation in the formulation of plans and policies, bringing a harmony between individual goals and the orgnisational objectives and by providing incentives to perform more effectively.

(vii) Budgeting develops an atmosphere efficiency mindedness and cost consciousness.

(viii) Budgeting helps to focus management attention on significant matters through budgetary, reports thus, it facilitates management by exception and thereby saves management time and energy considerably.

(ix) Budgeting measures efficiency and inefficiency, permits management self-evaluation and indicates the progress the organisation's objectives.

2.1.9 *Problems and Dangers of Budgeting*

Just as there are benefits or advantages in budgeting, sc also there are problems or disadvantages in it. Some of the major ones are as follows:

(i) Budgeting is not an exact science; its success lingers upon the precision of estimates. Estimates are based on facts available and managerial judgement. Managerial judgement can suffer from subjection and personal biases. The adequacy of budgeting, thus depends upon the adequacy of managerial judgement.

(ii) The installation of a perfect system of budgeting is not possible in a short period. Business conditions change rapidly, therefore, budgeting programme should be continuously adapted.

Budgeting has to be a continuous exercise; it is a dynamic process.

Management should not lose patience, they should go on trying various techniques and procedures in developing and using the budgeting system. Ultimately they will achieve the success and reap the benefits of budgeting.

(iii) Skillfully prepared budgetary programme will not itself improve the management of an establishment unless it is properly implemented. For the success of the budgetary programme, it is essential that it is understood by all, and that the managers and subordinates put concerted effort for accomplishing the budget goals. All persons in the

organisatioin must have full involvement in the preparation and execution of budgets, otherwise budgeting will not be effective.

(iv) Budgeting is a management tool- a way of managing, not the management itself. The presence of a budgetary system should not make management complacent. To get the best results of managing, management should use budgeting with intelligence and foresight, along with other managerial techniques. Budgeting only assists management, it cannot replace management.

(v) Budgeting will be ineffective and expensive if it is unnecessarily detailed and complicated. A budget should be precise in format and simple to understand; it should be flexible, not rigid in its application.

(vi) The purpose of budgeting will be defeated if the carelessly set budget goals conflict with organisational objectives. This confuses the means with the end results. Budget goals are the definite targets to achieve the overall enterprise objectives. The must be in harmony with the aims of the organisation.

(vii) Budgeting sometimes will hide inefficiencies instead of revealing them if a proper evaluation system lacks. There should be a contimuous evaluation of the actual performance. The standards also should be re-examined regularly.

(viii) Budgeting will lower morale and productivity if

unrealistic targets are set and if it is used as a pressure tactic.

To some extent budgeting may be used as a device, but its extent must be carefully determined.

2.2 LITERATURE REVIEW

Literature review is primarily concerned with the assessment of the works already done in the past by other researchers on the topic "Application of Budget in Financial Management of Government Establishments: A case study of Ahmadu Bello University, Zaria", or something closely related to it.

Though this topic may seem quite popular in the field of financial management, it sounds funny that not much work has been published on it in the recent past. This researcher expected that he would come across a number of publications covering the middle part of 1990's, the period of the peak of the crises in the history of the university, and also considering the dynamic nature of the field, but unfortunately not much he could lay his hands upon.

However, a number of research work were carried out in the 1980's and early 1990's by some scholars.

One of them, David Bello (1983) in his M.Sc. Economics thesis "Budgeting in Nigerian Universities: A case study of Ahmadu Bello University, Zaria" has dealt extensively

with the budgetary problems of Nigerian universities. He identified inadequate funding from the government as one the major problems confronting the management of our universities. He observed that:

> "Available statistics also show that Nigeria is not paying enough attention to education and manpower development although it acknowledges this factor (i.e education and skilled manpower) as a major constraints in its development process. For instance in 1980, out of an estimated national population of 83 million, only 0.07% were enrolled in the universities. In other higher institutions like the Colleges of Technology and Polytechnic(put together), the percentage was 0.04%. In Secondary Schools, it was 1.88% while in the Teachers Training Colleges, it was 0.3%. These statistics readily depicts the poor attention given to education and manpower development in our national budgets despite the 'verbal' commitment to it in our national plan".[11]

Having made the observation above, Bello went further to mention cases of other countries particularly in the developed world where adequate attention was paid to education especially university education, and as such countries made enough allocation to educational sector in their annual national budgets. According to him, there even cases of where some countries give free and compulsory education at all levels to their citizens.

Bello did not just stop at identifying inadequate funding as a major budgetary problems of our universities. He went further, in his budget analysis, to observe that many of the universities were not making enough efforts to help themselves with the little they receive from the government, saying that there was the need for the universities to properly manage their available resources.

According to him: "The universities on their own part should be seen to be very prudent at all levels in the management of funds made available to them. So far, evidences of financial malpracticein various forms abound in our universities..."

He went further: "Things were not better in the past either with respect to judicious management of funds. For example, there seems to be no proper method of loan recovery from members of staff... the value of such loan default usually goes into thousands of naira". [12]

From these disclosures, it seems Bello had touched on some of the fundamental problems of financial management in the universities in general and Ahmadu Bello University in particular.

In his well articulated work, Bello had done enough at highlighting some of the problems facing the universities, but he failed to suggest possible solutions to some of them.

It is quite agreed that if the funds are not adequate, the budgetary system becomes helpless especially in that area of budgetary control. However the management of the universities should see to it that the little that is available is directed to areas of priorities so that everybody can see and judge. Moreso,the internal control mechanism of the entire system should be reinforced to reduce the alarming cases of financial malpractice.

Apart from the thesis of Bello, another writer S. A. Ishola in a paper he presented at the Annual Dinner/Merit Award Night of the Association of Nigerian Universities Professional Administrators (ANUPA), A. B. U. Branch on the 23rd of February 1991, also mentioned that "... presently, the university budget is 98% financed by the government while the remaining 2% is from internally generated revenue, in form of boarding, tuition fees, rent on staff occupying university houses, bank interest deposit earnings, consultancy services and occasional donations".

He stressed that government financing depends solely on how much it could raise from the oil sector which is the main stay of the Nigerian economy. In his conclusion, Ishola suggested that there is need for the university to look inward for internal revenue generation in addition to their efforts to judiciously manage the meager resources at their disposal.

Mr. Ishola was very brief in his presentation and as such could not mention the areas of possible improvement in internal revenue generation for the university.

However, in Ahmadu Bello University, the machinery now set up for collecting students' school fees has help a lot. The students now pay their money directly into the accounts of the university at designated banks and obtain tellers and receipts before they are allowed for registration at the beginning of each academic session.

This is different from the practice in the past where they were paying cash to the Cash Office of the Bursary Department in the Senate Building of the university. During that time, there were cases of the Cash Office staff absconding with large sums of money collected from students.

Other areas are already put in place by the university and these include Consultancy Services, A. B. U. Markets, A. B. U. Community Bank Ltd, A. B. U. Press Ltd, A. B. U. Bookshop Ltd, University Catering Services, University Transport Services, University Farms Ltd, shares at Kongo Conference Hotel and some others. All the university need do is to energize the various management committees of these units in order make them more functional in generating adequate revenues for the university.

One of the most recent writers on a related topic is Ogbole A. S.(1991). In his M. B. A. research thesis on "Problems of Financial Management in Ahmadu Bello University" Ogbole enumerated a catalogue of factors militating against financial management most especially in Ahmadu Bello University.

According to him, some of them are:

(i) single source of income for the university (i.e government subvention)

(ii) abolition of tuition fees

(iii) proliferation of universities all competing with each other for government funds.

(iv) insufficient assistance from private sector

(v) increase in students' enrollment

(vi) inaccurate statistical information

(vii) unproductive workers remaining in the university payroll.

All these have combined together to create the problem of poor financial management for the university. To find lasting solution to these problems, Ogbole recommended to the government as follows:

(i) merging of some of the universities

(ii) reintroduction of tuition fees to increase the finances of the universities

(iii) increase in internal revenue base of the universities.

This researcher quite agrees with the findings of the previous research works mentioned above, however, he is of the opinion that none of them has touched on how the budget can be used in assisting the management of finance in Ahmadu Bello University in particular and government establishments in general.

It is in this regard that he has decided to carry out this research work with a view to seeing why budgetary control has been difficult despite the fact that beautiful budgets are designed every year.

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CHAPTER THREE

3.1 Historical background of Ahmadu Bello University.

Ahmadu Bello University whose law enacted on 14th October, 1962 has its origin in the defunct Nigerian College of Arts, Science and Technology, Zaria founded in 1955; the defunct Clerical Training Centre, Kongo founded in 1957; the defunct Samaru Agricultural Research station established in 1924; and the defunct Shika stock farm started in 1928.

A month before the Nigerian independence in October, 1960 the Ashby Commission on Post- School Certificate and Higher Education appointed by the Federal Government in 1959 recommended that a university be cited in the north, to serve the then Northern Region of Nigerian. Consequently, the Northern Region Government requested the British Secretary of State for Commonwealth Relations to send a delegation from the Inter-University Council to plan a university for Northern Nigeria. The delegation headed by Sir Alexander Carr-Saunderb, arrived in April,1961,[1] and in the same month issued its recommendation of the scope and activities of the university.

In the same month of April, 1961, a law establishing a Provisional Council of the university of Northern Nigeria was passed by the legislature of the Northern Nigeria,[2] and the Provisional council commenced sitting in November, 1961 under the Chairmanship of late Sir Shetiman Kashim Ibrahim (who was

a member of the Ashby Commission and later became the Governor of Northern Nigeria and a visitor to the university).

Sir Norman Stanley Alexander, a national of New Zealand and a Professor of Physics at the then University College, Ibadan was appointed the first Principal (and later Vice Chancellor) in July, 1961. The university was subsequently named after Ahmadu Bello, the Sardauna of Sokoto and Premier of Northern Region. Sardauna was also the first chancellor who performed the opening ceremony in October 1962.[3]

The university started with four faculties namely: Agriculture, Engineering, Law and Science; fifteen departments and four hundred and twenty students. Since then, the university has been growing in size, scope and depth of academic work under the leadership of successive Vice chancellors of:

Professor Ishaya Audu	1966-1975
Professor Iya Abubakar	1975-1978
Professor Ango Abdullahi	1979-1986
Professor Adamu Nayaya Mohammed	1986-1991
Professor Daniel Saror	1991-1995

The university had a Sole Administrator in the person of Major General Mamman Kontagora (Rtd) who was appointed in November, 1995 by the Federal Government following the serious crises that characterized the regime of Professor Daniel Saror. The Sole Administrator served up to the end of August, 1998 and right now the university is under the leadership of Professor Abdullahi Mahdi as the Acting Vice Chancellor.

By a decree (Ahmadu Bello University Transition Provisions Decree of 1975),[4] the university was taken over by

the Federal Military Government and now enjoying the status of a federal university.

In 1987, the year in which the university celebrated its Silver Jubilee anniversary, it has turned out to be the largest and most extensive of all the universities in the sub-Sahara Africa. It covers an area of about 7000 hectares of land and embraces twelve faculties, a Postgraduate School and several departments. There are also five institutes, some specialized centres, a Division of Agricultural Colleges, a Demonstration Secondary School, a Staff Primary School, three organised Extension Services.

The total number of students pursing degree and sub-degree programmes stood at 35,000 drawn from all states of Nigeria and outside.

Ahmadu Bello University has also nurtured two university colleges namely Ado Bayero University College (now Ado Bayero University) Kano; and University College (now Abubakar Tafawa Balewa University), Bauchi. Also affiliated to it are about twenty seven Colleges of Education, Polytechnics and Schools of Basic or Preliminary Studies.

From the foregoing, Ahmadu Bello University has turned out graduates of various disciplines who now are holding key positions in both public and private sectors of the economy of Nigeria and outside. There is hardly any well organised establishment in the country today where one would not find at least a product of Ahmadu Bello University.

The university however has witnessed a serious setback in recent past years particularly during the tenure of Professor D. Saror. There were series of crisis leading to students and industrial unrest in which human lives and properties worth millions of naira were destroyed. Academic sessions were disrupted or lost and the graduates turned out during that period were looked at as been sub-standard. The university witnessed a high rate of brain drain especially among the teaching and research staff. A senior teaching staff them while recounting the problems facing it described the university as a shadow of its former self.

In fact the university was at the verge of collapse in late 1995 when the federal military government was forced to appoint a retired Army Officer as the first Sole Administrator in the history of the university to help in restoring peace and order.

Since the arrival of Major General Mamman Kontagora (rtd) as the Sole Administrator for three years, normalcy has gradually returned to the campuses of the university with full academic and other activities going on smoothly. The university has since then undergone some fundamental structural changes, the results of which are manifesting in all areas of its operations.

Though, the Sole Administrator has just left to take up another federal government appointment, there is no doubt that the university has most certainly outgrown its crippling

crises and once again has become the centre of academic excellence it was known for in the past. This is a legacy for which the staff and students of the university will forever remember Major General Mamman Kontagora (rtd).

3.2 Budgeting in Ahmadu Bello University.

The Budget Affairs Unit of the university which has a Chief Accountant as the head is charged with the responsibility of drawing the master budget of the whole university. This unit in conjunction with the Final Accounts Unit of Bursary Department is expected to identify the various revenue and expenditure headings and group them under specific classifications.

3.2.1 Sources of Revenue

(a) Federal Government Grants:

This is the major source of revenue for the university and it accounts for about 95% of its total revenue on the average in the past five years.

Federal government grants are released to all federal universities through the National Universities Commission which is the controlling body of all the Nigerian universities.

See Table 1[illegible] below.

Year	Total Revenue N	Fed.Gov.Rec.Grant N	Internal Revenue N
1992/93	240,143,242	223,333,215 (93%)	16,810,027 (7%)
1993/94	340,823,408	306,741,067 (90%)	34,082,341 (10%)
1994/95	375,684,925	368,171,226 (98%)	7,513,699 (2%)
1995/96	409,712,703	381,032,814 (93%)	28,679,889 (7%)
1996/97	713,915,712	692,498,241 (97%)	21,417,471 (3%)
Total	2,080,279,990	1,971,776,563 (95%)	108,503,427 (5%)

TABLE II : FED.GOV.REC.GRANTS VS INTERNAL REVENUE IN A.B.U.

Source : Compiled from Funding Register in Bursar's Office of A.B.U. Zaria.

(b) Northern States Government

By the Act establishing Federal Universities, such universities are expected to run only undergraduate and postgraduate programmes for they are the only courses the federal government gives funds to cater for.

Ahmadu Bello University was running many diploma and sub-degree courses before the take over by the federal government in 1975. The northern states governments whose interest these sub-degree courses served, went ahead to contribute funds together for them to continue up to the year 1992/93. In that year alone, the university realised only N1.4 million naira from all the northern states governments, which accounts

for only 0.6% of the university's total revenue for that year. However, the state governments have ceased funding the sub degree programme courses and the university has phased out many of them while a few are still being run on commercial basis.[5]

(c). Students school fees

This is one of the main internal sources from which the university generates some revenue. The students are charged tuition fees (excluding Nigerian Undergraduate students), accommodation fees, registration fees, examination fees, caution fees etc at reasonable rates. The university however, charge higher rates for the foreign students whose number constitute some minute part of the total students' population. Altogether, the university realises about 1.3% of its total recurrent revenue from students' school fees and other charges.

(d). Recoveries from staff salaries

The university also charge some rates for rent, water and electricity for its staff living in the university quarters. Many a number of teaching staff, some senior administrative and technical staff as well as junior staff are being accommodated in the university quarters. The revenue from this source account for about 0.9% of the university's total recurrent revenue.

(e). Third party's funds

The university from time to time receives some monies from individuals, corporate bodies and organisations for the purpose of carrying out specified research works or projects. From this source, the university gets about 0.3% of its total revenue.

(f). Interest on deposit

In the past when the university used to have idle funds, such funds are placed into deposit account in the bank to yield some interest. This source accounted for about 2% of the university's total revenue, but has drastically reduced as a result of many factors arising from the present economic situation of the country.

(g). Receipts from other sources

The university has some reasonable shares in some firms and companies established purely for economic purposes. Such include Kongo Conference Hotel, ABU Community Bank Ltd, ABU Press Ltd, ABU Bookshop Ltd. There are some subsidiaries such as University Catering Flats, ABU Markets, ABU Consultancy Services, ABU Farms, ABU Transport Services, Veterinary Teaching Hospital and all these render some services to members of the university community and outside. These are areas from which the university has not been able to generate much expected revenue as a result of poor management. All these together account for about 2.3% of the university total recurrent revenue.

All the above mentioned firms are economically viable ventures that are supposed to be giving quite a lot of internal revenue to the university. However, because of reliance on government grants university does not pay much attention to many of them.

Despite heavy patronage these firms get from Zaria and indeed other part of Nigeria, it is disheartening to hear that some of them cannot break even for several years. There have been cases of financial malpractice in the recent past especially in the ABU Community Bank, ABU Bookshop Ltd, and ABU Transport services which led to heavy losses running into hundreds of thousands of naira.

For the university to be able to realise adequate revenues from these firms it has to be seriously involved in the management of their activities. People of high moral standards should be appointed to represent the university's interest in the boards, and committees of these firms.

3.2.2 Major Areas of Expenditures

(a) Capital Projects

One of the main areas of expenditure in ahmadu Bello University is in Capital projects where it spends hundreds of millions of naira every year. Such include constructing new and improving on existing buildings which are academic buildings, administrative buildings, students hostels and staff quarters. Other capital projects includes constructing

every year which are handled by the Physical Planning Unit of the university.

(b) Provision of Fixed Assets

These fixed assets include plants and machineries, motor vehicles, office and laboratory equipments, furniture and fittings, teaching and research equipments. In a year, these areas take amount of money running into several millions of naira which the researcher could not obtain any figure from any authentic source as a result of poor record keeping.

(c) Staff Salaries/Emoluments

This is one major area of recurrent expenditures for the university because it has a large number of academic, non-academic and junior staff in its payroll. See table III below.

Year	Academic Staff	Snr. Tech. Staff	Snr. Admin staff	Junior staff	Total	Total salary per month
1992/93	1168	471	530	4545	6714	₦17.9m
1993/94	1180	444	503	4164	6291	₦18.6m
1994/95	1215	587	561	3703	6066	₦25.1m
1995/96	1141	675	648	3522	5986	₦25.4m
1996/97	1082	588	592	3113	5375	₦26.2m

Table III - Analysis of staff categories on payroll and total amount paid per month
Source: Compiled from central payroll unit of Bursary Department, ABU, Zaria.

Note that the number of staff has gradually declined over the years as a result of people leaving the service without the university replacing them. This in line with National Universities Commission's directive on staff rationalization. Each year university spent different amount of money to pay salaries and allowances as well as pension to former staff who are now retirees. From the year 1992 when salaries and allowances were greatly enhanced and steadily increasing, the university was spending an average of ₦23 million on salaries and emoluments in a month. This is well over 70% of the university's total recurrent revenue leaving just less than 30% for all other items of recurrent expenditures.

(d) Purchase of Library Books and Journals

This is another major area of expenditure in Ahmadu Bello University and it spends a lot of money to procure up-dated books and current journals from both local and overseas publishers. As at the time of conducting this research work, the researcher could not get an authentic figure spent for any particular year due to non-availability of records, but a source puts the estimate at an average of N7 million to N9 million per year.

Because of the importance attached to this item of expenditure, the National Universities Commission has since the year 1994 directed that library funds should not be mixed

up with other funds. In fact, grants for books and journals come separately from the commission.

(e) Maintenance and Running costs of Assets

All fixed assets earlier mentioned attract higher cost of running and maintenance. Such include repairs to buildings, machineries, plants, equipments, motor vehicles and their fuelling. This is an area where the university also spends millions of naira every year.

(f) Departmental Operations

Apart from the central expenditures of the university which are already mentioned above, there are also departments and units through which the university releases funds for operations.

As at the time of this research work, the university has over eighty academic departments including Deans' offices. This is in addition to three departments of central administration comprising Vice Chancellor's Office, Registry and Bursary each with several units. There are also the Institutes of Education and Administration each with several units. So also, there are four schools which include the Staff School alone with three branches. In addition, the university has about five centres involved in research of various fields and development. Also, we have up to five units of library, covering the min campus, Kongo campus, Teaching

Hospital and Arewa House. Then there is the University Health Services, one in the main campus and one in Kongo campus, As well as the Maintenance and Services one in the main campus and one in Kongo campus (Please see Appendix 1 for details). Each of the above mentioned departments and units is a spending outlet having a code of expenditure allocated to it under the control of either the head of department or head of unit as the case may be.

These departmental operating expenses include so many items like transport and travelling,purchase of consumable, maintenance of the departmental tools and equipments photocopying of documents and many other miscellaneous unclassified items.

It is understood that the university releases funds on quarterly basis for these departmental operating expenses. The amount released in each quarter is several millions of naira.

(g <u>Other Areas</u>

Other central expenditure areas of the university are on stationery materials, laboratory chemicals, rents and rates, insurance, power and lights, telecommunication services, staff training (both local and overseas), medical and sanitation care to staff and students and so many others. The total expenditure by the university on these various items runs into tens of million of naira every year.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The researcher, has had the opportunity of participating in the accounting operations of one or two universities for several years. He was therefore able to observe the procedures adopted in the preparation and implementation of the budgets of the institution. This is in addition to the interviews and consultations he made for the purpose of this research.

The research findings are hereby classified into two broad headings:

(a) Budget preparation

(b) Budget implementation.

4.2 Budget Preparation

The researcher discovered that the university adopts a mixture of Incremental, budgeting and Zero-Base techniques. However, it is difficult to notice any traces of zero-base budgeting technique in what is being practiced today.

The stages through which preparation of budget pass, typically reflects the structure of the university. The university runs a financial year that start from July of one year to the end of June of the following year. The Bursar of the university who is the Chief Finance officer usually

initiates the budget session by sending out estimate proposal forms to all heads of departments. The initiation time for the budget exercise is normally in March/April of a year and the date of submission of the completed forms is indicated in the form or circular letters.

Departmental stage

The preparation of the budget is against the incoming financial year that begins on 1st July. The current year is used as a base; some amount is added for new services and commitments, inflation and increase in pay are added while some amount is subtracted for commitment already completed. What results from this exercise, the researcher learnt is the budget proposal for that particular department or unit in the incoming financial year.

The next step is to get the proposals or estimates for all the units in a particular department. These are collated together and scrutinised at that departmental level. For academic department, there is a further collation at the faculty level by the Faculty Budget Estimate Committee comprising of all heads of department with Dean of the Faculty as the Chairman. The Faculty Officer who is a representative of the university Registrar will serve as the Secretary of this committee. During the scrutiny of the submission from departments, this committee has the power to make amendment on the submission if it finds it necessary.

Senate Estimate Committee stage

The researcher was informed that after the departmental stage, all estimates are sent to the next stage which is Senate Estimate Committee which is chaired by the Vice Chancellor. The committee has the Deputy Vice Chancellor (Administration), Deputy Vice Chancellor (Academic), the Deans of the faculties, the Registrar and the Bursar as members. A senior member of staff of Bursary Department normally acts as the secretary to this committee.

The terms of reference of the committee usually would include:

(i) To receive the annual request for staff establishment and funds submitted by the departments and other units within the university.

(ii) To prepare estimates based on requests after consultation with the heads of department. The heads of department should have noted the directives given by the Council or the Finance and General Purpose Committee, and the decision of the Senate on priorities for academic activities.

(iii) To submit the estimate as prepared to the Senate.

(iv) To allocate funds provided by Council, and

(v) To examine requests for supplementary recurrent financial provisions.

At this stage the Dean of each faculty will present the draft budget of the Dean's office as well as those of other

departments in his faculty. The researcher was informed that the head of department may be invited to clarify any of the items included in his department's estimates.

If the head of department had followed the guidelines issued from the Bursray Department (Budget Affairs Unit) strictly, there may be little or no amendments at this stage. The draft budget is then passed to the full session of the senate for approval who has also the vice chancellor as the chairman.

Finance and General Purpose Committee

The last stage in the budget preparation is the Finance and General Purpose Committee, according to the findings of the researcher. The Pro-Chancellor and Chairman of the university council is also the chairmen of this committee. Other members are the Vice-Chancellor, the two Deputy Vice Chancellors, three representatives of the council and the Registrar as the secretary. The university Bursar who is the chief finance officer is also in attendance to give expert advice. The term of reference of this committee are:

(i). Authorizing or confirming payments of all accounts due tc the university.

(ii).Supervising the collection and receipts of all debts and monies due to the university.

(iii). Directing the deposits and investment of all donations, subscriptions and other monies due to the

university.

(iv). Ensuring that proper account of the university finances are kept and audited up to date.

(v). Dealing with matters urgently requiring decisions during the intervals between meetings of council.

(vi). Performing such other duties as the council may delegate to it.

(vii). Consider and recommend to the council both recurrent and capital estimates.

The researcher learnt that the task of the defending the estimate rest squarely on the Vice Chancellor to be assisted often by his two deputies. Proper scrutiny is carried out by this committee. it may make a percentage reduction on some items of expenditure, say 5% on stationery, or a general percentage reduction in the allocation to all the departments, or a lump sum cuts in allocation and allowing the department to work out the details. Alternatively, it could examine the operations of the departments and suggest where savings could be made. The committee shall then pass the final draft budget to the council for the final approval. Budgets are normally given, formalized legal or administrative status by requiring that they be efficiently approved by the governing body concerned and then published. Official approval is important for proper accountability because it marks a commitment to the plans and appropriations incorporated in the budget, and thus a readiness to be held responsible for departure from them.

The researcher noticed here that there are two main differences between the Finance and General Purpose Committee scrutiny and that of the various spending departments:

(a). The Finance and General Purpose Committee knows exactly what the other departments have proposed to spend, and its attitude to estimate of individual committee would be enhanced by its overall view of the financial situation.

(b). It is therefore able to take a detached view of the estimate in a way no other committee has done.

Twenty heads of department selected at random from across all faculties were interviewed and fifteen of them agreed that the university uses standard forms for estimate preparations. This implies that the university usually assist the departments with the necessary information required for budget preparation.

All the twenty heads of department interviewed equally agreed that they are allowed to prepare their estimates. This then also means that every head of department is allowed to participate in the budgeting process. The issue here is that since heads of department are allowed such participation, they will equally be very committed in the implementation.

On the other hand, thirteen out of the twenty heads of department agreed that they attend budget committee meetings to defend their estimate proposals. The remaining seven said that their Deans usually represent their interest. The implication here is that the university adopts limited budget

participation.

4.3 Budget Implementation

In the course of the research work, the following documents were discovered to be used by the university for budget implementation.

(a). Approved Annual Estimate Book

(b). Vote book

(c). Local Purchase Order (LPO)

(d). Stores Requisition Voucher(SRV)

(e). Job Order Form (JOF)

He equally observed that the departments and units involved in the implementation are:

(a) The User department.

(b) Bursary Department.

(c) Internal Audit Unit.

The officers involved are:

(a) Head of Department

(b) Accountant - Expenditure Control Unit.

(c) Chief Internal Auditor or his appointed representative.

The Bursary Department controls the user department through the use of vote book before any payment is allowed. The Internal Audit Unit acts as a guide to ensure that the laid down procedures are strictly adhered to.

From the interview of the twenty heads of department, all agreed that their LPO's are normally counter-signed by the

Chief Accountant, Expenditure Control Unit. The conclusion here is that a head of department alone cannot commit the university to legal contract without the knowledge of Bursary Department, and as such the question of over-expenditure by a department may not be that easy.

It was discovered that where the amount in the LPO from a department is more than the available balance in the vote book, the Bursar would not allow the LPO to be counter - signed. However, as a remedy, in case the LPO is very urgent, the Bursar may allow virement of funds from a code where there is sufficient fund to cover the LPO. This is to mean again that a situation where a head of department overspends his budgeted figure at the year end, is an indication that the Bursary Department has not exercised enough control measures.

So also the interviewees mentioned that they are not usually informed of the accounts they may have over or underspent at the end of the financial year. According to them, they may only obtain the information from the vote books if they asked for it. An interview with the Accountant, Expenditure Control Unit reveals also that such variances are only displayed by the computer through the end of year trial balance meant for the consumption of the External Auditor. This is to confirm that variances are never investigated for purposes of budgetary control. Instead, an under expenditure of vote (favourable variance) means that the department did not need up to the amount approved in the budget. In like

manner, over expenditure (unfavourable variance) is an indication that too small amount was approved for such department.

Consequently, the c6urrent year variances have effects on the next years budget because departments with favourable variance will be given less allocation in the new budget while departments with unfavourable variances will be given more allocation, the cause of the variance not with standing. All the twenty heads of departments interviewed agreed that they derive some benefits or advantages from the budget exercise, some of their suggested advantages are:

(a) Experience gaining by their participation.

(b) Creates forum to interact with other heads of departments and some members of the university management staff where each can freely express his opinions concerning the budget exercise.

(c) The budget itself will allow the head of department know his spending limit and therefore can plan ahead.

(d) It creates a spin-off effect on the head of department to work hard to meet the objectives and goals of the department and within the approval financial allocations.

In like manner the heads of department also agreed that there are problems or disadvantages associated with the budgeting exercise some of which are as follows:

(a) It is time consuming since it passes through many stages before arriving at approved allocations.

(b) It sends a signal to heads of department to exhaust his allocation by all means since there is no encouragement for prudent spending.

(c) It frustrates heads of department because some of them have their estimates slashed after taking adequate time to compile them.

In expressing their opinions, some of the heads of department contended that the Vice-Chancellor, Registrar and Bursar should just allocate funds on the basis of actual money available to the university. According to them, it will reduce time wasting in making estimates and attending budget meetings.

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CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

From the foregoing chapters, the units and people that are involved in budgeting implementation of the university are revealed. The aim is to ensure that heads of department does not spend more than the amount approved in the budget.

On the other hand, we can deduce from the research that where a head of department overspends his allocation, there is no follow-up action in form of investigation.

It should be noted as revealed by the research that in a situation where an organisation's budgetary system only aims at avoiding over-expenditure, such should be called PREVENTION of expenditure and ACCOUNTABILITY, it is not a CONTROL mechanism. For control involves four basic ingredients which are as follows:

(a) The existence of deviation of actual performance from the standard - called variances.

(b) Categorisation of these variances into favourable and unfavourable areas.

(c) Investigating the variances.

(d) Taking corrective measures.

Control therefore is 'post mortem' or ex-post action but corrective action is a futuristic concept! Action cannot be taken to alter what has already happened in the past. It can only be concerned

with what is to happen in the future.

The logical conclusion one can draw from this research work is that the current method by which budget is implemented in the university does not ensure control. Lack of control has other consequences on the efficiency and effectiveness of the entire institution.

(a) The reasons which will make a head of department overspend or underspend his vote is completely obscured from top management since variances are never investigated.

(b) If investigation were carried out for an overspending of vote by a head of department and yet such head of department was able to meet the objectives of the department to the satisfaction of the top management, the researcher feels that the head of department should be given some motivation to enable him perform better in the following year. The system whereby underspending of vote by head of department leads to reduction in the following year's budget may be demotivating and dysfunction in nature.

(c) On the other hand, if an investigation were carried out on why a particular head of department has overspent his vote, the control may reveal:

(i) Whether the original budget was wrong.

(ii) It could be that the head of department was unnecessarily wasteful in his fund disbursement.

(iii) It could equally be due to changes in environmental factors on which the budget setting was based. (for example increase in price of operating materials of the department).

In each of the situations explained above, the university management can take some corrective action. For instance where deliberate fund wasting is obvious, the head of department could be given a warning. In addition the amount allocated to his department in the following year can be reduced.

In a situation where the original budget was wrong, the head of department and the management only have to be careful in subsequent years to ensure that they incorporate into the estimates, all those foreseable variables likely to affect spending in the coming year. The Bursar or Budget officer could be of great assistance in guiding the head of department.

So also where the unfavourable variance is as a result of environmental factors, then it becomes imperative on the university budget officer to carry out enough environmental analysis. This will enable the university management be in a position to determine the most likely variables that will distort the budget implementation. An environmental factor that affects one department is also likely to affect all other departments because every department is part and parcel of the whole environment of their institution. Examples of environmental factors the Budget office should watch out for are government regulations, possible inflation in prices of the operating equipments and materials, other institutions buying habits. If for instance there is a sudden high demand

for laboratory chemicals, the price will automatically increase assuming that supply is constant.

5.2 RECOMMENDATION.

Based on the findings of this research work that the university has on proper budgetary procedures but has not installed adequate budgetary control system, one can therefore make the following recommendations.

(a) The university should evolve adequate estimate preparation procedure.

(b) It should instal a mechanism for investigating and following-up procedures in its budgetary control system. It is in this that effective control device could be ensured in budget implementation.

(c) The university should adopt various ways of analysing the variances.

(d) The university should, if possible set up a Budget Implementation Committee (BIC) drawing staff from the various departments to ensure that the above three recommendations are carried out properly.

(e) The committee should make it a point of duty that heads of department who are found wanting after proper variance analysis are carried out are subjected to disciplinary actions by the university management.

(f) The university management staff should take precautions too, in the spending of allocations made into the common charges

codes. These are central expenditure codes under the supervision of the Bursar.

(g) The university authority should produce Budget Mannual to be distributed to all heads of department which should guide them in the preparation of estimates and the actual budget implementation.

(h) The university should equally compel heads of department to invite professionals of specific disciplines when making estimates for projects which are of captial in nature.

Above all these recommendations, it is important to mention that 'transpparent honsty' and 'discpline' should be the watch-word of all concerned. The university top management staff should lay good example for all heads of department and other spending officers to copy.

The researcher is aware however, that implementing some of these recommendations may be difficult and could even meet great resistance from staff (especially in the short-run). In the long-run however, when staff have become acqucinted with the system, efficiency, effectiveness and reduction in wasteful spending would be the ultimate result.

In addition, there is need for effective review of overall academic strategy. Moodie and Eustance,[1] have rightly mentioned and summarised the attitude of universities to budgeting thus:

" The underlying trouble is that universities, like the central government have tended to think too much about accounting heads and too little about the objectives and functions of the whole organisation, and too much about new

> *proposals while largely exempting established claims on resources from any comparable analysis.* **A lot of** difference would have been made **in the university's** approach to Budgeting if some blend of 'planning-Programming-Budget system (PPBS), has been grafted into the traditional budgeting system already in practice"[2]

The two authors in their book Power and Authority in British Universities went further to explain that Planning Programming Budget System involves the following.

(a) It assumes that government resources are limited and thus the university must be able to limit its programmes in such a way as to provide the most benefits in relation to financial allocations.

(b) It provides for a review of proposed actions in terms of their relationship to government objectives, analysing how the objectives are to be achieved given the amount of available resources.

(c) It leads to the development of programme packages consisting of alternative approaches to solving the same problem. Both will be compared in terms of their costs and benefits.

(d) The system also requires the projection of cost of programmes over an adequate time period, (this may be five to ten years) in order to gain a recognition of total cost of proposed programmes.

(e) It seeks the determination of how both private and public efforts would fit into the accoplishment of the given goal in order that necessary macro-economic decisions regarding appropriate expenditure leves for the orgaisation's programmes

might be made.

(e) Lastly, through such mechanisms as social indicators, it becomes helpful to gain a sense of how the spending of government money would affect the section of the society towards where such money were targeted.

Centralisation of Budget-making may also be removed since Planning Programming Budget System involves all concerned from the beginning to the end. In fact, it promotes corporate management.

Unfortuately however, it is observed by Aitken [3] that "Financial management within the university system does not aim at making a profit out of the money coming to it. It does aim at avoiding a loss".

Despite the limitations and shortcomings earlier mentioned, it is hoped that this research work will go a long way in helping to find solutions to the problems encountered in Budgeting at the Ahmadu Bello University, Zaria.

It is equally hoped that other universities, government establishments, ministries, parastatals and individuals will find this work to be of great interest to them.

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APPENDIX I

DEPARTMENTS AND UNITS HAVING EXPENDITURE CODE FROM ABU FUNDS

VICE CHANCELLOR'S OFFICE:	EXPEND.CODES
Central Administration	410100
Academic Planning Unit	410200
Physical Planning unit	410300
Internal Audit Division	410400
Information and Protocol Unit	410500
Security division	410600
Catering Unit	410700
Lagos Liasion Office	410800
Alumni unit	411100
REGISTRY	
Central Administration	420100
Academic Office	420200
Establishment Office	420300
Housing and Passages	402400
Junior Staff Division	420500
Legal Affairs Unit	420700
BURSARY	
Central Administration	430100
Finance Division	430200
Accounting Division	430300
Finance Office Main campus	430400
Central purchasing Unit	430500
Budget Affairs Division	410900
FACULTY OF AGRICULTURE	
Deans Office	470100
Agronomy	470200
Agric. Econs. & Rural Sociology	470300
Animal Science	470400
Crop Protection	470500
Plant Science	470600
Soil Science	470700
FACULTY OF SOCIAL SCIENCES	
Deans Office	440100
Economics	440300
Sociology	440800
Political Science	440900
Mass Communication	441100

FACULTY OF ARTS

Deans Office	480100
English and Drama	480300
French	480400
Nigerian & African Languages	480500
History	480700

FACULTY OF EDUCATION

Deans Office	490100
Education/Child study	490200
Library Science	490300
Physical/Health Education	490400
Vocational/Technical Education	490500

FACULTY ENGINEERING

Deans Office	500100
Agric Engineering	500200
Chenical Engineering	500300
Civil Engineering	500400
Electrical Engineering	500500
Mechanical Engineering	500600
Metallurgical Engineering	500700
Surveying	500800
Water Resources/Envir. Engineering	500900

FACULTY OF ENVIRONMENTAL DESIGN

Deans Office	510100
Architecture	510200
Building	510300
Fine Arts	510400
Urban/Regional Planning	510500
Industrial Design	510600

FACULTY OF MEDICINE

Deans Office	530100
Surgery	530200
Orthopeadic Surgery	530300
Anaestheia	530400
Dentistry	530500
Opthalmology	530600
Medicine	530700
Paediatrics	530800
Radiology	530900
Obstetrics/Gynaecology	531000
Chemical Pathology	531100

KASHIM IBRA

Morbid Anatomy	531200
Haemotology	531300
Medical Microbiology	531400
Community Medicine	531500
Psychiatry	531600
Human Anatomy	531700
Physiology	531800
Immunology	531900

FACULTY OF PHARMACEUTICAL SCIENCES

Deans ofiice	540100
Pharmaceautics/pharm.Microbiology	540200
Pharmaceutical Chemistry	540300
Pharmacognosy	540400
Pharmacololgy/ Drug development	540500

FACULTY OF SCIENCE

Deans Office	550100
Biochemistry	550200
Biological Sciences	550300
Chemistry	550400
Geology	550500
Mathematics	550600
Microbiology	550700
Physics	550800
Textile Sciences	550900
Geography	551000

FACULTY OF VETERINARY MEDICINE

Deans office	560100
Vet. Anatomy	560200
Vet. Parasitology/Entomology	560300
Vet. Pathology/ Microbiology	560400
Vet. Physiology/Pharmacology	560500
Vet. Public Health	560600
Vet. Surgery/Medicine	560700
Vet. Teaching Hospital	560800

SCHOOLS

Postgraduate School	710100
Demonstration secondary School	710300
School of Dentistry	710400
Staff School Main Campus	710500
Staff School Kongo Campus	710600
Staff School, Area BZ	710700

CENTRES	
Iya Abubakar Centre	750100
Arewa House. Kaduna	750200
Centre for Human Resources Development	750400
Maintenace and Development	750800
LIBRARIES	
Kashim Ibrahim Library	760100
President Kennedy Library	760200
Samaru Public Library	760300
Medical Library	760500
MAINTENANCE & SERVICES DIVISION	
Central Administration	860100
Building Maintenance	860200
Bulk Metering	860300
Water Works	860400
Infrastructures	860500
UNIVERSITY HEALTH SERVICES	
Main campus Sick Bay	870100
Preventive/sanitation Unit	870200
FUNDINGS	
Funding to Students Affairs Division	102371
Funding to Inst. of Administration	102372
Funding to Inst.of Education	102373

APPENDIX II

QUESTIONS FOR ORAL INTERVIEW WITH A CROSS-SECTION OF HEADS OF DEPARTMENT IN AHMADU BELLO UNIVERSITY, ZARIA.

These questions are designed strictly for research exercise into the concept of "The Application of Budget in the Management of Government Establishment: A Case of Study of A. B. U. Zaria.

Responses from the interviewees will be used purely for academic purpose and as such will be treated with high confidentiality.

A. Budget Preparation

1. Which office do you normally receive circular letter from to commence compilng data for your department for annual budget?
   A. Vice Chancellor's Office
   B. Registry Department
   C. Bursary Department
   D. Any other department (specify)
2. Is this circular always accompanied with standard Budget Forms?
3. If yes to question 2 above, are you allowed to state your your financial requirements for the in-coming year?
4. If you are not allowed state your financial requirements, then who prepares it for you?
5. Are you normally invited to attend the Budget Committee meeting to defend your estimates?
6. If you are not allowed to attend, then who represents your interest?
7. Who is responsible for preparing the final budget?
   A. Vice Chancellor's Office

B. Registry Department

C. Bursary Department

D. Any other department (specify)

8. How is the final approved budget communicated to you?

B. Implementation of the Budget

1. Which of these documents are sent to you to enable you start incuring expenditure?

A. Approved Budget

B. Local Purchase Order (LPO)

C. Vote Book

D. Job Order Form (JOF)

E. Store Requisition Book

F. All of the above.

2. Is your LPO normally countersigned by the officer in Expenditure Control Unit of Bursary Department?

3. Where the amount in your LPO is more than the balance in Vote Book, does the officer in Question 2 above normally approve the expenditure?

4. If he does not approve the expenditure, the what next do you normmaly do?

5. At the end of the year, are you normally informed of the code you have over or underspent?

6. Where such variances exist, are they normally investigated by the authority to find out the reason?

7. Where you over or underspent, what impact does it have on your following year's allocation?

8. Assuming you do not completely exhaust your allocation in a year and yet you are able to meet the goals/objectives of your department, is there any incentive given to you for saving fund for the university?
9. State and rank the benefits/advantages you derive from the university bedgeting system.
10. State and rank the problems/disadvantages, if any,that you normally encounter in the university budgeting system.