

**BUDGETARY CONTROL AND SERVICE DELIVERY OF MEDIUM SIZE  
BUSINESSES IN UGANDA. A CASE STUDY OF DAYTON TRADING  
UGANDA LIMITED**

**BY**

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND  
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## DEDICATION

I dedicate this report to my family, Nuh Saed Dualeh, Salah Awaleh and Salma Mohamed Iidle, for the distinguished support they have always rendered to me throughout my life most especially in my studies.

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## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

This chapter highlights the statement of the problem, background of the study, scope of the study, purpose, objectives and the significance of the study.

#### 1.1 Background of the study

Dayton trading is a private limited company incorporated in Uganda in 2010 with a share capital of 3 billions ug.shs registered and paid up. The company is under the directorship of Asim Morvi A.K Kalan and Shamila Morvi Asim owns 60% Karan 30% and Shamila also owns 10% of the shares.

Dayton trading limited is currently located on Ben Kiwanuka street Kampala district, Kampala city centre. It offers various services which include the following; Money lending, money transfer services among others.

According to Hasnain Farishstah, financial controller Dayton trading limited). Dayton Trading limited was established with the aim of producing quality services to satisfy its Business objectives and to obtain additional income. According to financial controller of Dayton trading Farishstah, the company faced the challenges of competition from other competitors but this has empowered the organization/business to increase on the quality of the services due to demand from the customers.

However; according financial manager Dayton trading (Farishstah) budgeting refers to the process of organizing in order to pay for purchase or labor charges and other costs related to the daily running of the company. In case of Samona beauty products their sources of funding include

Creditors, Dayton trading always get credit facilities from their suppliers and they issue to them deposits updated cheques to 90 days to 60 days to mature. This process saves the company from paying high interest rates of 32%, however it's a company's policy to pay all the due debts, this process saves the company reputation



Advance payments:

Dayton trading services since 2010 have been in position of controlling budget. This is done by setting up standards of service delivery, measuring actual service delivery and determining the appropriate corrective action needed to bring actual performance into comforting with planned service delivery.

Over the past two decades the word that has become the common currency in all managers' Vocabulary is "budgets". Budget is perhaps the most chosen course of action or in action by the management and staff across all sectors. Management at all levels within the public, private and the third sector have used the budget as their shield or excuse when confronted or challenged about any decision. It's not uncommon to hear variations of the phrases "the Budget doesn't permit us to" or it's not our budget".

Budget as financial plans that provide the basis for directing and evaluating the service delivery of individuals or segments of organization. Burns (1975)

For the purpose of my study, I define budget as a quantitative statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities, and cash flows that provides a focus for an organization, as it aids the coordination of activities, allocation of resources, and direction of activity, and facilitates control.

Budgeting system as a combination of information flows and Administrative processes and procedures that is usually an integral part of the short-range.

From the definition of budgets we distinguish three key components. Firstly, we recognize the planning aspect of budget. The plan is regarded as the statement of intent or goal of the Organization. The second aspect is the measurability. This makes it possible to measure the Plan. The third component is time. It gives the possibility to say if the plan is achieved.

### **Traditional budget**

There are two issues traditional budget is faced with; the first issue is the accounting. The budget process serves two functions. It serves to build the internal budgets for each responsible centre in the company and the roles up to form the external earnings per share.

Capital. According to Gregory (2005), the problem with traditional budgeting is that it is based on general ledger (G/L). The G/L is the store house for the basic financial information of the company. That basic information is specifically direct revenue, direct expense and balance sheet amounts by centers. Many managers who get involved in the budget process generally only budget these amounts for the areas of their responsibility.

Many of these managers have major profitability responsibility but never get to budget profitability. He further went to say that the internal accounting at most companies was based on expense allocations. This antiquated methodology is the underlying reason most management reporting systems are underutilized and one of the impediments to improving the budgeting Process (Gregory 2005).

These are few examples of the traditional budget which will be discussed below:

- i. **Fixed budget:** Fixed Budgets are used often by firms which rely on their forecasts. Hofstede (1968)

Hofstede wrote that one discussed issue in the accounting literature is whether a budget should be fixed or variable with respect to volume or sales or other inputs. The fixed budget is therefore a budget which once made and accepted cannot be changed for whatever reason being that fixed costs are incurred and still persists irrespective of sales volume Hofstede (1968).

- ii. **Flexible Budget:** Flexible budgets reflect the effects of changes in the budgeting environment which affect the delivery of the budget.

**Capital Budgeting:** capital budgeting as “the firm’s decision” to invest its current funds most efficiently in long-term activities in anticipation of an expected flow of the future benefits over a series of years. Pandey (1999)

- iii. **Sales Budget:** “the cornerstone of successful marketing. Planning in a firm is the measurement and forecasting of market demand. The key figure

Needed is the sales forecast because it is the basis for all budgeting and all operation in the firm. Stanton (1971)

## **1.2 Statement to the problem**

The Budgetary controls are very important to Businesses since they help to direct, control and help Businesses to achieve their long term work plans and effective allocation of scarce Business resources. Dayton trading through their long time work plan has been able to provide quality services to its customers through monitoring of its long term work plan. Dayton has been able to achieve all that through their planning officer. However according to the company's annual report 2016, Dayton still had some customers who were not yet satisfied with their services due to some reasons. Some of the reasons were linked to budgetary control systems. It was against this background that the researcher decided to investigate the impact of budgetary control systems and service Delivery of medium size businesses using Dayton trading as the case study.

## **1.3 Purpose of the Study**

The general aim of the study was to identify the impact of budgetary control on the service delivery of medium size businesses taking Dayton trading as a case study.

## **1.4 Specific Objectives of the Study**

- To identify the levels of budgetary control systems at Dayton trading Uganda limited.
- To identify the internal budget control systems established by the management at Dayton trading Ltd
- To determine the relationship between budgetary control systems and service delivery at Dayton trading Ltd.

## **1.4 Research questions**

- What are the levels of budgetary control systems at Dayton trading Uganda Limited?
- What are the internal budgetary control systems established by management at Dayton trading Uganda?
- What is the relationship between budgetary control and service delivery at Dayton trading Uganda?

## **1.5 Scope of the study**

This specifies the period of concern for the study, the geographical area of coverage and the operational subject of study.

### **1.5.1 Content scope**

The study was limited to the budgetary control systems and service delivery of medium size businesses in Uganda, case study of Dayton trading Uganda limited.

### **1.5.2 Geographical scope**

The research was carried out from Dayton trading Uganda limited located at Ben Kiwanuka Street, Kampala city centre.

### **1.5.3 Time scope**

The research covered a period of four (4) months from March 2017 to June 2017.

## **1.6 Significance of the study**

- i. The research benefits Dayton trading customers who includes individuals, firms and small businesses by providing information which can help designing good budgetary control systems and how to put them into practice which can help them to translate strategic plans into action.
- ii. The research enables the management of Dayton trading to identify it's weaknesses by reading the researchers recommendations suggestions and hence be able to create change.
- iii. The research increased on the body of knowledge by future researchers and will remain of interest to potential investors and other academicians interested in the impact of budgetary control systems and performance.
- iv. The research will also lead to award of Bachelors Degree in Business Administration of Kampala International University to the researcher.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

The literature was reviewed basing on the objectives of the study which included; identifying the impact of budgetary control on the service delivery of medium size business, identifying the internal budgetary controls established by the management and to determine the relationship between budgetary control and service delivery at Dayton trading Ltd.

#### 2.1 Levels of budgetary control systems at Dayton Trading Uganda

A business budget is a plan which has been carefully prepared for all phases of the operations of a business for a definite future period of time. (Johnson 1996)

Budgetary control is the comparing of actual operations with the budget to determine if the plans are being carried out and if not to ascertain the reasons for deviation. Without a budget, a business may wander aimlessly, it may never know where it is going or where it should go, even with a budget, a business may not reach its planned deviations, but the exercise of budgetary control will note the deviations from the plan and thus provide the opportunity for necessary corrective action. (Ross 1988)

Rufus (1962) defines the budget as a plan. Planning is not a process of guessing but the result of study. Budgeting requires that executives and their subordinates do considerable research before making decisions as to the action to be taken such important factors as the following must be investigated before a balanced program can be drawn up.

- Estimated volume of services to be provided during a projected period. Estimates must be made in terms of both quantities and monetary amounts and should be reasonably anticipated in view of all conditions including both internal and external factors, which may affect the business during the projected period

- The estimated costs of producing the required services. This determination involves a study of the necessary costs of materials, labor and overhead applicable to the required quantities
- The costs of general administration during this period.
- A determination of the financial resources available to carry out the period's program and the additional financing required both as to amount and source.

Because a budget is a plan of operations or a definite period in the future, it is essential that this plan be carried out to the greatest possible extent if the desired goal is to be obtained. Operations throughout the period are controlled in line with the budget plan

This is accomplished by comparing actual operation results with the budget and reporting to executives the nature and extent of deviations from the plan. This enables executives to take necessary corrective steps during the period. In addition, the control aspect of budgeting promotes efficiency of operations and prevents waste.

According to Rufus (1977) Budgetary controls enables management to assess the adherence of individuals and organizational components to the goals stipulated in the plan and thereby to provide a qualitative basis for measuring and rewarding individuals and department performance. At a highly aggregated level the budget provides the financial manager with information regarding organization wide capital surplus and shortly falls. This information is essential for the timely recognition of investment opportunities and adequate planning for the acquisition of short term and long-term capital. A realistic well managed budgeting control systems reduce the errors or omission and commission in the allocation of resources either one of which can be costly to the organization.

The budgeting process commences with the preparations of a sales forecast since supporting forecasts such as productions personnel and facilities emanate from the sales forecast. Its importance can hardly be exaggerated. An excessively optimistic forecast can result in hiring of superfluous personnel, the acquisition of unneeded facilities and so on, all incurring with increased revenue and profits.

Cost accounting facilities management planning and control and permits the development of appropriate reward systems. In addition of course proper costing is essential for pricing and the buyer makes decisions of components required for the product. It is one of the roles of cost accounting to provide appropriate information for these budget controls facilitates communication and provides an objective basis for exercising control and struggling reward systems, it improves service delivery and heighten managerial morale.

Finally an important impact which accrues from the use of budgetary control is that more economical use is made of the concerns resources and facilities. Robert (1968).

By planning its various activities in advance, a business firm is able to make a fairly accurate estimate of its future labor and capital requirements. This contributes to the welfare of the workers, as well as the employers since it tends to stabilize the demand for their services

Similarly, by determining in advance the amount of fixed and working capital to be used, a firm insures a more economical employment of its capital.

### **Means of forecasting and planning**

Commentators highlighting the importance of the forecasting role of the budget include

Samuelson (1986), found that companies often take up to four months to complete the forecasting process and that sales forecasts are revised an average of five times. Lyne (1988), in connection with his empirical study that provided support for the view that forecasting is the most important role of the budget, notes that little has been written on the budget's forecasting and planning roles. Drury (2006) pointed out that the annual budgeting process leads to the refinement of the long-term plans. It ensures that managers do plan for future operations and that they consider how conditions in the next year change and what steps they should take now to respond to these changed conditions. Thus, enabling managers to anticipate problems before they arise and hasty decisions that are made without premeditation based on expediency rather than reasoned judgments are minimized.

### **A channel of communication and co-ordination**

Simons (1995) provides a frame work for thinking about how budgetary control systems can be used to communicate the corporate mission. In his model, budgeting consists of two primary

components: a strategic level and an operational level. The “levers of control” framework defines four types of budgetary controls: belief systems, boundary systems, diagnostic systems, and interactive systems. Belief systems are programs and statements that impart core values to employees. Boundary systems provide strict prohibitions and limitations on acceptable employee conduct. Diagnostic systems providing lagging indicators of service delivery. Interactive controls proactively capture critical measures from the business environment and are used to guide corporate strategy.

### **A motivational device**

Research evidence has shown that the use of specific, difficult targets can lead to higher Service delivery levels than moderate or easy targets (Hofstede, 1968 et al...). These studies have also shown, however, that as soon as a budget becomes so tight that it is perceived to be unattainable, its motivational impact is reduced, and eventually Executive Management

## **2.2 Internal budgetary control systems used at Dayton trading Uganda**

According to Meg (2003) controlling credit collections and accounts receivable extending credit increase the potential for sales and losses from bad debts the amount of accounts receivable for the model company was large relative its credit sales-waiting unit the end of the year to find this out is potentially dangerous, since the average retailer losses more from slow accounts than from bad debts. Cheques should be made often enough to identify customers who are slow in paying and to determine the reason for it

In general, the longer an account goes unpaid, the less the chance of collection

### **2.2.1 Auditing**

According to Herbert (1988) an audit of a company consists of a formalized methodological study, examination or review of its financial records with the intention of verifying, analyzing, informing or discovering opportunities for improvement. There are three main types of auditing; however Herbert’s study was not on Dayton, a gap which this study intends to fill.



### **Financial auditing**

According to Gupta (1989) financial auditing an outside certified public accountant CPA verifies the records and financial statements of a company -usually once a year. This audit furnishes the owners creditors, potential and current investors and regulatory agencies with information on the company's financial status and operations.

### **Internal auditing**

This is an appraisal of accounting financial or operations activities by someone in the firm, with the intension of measuring and evaluating the effectiveness of controls. Such audits function primarily as a service to management for the improvement of its financial controls.

### **An operations audit**

This studies the basic operators of a company in order to identify problem areas. It may include studies of functional areas such as marketing, finance, product organizational structures, personnel ad planning. Closely related to infernal auditing, operations auditing emphasizes operations more than financial activities

In summary, a company should be audited annually to ensure continued proper financial reporting. Bankers often require financial statement audited by a CPA before they will grant a loan if any question arise as a proper control, inefficient operations or lost opportunities some form an internal or operations audit should be considered

#### **2.2.2 Subdivisions of duties**

The sales department of the company is responsible for securing the orders from the customers, the credit department must approve the customer's credit before the order is filled the stock room assembles the goods ordered, the shipping department packs and ships the goods and the accounting department records the transaction. Each department receives written evidence of the action of the other department and receives the documents describing the transaction to see that the actions taken correspond in all details.

The shipping department for instance does not release the merchandise until after the credit department has approved the customers as a credit risk. The accounting department does not record sale until it has received documentary evidence that:

- i. The goods were ordered
- ii. The extension of credit was approved
- iii. The merchandise has been shipped to the customer

### **2.2.3 Voucher systems**

Walter (1972) argues that control of cash transactions is the problem of ensuring that expenditures are properly authorized and that payments to liquidate liabilities are legitimate. In every business large or small, a considerable number of expenditures must be made each month for goods and services. Handling these transactions requires such steps as the following

- a. Purchase orders or other authorization for expenditure must be given
- b. Goods and services received must be inspected and approved
- c. Invoices from suppliers must be examined for correctness of prices, extensions, shipping costs and credit items.
- d. Cheques must be issued for payment

In a very small business it may be possible for the owner or manager to perform all these steps for every transaction. He may be assured that business is getting what it pays for, and that funds are not being disturbed carelessly or fraudulently.

### **2.2.4 Standing strategic review committees**

Developing great strategies necessarily involves peering into the future. A strategic review committee often consists of executives representing diverse areas who meet to address challenges to the firm's strategic direction. Such committees supplement the annual strategic planning processes. By including executives from throughout the firm, including those responsible for a firm's strategic management and budgeting processes, ramifications arising from changes in one area of the firm for others are more quickly identified. (Tim 2006 ).In an article written by Jeffrey (2007),the author also noted that comprehensive communication to all stakeholders, investors, customers/members, audit committee, the board of directors and of

course the employees who have a stake in the success of their strategic plan is critical. He further went on by making two suggestions hold employee meetings and celebrations to kick off the new planning cycle and be honest and totally transparent with your employee. (Jeffrey 2007).

### **2.2.5 Flexible planning**

Tim (2006) pointed out that key to making flexible planning a reality is the ability to shift resources, both human and financial, to different business activities as necessary. Therefore, senior managers must be willing and able to release and add financial and human resources as required and the organizational culture must focus every individual on the company's overall service delivery. Without malleable resources, flexible planning activities will result in decisions that can't be implemented. According to Jeffrey (2007), treating planning as Key business process is more important to an organization's long-run viability, sustainability, and value creation for stakeholders than its strategic plan and then engages employees at some level in the plan.

### **2.2.6 Technologies**

The advanced processes for integrating planning and budgeting share a need for communicating information and decisions. Flexibility depends on getting good information to the people who need it when they need it. The increased capability of IT tools makes them increasingly important in business planning (Tim 2006).

James (1998) also recognizes the need for organizations to modify their budgeting and planning system approaches and link them to strategy in order to successfully implement new strategic management system driven by balanced scorecard. He presented D. Norton and Kaplan's (1992) proposal of how to link budgeting and strategic planning. The proposal stipulates that the budget should be done at the same time as a company does its three or five years plan, and not be a completely separate process. That is, the budget should be year one of the strategic plan agenda. Dreelman (1998) presentation of Norton and Kaplan's (1992) four step process of how to link budgeting and strategic planning is presented below.

- i) Set stretch targets

Managers are encouraged to set three to five year breakthrough service delivery targets due to the cause and effect features and organizational focus on balance scorecard. The stretch targets should dramatic.

ii) Identifying the initiatives which help the achievement of the stretch targets

By using the balance scorecard to identify, set priorities, and align those capital investments and action programmes it is possible to achieve the stretch targets.

iii) Link resource allocation (capital and spending) on strategic initiatives to that plan

That is, derive expense and discretionary spending programmes for year one of the long-range plan as translated by the balance scorecard. Capital investment should be viewed through the lens of how it enables the achievement of one or more strategic objectives.

iv) Set the milestones for year one which can be interpreted as the budget

This is done by establishing quarterly milestones for measures in all balanced score card Perspectives which could be use to verify that the company is on the trajectory for reaching the strategic breakthroughs in the year three.

B. Rapp et al. (2000) further the above view through the model they design to explain the link between strategy and budgetary control (financial and non financial aspects).

They recognized the need for organizations to adapt their management control processes to the adopted strategic choices.

### **2.3 The relationship between budget control systems and the service delivery of Dayton trading Uganda**

According to Walter (1972) budget control emphasize main variable which are revenue and costs. The author further states that circulation between the two is the key leading to the better service delivery of the business hence gaining more profits with the business

Market shares quality and highly motivated staff are some of the indicators of better performance of the business hence leading to profitability.

### **2.3.1 Evaluating service delivery**

Walter (1972) further asserts that organizational plans are carried out by people. Control is thus exercised not over operations, revenue and costs but over the persons responsible for various business functions and the revenue and expenses results attained. Budgets provide a yardstick against which manager's actual delivery may be compared.

It is this latter feature delivery evaluation that accounts for the general a popularity of budgets. Managers are human and few of them are overlooked about techniques which enable their boss to check their service delivery. Budget often restrict freedom of action, since they are designed to motivate personnel to follow a plan.

Budgets are a valuable tool for owners to use to evaluate the delivery of their firm at the end of the time period that the budget covers. Owners should look at actual expenses for example as compared to budgeted or planned expenditures by doing. The owner can see how much actual expenses varied from planned expenses in order to improve the budgeting process in the next period.

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter presents the research methodology which was used by the researcher including descriptive of the case study area in particular, the process of data documentation, data analysis, the limitations of the study, study population, sampling size, data collection sources and methods of instrument

#### 3.1 Research design

The researcher used both descriptive and analytical research design. This was used to cater for both qualitative and quantitative methods of data that were related to the study; however the researcher focused on qualitative methods of data collection. The major goal of the descriptive design was to describe events, phenomena and situations since descriptive was made on the basis of scientific observation.

#### 3.2 Study population

The study population comprised of 35 professional personnel that are managers at all levels of finance and officers in charge of budgeting. This group of respondents was chosen because they deal with the management of the company thereby being well informed about the budgetary control systems used by Dayton Trading. Their views were of great significance to the researcher.

#### 3.3 Sample size

The researcher used the purposive sampling techniques because the researcher was centered on specific respondents. This was done by using sloven's formula which is

$$N = \frac{N}{1 + Ne^2}$$
$$\frac{N= 35}{1 + 35 \times 0.05^2} = 32$$

Where  $n$ =sample size

$N$ =target population

$E=0.05$

The researcher interviewed approximately 32 respondents

The sample size was as below;

**Table 1 : Showing the sample size of the respondents**

<b>Sample population</b>	<b>Sample size</b>
Human resource managers	3
Financial managers	9
Marketing managers	10
Others	8
Production managers	2
<b>Total</b>	<b>32</b>

Source: Primary data, 2017

### **3.4 Sample procedure**

Sampling is the process of selecting participants, purposive sampling and stratified random sampling was used to gather data from the informants who had in depth knowledge about the organization. The researcher sought permission from the concerned, to get the information about the research through;

- Making appointments with respondents
- Interviewing the respondents

### **3.6 Methods of data collection**

The researcher used both primary and secondary sources of data.

Primary data was used by the researcher to get the original information from the area of the study. Secondary data sources were also used which included manuals, newspapers articles, newsletters, the internet, brochures and annual reports of organization as well as text books which provided information used by the researcher.

### **3.5 Data Sources**

The methods of data collection were questionnaires, interview guides and document analysis.

#### **3.5.1 Primary Data**

The study used primary data sources. Primary data was obtained by the use of questionnaires and interview guides.

#### **3.5.2 Secondary data**

The researcher used secondary sources with an aim of comparing secondary data with responses to the primary data that was gathered in order to get a meaningful and objective interpretation of finding. Secondary data involved review of existing literature such as internal reports, previous research dissertations, internal memos, minutes of meetings, journals, textbooks and the Internet.

### **3.6 Research Instruments**

#### **3.6.1 Questionnaire**

A questionnaire was a reformulated written set of questions to which respondents recorded their answers, within closely defined alternatives. The questionnaire was used on the basis that the variables under study could not be observed for instance the views, opinions, perceptions and feelings of the respondents. The questionnaires were equally used because the information was collected from a large sample in a short period of time.

#### **3.6.2 Interviews**

The study used interview guides for in-depth interviews of key respondents. The interview guide included open ended questions. The open questions were used where details necessitated and where there could be many alternative choices.

#### **3.6.3 Document Analysis**

Secondary data from materials such as textbooks, newspapers, journals and internet were used to back up primary information and relate the findings to other approaches already in existence. The method used document checklists and guides to get views from other writers which were instrumental especially in comparison analysis and literature review.



### **3.7 Validity and Reliability of the Instruments**

**Validity** refers to the extent to which a method of data collection presents what it is supposed to do, or the extent to which a method of data collection measures what it is supposed to measure (Amin, 2005, Park, 1998). To establish the validity of instruments, instruments were pre-tested by administering the questionnaires to qualified respondents from the company that were not included in this study.

**Reliability** refers to the extent to which a test or procedure of data collection yields similar results under constant conditions on all occasions (Bell, 1997). The researcher gave questionnaire guides to the same groups of respondents and re-testing was done. In both tests, the results were the same, and it was a confirmation that they were reliable.

### **3.8 Techniques of data Analysis**

The frequency and percentage distribution were used to determine the demographic characteristics of the respondents. Information obtained from questionnaires was regularly coded and updated on a coding framework. Qualitative data was descriptively analyzed while quantitative data was analyzed using a statistical package (SPSS) and their meanings were contextualized, interpreted and organized according to their sources.

### **3.9 Ethical Considerations**

In the context of research, according to Saunders, Lewis and Thornhill, (2001), ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by it". The following ethics were observed in the research study:

**Informed consent.** Participants were given the choice to participate or not to participate, and furthermore were informed in advance about the nature of the study.

**Right to privacy.** The nature and quality of participants' performance was kept strictly confidential.

**Honesty with professional colleagues.** Findings were reported in a complete and honest fashion, without misrepresenting what had been done or intentionally misleading others as to the nature of it. Data was not fabricated to support a particular conclusion.

**Confidentiality/Anonymity.** Confidentiality or anonymity was practiced. This was intended to make participants give more open and honest responses.

### **3.10 Limitations encountered during the study**

The researcher encountered difficulties in obtaining statistical data to support the study. This was due to high levels of confidentiality among various departments in regard. However much was done to convince those in possession of such required data that the system to which the data was required was purely academic and all information which was provided was to be used and kept with high degree of confidence.

**Financial constraints,** since the search for information and presentation required spending in one way or another, the researcher didnot have all the finances to cater for both basic needs and that of the research work.

**Poor compliance** by the respondents was also a hindrance for instance retaining questionnaires without returning them back to the researcher while some respondents reflected being interviewed. Much as this was done, the respondents were informed about the use of the data that they were requested to provide. That aims were for academic purposes and that nothing should worry them.

**Inadequate data sources** in terms of textbooks, published journals and other relevant sources for the researcher to gather enough information relevant to his topic of study within the school library. This was overcome by resorting to other public libraries within the vicinity of the researcher and extensive use of the internet where the researcher was able to get some relevant information in relation to his topic of study.

## CHAPTER FOUR

### PRESENTATIONS, INTERPRETATION AND ANALYSIS

#### 4.0 Introduction

This chapter presents the finding about the impact of budgetary control systems on the service delivery of small and medium size businesses using figures, statistical table's frequencies percentage illustrating the relationship between the dependent and independent variables.

The chapter represents the general findings comprising the Age of the respondents, their marital status and qualifications. It also presented a detailed analysis of the finding from the objectives of the study.

The major objective of the study was to identify the relationship between budgetary control systems and service delivery of small and medium size businesses.

#### 4.1 Demographic characteristics of the respondent

Information in the general findings comprised of the respondent's gender marital status and qualifications.

##### 4.1.1 Gender of the respondent

The researcher targeted 32 respondents although only 30 administered questionnaires were turned back to the researcher.

**Table 2 : Showing the gender of the respondents at Dayton trading**

Sex	Frequency	Percentage (%)
Male	21	70
Female	9	30
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary data, 2017

According to table 2, 70% of the respondents were male while 30% were female. This implies that the majority of the respondents were male

### 1.1.1 Age range

**Table 3: Indicates the age range of the respondents at Dayton**

Age range	Frequency	Percentage (%)
20-30	15	50
30-40	11	36.7
40-50	3	10
50 above	1	3.3

**Source: Primary data, 2017**

Table 3 shows that 50% of the respondents ranges from 20 - 30 years and the least was 50 years and above. That's to say 20-30 years were 50%, 30-40 years were 36.7%, 40-50 were 3% and 50 and above were 1% as shown in the table above

### 4.1.3 Marital status

**Table 4 : Indicates the marital status of the respondent**

Marital status	Frequency	Percentage (%)
Single	21	70
Married	9	30
Widowed	0	0
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Primary data, 2017**

According to table four, the researcher observed that 70% (21) of the respondents were single, 30% (9) of the respondents were married and none of them was widowed

#### 4.1.4 Qualifications

**Table 5 : Indicates the qualification of the respondents**

QUALIFICATIONS	FREQUENCY	PERCENTAGE (%)
Master's degree	1	3
Degree	15	50
Diploma	6	20
Certificate	3	10
Any other	5	16.6
<b>TOTAL</b>	<b>30</b>	<b>100</b>

**Source: Primary data, 2017**

According to table five, the researcher observed that most of the respondents were degree holders 50% (15), master holders were 3% (1), diploma holders were 20% (6), and certificate holders were about 10% (3) and others 16.6% (5). This implies that the majority of the respondents were degree holders.

#### 4.1.5 Experience of the respondents

**Table 6 : Indicates experience of the respondents within the organization**

EXPERIENCE	FREQUENCY	PERCENTAGE
1 – 5 years	20	66.7%
6 – 10 years	10	33.3%
11 and above	0	0%
Total	30	100%

**Source; Primary data, 2017**

According to table six, the researcher found out that most of the respondents were between 1 – 5 years and fewer were under 6 -10 years. That's to say; from 1 – 5years were 20 (66.7%) and from 6 -10 years were 33.3%

#### 4.1.6 Departments which the respondents work with

**Table 7 : Indicates departments in Dayton trading Limited**

DEPARTMENT	FREQUENCY	PERCENTAGE (%)
Finance	20	66.7
Marketing	8	26.7
Human Resource	2	6.7
Production	0	0
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary data, 2017

According to table seven, the researcher observed that most of the respondents were from finance department 66.7% (20), marketing department were about 26.7% (8) and 6.7%(2)from the production department, non from human resource department. This implies that their percentage was 0%

#### 4.2 Budget control systems used in Dayton trading

Findings show that Dayton trading is a private limited company which provides services for example money transfers, exchanging currencies, dealing among others.

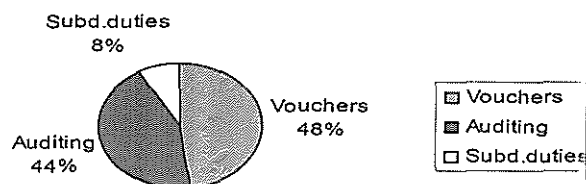
The researcher observed that since the industry is still its development stage and is investing much in promotion of its products so as to capture a wider market and also out compete their rivals in the same business. Dayton trading use the following budgetary control systems that were revealed by the respondents to the research

**Table 8 : Indicates the budgetary control systems used in Dayton trading Uganda limited**

SYSTEMS	FREQUENCY	PERCENTAGE (%)
Vouchers	12	40
Auditing	11	36.7
Subdivision of duties	7	23.3
<b>Total</b>	<b>30</b>	<b>100</b>

Source; primary data, 2017

**Figure 1 : Showing budgetary control systems in Dayton trading limited**



#### 4.2.1 Voucher system

Vouchers are used to make payments to different people or organization and these entail the payee amount to description of the transaction.

According to table eight, 40% of the respondents agreed with the use of the voucher system as a tool in budgeting control. The researcher observed that purchase orders or other authorization for expenditure are given to the company, goods and services received are inspected and approved, the researcher found out that invoices from suppliers are examined for correctness of price, extension, shipping costs and credit terms, cheques are issued for payment of workers this helps the organization to make better economic decision by not exceeding their budgeted plans

**Table 9 : Indicates responses about the use of voucher systems in Dayton trading**

OBJECTIVES	NO. OF RESPONDENTS	PERCENTAGE (%)
Purchase orders or other authorization for expenditure are given	5	16.7
Goods and services received are inspected and approved	10	33.3
Invoices from supplies are examined for correctness of prices, extension, shipping costs and credit terms	8	26.7
Cheques are issued for payments	7	23.3
<b>Totals</b>	<b>30</b>	<b>100</b>

Source: Primary data, 2017

According to table 9, the researcher found that there must be some steps to be followed in voucher systems. The researcher observed that there is an important step although all the four steps are important.

This indicates that goods and services received are inspected and approved 10 respondents agreed with it that is 33.3%, invoices from supplies are examined 26.7% of the respondents agreed with it and the use of cheques for payment 23.3% respondents agreed within.

#### **4.2.2 Auditing**

According to Arthur (1976) Auditing is the objective examination of the fairness of the presentation of the financial statements initially prepared by management. In the examination of the financial statements an auditor relies upon;

- The internal procedures followed by clients.
- The examination of accounting transactions and their underlying records.
- The examination of evidence for the authority and the validity of the transaction
- The examination of other financial and non financial documents and records and their underlying evidences for authority and validity.
- Evidence obtained from outside sources-banks customer's creditors and others.

According to table 8, 36.7 %( 12) of the respondents agreed with the use of auditing in budgeting control. The researcher observed that internal auditing is often done annually; records and financial statements are reviewed by the internal Auditor of Dayton trading limited. This implies that by the exercising of budgetary control helps to note the deviations from the plans and thus provide the opportunity for necessary corrective action.

#### **4.2.3 Subdivision of duties**

From the findings, 23.3% of the respondents agreed to the use of subdivision of duties. Where by the researcher observed that sales department securing orders from the customers and customer's credit is approved by the credit department, the researcher also observed that the stock room assembles the goods ordered and shipping department packs and ships the goods. The researcher also found out that budgetary control is carried out by financial department only and accounting



department records the transactions each department receives written evidence of the action taken in the process. This promotes efficiency of operates and prevents waste.

#### **4.3 Organization performance**

Research revealed that most of the employees in Dayton trading are satisfied with the level of their organizational performance because according to the research finding the researcher observed that the organization achieves its intended objectives.

According to Mr. Farishster (Finance Manager Dayton trading) said that the level of customer complaints in their organization is low. This implies that their contented with their performance

#### **4.4 Relationship between budgetary control and service delivery**

Different companies have systems of budgetary control that differ in the relative strength of influence exercised by the management and how they influence the management.

The research therefore sought to establish the effect of budgetary control systems on the service delivery of the organization, out of the 30 respondents who managed to spare some time to fill the questionnaire gave the divergent views on the way on how budgetary control systems impacts the service delivery.

Generally their responses were summarized basing on various reasons that they gave. These were as follows;

Helps to attain their goals, Used for proper planning, Better economic decisions, Limited taxation has increased hence capital accumulation, quality production hence more market for the products.

From the findings, it can be deducted that good budgetary control systems is really a key issue in influencing service delivery as employees will be motivated to work towards attaining their organizational goals. As the study revealed that subdivision of duties is also important in order to show a clear cut of what a particular person is supposed to do at a particular period of time.

Economic decisions, budgetary control helps in making better economic decisions by the organization as more economical use is made of the concern's resources and facilities. By planning its various activities in advance, a business firm is able to make a fairly accurate

estimate of its future Labor and capital requirements. This contributes to the welfare of workers as well as employees since it tends to establish the demand for their services. Similarly, by determining in advance the amount of fixed and working capital to be used Dayton trading insures a more economic employment of its capital.

Proper planning, because a budget is a plan of operations, for a definite period in the future, it is essential that this plan can be carried out to the greatest possible extent if a desired goal is to be obtained. Operations throughout the period are controlled in line with the budget plan. This is accomplished by comparing actual operating results with the budget and reporting to the executives the nature and extent of deviations from the plan. This enables executives to take necessary corrective steps during the period. In addition, the control aspects of budgeting promote efficiency of operations and prevent waste.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

In this chapter the researcher presents the summary of major findings, conclusions and recommendations. It summarizes the main findings of the study, makes some conclusions and recommendations and it also indicates the relationship between budgetary control systems and the service delivery of small and medium size businesses particularly in Dayton trading Limited. The study was aimed at ascertaining the impact of budgetary control systems on the performance of small and medium size businesses, a case study of Dayton trading Limited, in Kampala district.

#### The objectives of the research were;

- To identify the levels of budgetary control systems at Dayton trading
- To identify the internal budget control systems established by the management at Dayton trading
- To identify relationship between budgetary control systems, and service delivery of the business.

#### And the researcher intended to find out

- What are the demographic characteristics of the respondent?
- What is the impact of budgetary control systems?
- What are the internal methods of budgetary control systems?
- What is the relationship between budgetary control and service delivery of the business?

## **5.1 Summary of the major findings**

The hypothesis states that the level of service delivery depends on good budgetary control systems. So to analyze the data which the researcher collected for example pie-charts, tables, were used as stated in chapter four.

From the findings, it was established that 70% of the respondents were male while 30% of the respondents were female. This however did not have any effect on the major findings.

Of the 30 respondents who managed to fill the questionnaire, 50% of them were in range of 20 - 30, 36.7% of the respondents were in the range of 30-40, 10% of the respondents were in the age range of 40—50, and 3.3% of the respondents were 50 years and above.

The researcher observed that 50% of the respondents were degree holders, 20% of the respondents were diploma holders, 10% were certificate holders, and others were 16.7% and 3% of the respondents were masters' holders.

Basing on the field findings, more budgetary control techniques are also employed though at a small extent where by internal budgetary control is always done together with the internal auditing which is done by the financial manager and internal auditor.

However as seen from the above budgetary control systems being the major technique employed in Dayton many techniques are being drafted for example auditing, voucher system, subdivision of duties, serial numbered documents and accountability is always made periodically.

The service delivery is still low despite the endeavors by the government and operators of these businesses to improve them; they still fail to operate in organizations. There are several factors for their failure which include poor economic decisions, failure to set clear objectives and goals, poor record keeping, to mention but a few.

In many cases business budgets or plans can be of great help to the development of businesses where by budgets are used to solicit funds for review of their delivery.

But the biggest problem is that most businesses or managers prepare budgets and they don't take time to evaluate them and see if they are progressing or not and they end up not being

implemented and it's the responsibility of the financial manager and all the people responsible for budgeting.

Budgetary control can be a good undertaking by business enterprises although its not the only measure that can be taken for concrete development and service delivery of business enterprises other factors need to be put into action to see the business boom and these include knowing what your competitor does, who should administer the budget, being in line with government requirements and production of quality together with cash management.

## **5.2 Conclusion**

Findings indicate that the process of budgetary control systems has been handled with considerable interest in Dayton trading because of its effectiveness in improving the service delivery.

However, what remains as a challenge for Dayton trading of the choosing of the effective internal budgetary control systems that can bring the desired change in organizational performance.

From the findings, the researcher concluded that budgetary control systems are quite crucial in the development and service delivery of Dayton trading.

The success of any business largely depends on the good budgetary control systems used. Therefore, the lesson learnt here is that management should try to establish good budgetary control systems as tools for boosting the service delivery. Walter (1988) notes

This moves the researcher to conclude that much as budgetary control systems are crucial requirements for effective delivery of service. However, there is a need in Dayton trading to improve on their budgetary control systems for the good of their service delivery.

## **5.3 Recommendations**

With the reflection upon the data collected by the researcher, it has been realized that majority of the respondents support budgetary control systems for effective service delivery and as such Dayton trading has to ensure that the service delivery is improved upon through improved

budgetary control systems. This requires the company to put in place proper finance management in order to improve on the internal controls which improves the service delivery

Prevention of financial reporting malpractices is among the key issues that management should ensure. Directors should always be informed of the accounting malpractices or fraud being perpetrated in the companies that they lead. Strong audit committees are also important to ensure that the financial statements shows a true and fair view and corporate accountants should be the true competent ones who can prepare financial statements, organizational budgets according to the required standards and statutes.

Continuous survival of business enterprise in Uganda, in regard to this, the researcher recommended that effective internal audit should be done to enable continuous survival of business in Uganda. The technology should be updated, proper customer care, human resource managers should ensure right people are placed for the right jobs, management should put proper policies and procedures to ensure that their directives are adhered to, among others.

The researcher recommended that more staff and man power should be recruited in order to be equipped with the skills they should be trained with various techniques to use when promoting their products and also increasing on the level of sales.

With motivation, commitment and diligence of staff, there should be a significant progress in achieving target output despite cash flow constraints. So despite cost cutting the organization can achieve its targets. The industry should continue doing the best it can in terms of pay, but also strengthen staff retention strategies such as bonding after training.

#### **5.4 Further research areas**

The role of budgetary control systems as a tool for proper management of business enterprises.

The impact of auditing on the service delivery of small and medium businesses

Internal control systems and service delivery of businesses.

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**APPENDIX I**  
**QUESTIONNAIRES TO BE FILLED BY EMPLOYEES OF DAYTON TRADING**  
**UGANDA LIMITED**

**Introduction**

Dear respondent,

I am a student of Kampala International University under the college of Economics and Management conducting a research study as a requirement for the award of a degree in business administration-Accounting and Finance.

The purpose of the study is to assess the impact of budgetary control systems on the service delivery of small and medium Businesses in Uganda, a case study of Dayton Trading Uganda limited.

You are kindly requested to spare some time and fill this questionnaire, because the information given will be used for academic purposes only and will be treated with utmost confidentiality.

Your cooperation will be highly appreciated.

Kind regards

.....

SAHAL SAED AWALEH

BBA/42374/143/DF

0794253583

## SECTION A: BACKGROUND INFORMATION

Please tick the most suitable answer

1. **Gender:** Male  Female

2. **Age :** 20-30  31-40  41-50  51 and above

3. **Marital status:** Single  Married  Widowed

4. **Education level held:** Certificate  diploma  degree   
Masters  Others

5. **How long have you been with this factory**

Less than 1 year  One year   
1-2 years  More than 2 years

6. **How many employees does this factory directly employ**

0-100 employees'  200-500 employees   
600-800 employees  more than 900 employ

7. **What department do you work with?**

Finance  Marketing  Human resource  Production

## SECTION B: BUDGETARY CONTROL SYSTEMS

Below are several items that provide information on your assessments of budgetary control systems

Tick in the appropriate box that best reflects your rating budgetary control systems

The numbers range from 1 to

1. Strongly agree   2. Agree   3. Disagree   4. Strongly disagree

NO	ASPECTS UNDER ASSESSMENT	1	2	3	4
<b>A</b>	<b>AUDITING</b>				
A1	Auditing is often practiced				
A2	Internal auditing is often done annually				
A3	Financial auditing are well managed				
A4	Records and financial statements are reviewed				
A5	Effective operational audit significantly contribute to production efficiency				
<b>B</b>	<b>VOUCHER SYSTEM</b>				
B1	Purchase orders and other authorization for expenditure are given				
B2	Goods and services received are inspected and Approved				
B3	Invoices from suppliers are examined for correctness of prices, extension, shipping costs and credit terms				
B4	Cheques are issued for payment				
<b>C</b>	<b>SUBDIVISION OF DUTIES</b>				
C1	Budget control is carried out by financial department				

C 2	Sales department securing orders from the customers				
C3	Customer credit is approved by the credit department				
C4	The stock room assembles the goods ordered				
C5	The shipping department packs and ships the goods				
C6	Accounting department records the transaction				
C7	Documents are viewed by each department				
C8	Each department receives written evidence of the action				

**SECTION C: SERVICE DELIVERY.**

**7. Are you satisfied with the level of service delivery for your organization?**

Yes  No

**8. What is the rate of customer complaints in your organization?**

High  Low  Fair

**9. Does the organization achieve its objectives?**

Yes  No

**10. What is the level of debtors/customer's retention within your organization?**

High  Low  Fair

**11. How is the level of labor turnover in your organization?**

High  Low  Fair

**SECTION D: RELATIONSHIP BETWEEN BUDGETARY CONTROL SYSTEMS AND SERVICE DELIVERY OF THE ORGANIZATION**

**12. Does budgetary control has an impact to service delivery**

Yes  No

**13. To your own perception, what are the effects of budgetary control on service delivery?**

.....  
.....  
.....  
.....

*Thank you very much for your time and effort.*

## APPENDIX II: INFORMED CONSENT

I am giving my consent to be part of the research study of Mr. Sahal Saed Awaleh that will focus on the budgetary control systems and service delivery of medium businesses in Uganda: A case study of Dayton trading Uganda limited.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: \_\_\_\_\_

Date: \_\_\_\_\_