

**The Assessment of Budget
preparation**

Utilization and performance in

Basketo special worda

Special emphasis in Finance and

Economic development office

Prepared by: Silase Shisho

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- Ato Lematu shifraw for his humble and dedicated efferts for the succeds of this research.

I say thank you very much! I also want to thanks the finance and economic detartment staff members for their kind and cordial approaches and facilitations.

Silas Shisho

April 2013

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PREFACE

The expected out comes of the research included

- Making critical assessment of existing budget preparation, utilization an performance of Baskcto specials worda in general and on the finance and economic development in particular.
- Conducting research to generate data on the budget and other related issues.
- Coming up with systematically written material on the office.

The office believes that the resent document that is produced on the Assesement of Budget preparation, utilization and performance will play crucial role in filling some gaps of how to prepare, utilize and performance of budget and particularly for staff officer.

Samuel cujo:- Head of finance and economic development office.

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1. Introduction

1.1 Back ground of the study

Each government wants to undertake several economic and one- economic activities and pursue certain policies which have their financial counter parts in the form of revenues, borrowings, and expenditures. According, the government describes its intentions and policies which it would like to pursue during the form coming period (Usually a year) and draws up a financial plan corresponding to this seleme of things. Such a financial plan contains the details of estimates receipts as also proposes expenditures and other disbursement under various heads. Therefore, a budget enables the authorities to decide about each individual item of revenue and expenditure in the over-all context its policies. No government can afford to take taxation , borrowing, expenditure and other fiscal decisions out randor .On account of their inter-connection, all decisions and policies must form a part of its over- all set of objectives. The whole approach has to be quits by systematic it cloos and was tape are to be avoid. In general, a budget shows financial accounts of the previous year, the budget and revised estimates of current year, and the budget estimates for the forth coming year. In addition, the estimates for the ferth coming year are spilt up in to two parts- those based upon the assumption that existing taxes and their rases would continues, and those based upon the proposed changes there in. A budget, in this sense, become both a description of the fiscal policies of the government and financial plans corresponding to them generally, budget is a vital role to improve the coordination among the various unit of the organization. So the organization overall performance depends on the budget with respect to financial plan for implementing the various decision. In addition to these budgets preparation, utilization and perprance will be ker for budget.

1.2 Background of the organization

Baskcto special woreda is located some 564 km from Addis Ababa and at a distance of 360 km from Hawassa, regional capital city (source road authorities office). The woreda is bordered with mello woreda of (Gamo Goffa zone) in the North, semen Arriworeda (south ommo zone) in the south, selamago woreda of (south ommo zone) in the west and Geze gofa woreda of (Gamo Gofa zone) in the east (from secondary area source of head Administration office). There are also 23 sectors found in the woreda including finance and economic development office.

Organization of sector

The sector was organized by five (5) core processes, two (2) supporting processes and projects. Core processes which are found in the sector are 1) financial, procurement and resource Administration 2) development planning, monitoring and evaluation, 3) population actions 4) audit 5) Documentation, the two (2) supporting processes are human resource administration and documentation and statistics. In addition to these there are also different governmental foreign aid projects organized namely, Agricultural growth programmer (AGP), sustainable land management (SLM), Global food (GF), UNICEF, UNDP, WB (world bank).

Human Resource of organization

All most 90% of human resource was fulfilled in the organization. Hence, there were 20 members found in the sectors including security Guard.

Jobs and responsibilities of the organization

The main jobs and responsibilities of finance and economic development office are controlling and monitoring of total budget that was allocated from treasury (regional government), revenue (internal source such as taxes and non-taxes) and Aid. Or Assistance budget (foreign government source of different organization).

1.3 statement of the problem

The budget plays a very important role in the flow of funds in the economy. It also has important effects on the working of economy not only through the flow of funds but also through various fiscal policies and measures.

Accordingly, the “ability of government authorities to form a clear picture of the impact of their transaction on the economy policy decisions” A conventional format of the budget showing its sources of receipts and expenditures by various ministries and departments does not reveal the impact of the budget upon the economy and way it can be used as an effective policy.

However, the effective policy of budget is there if there is no good preparation, utilization & performance of budget the impact of the budget in the economy will be inconsequential.

This is the main reason for a researcher to assess the preparation, utilization & performance of budget. In addition to these

2. Utilization of budget will be in doubt from year to year

1. The preparation of budget estimates based on the submission from public bodies would be undertaken but the evaluations of preparation have a problem.
2. The mechanism can be used to assist in controlling aggregate supply and the effective prioritization of scarce resource leading to more efficient utilization.

1.4 objective of the research

1.4.1 General objective of the study

The general objective of the study is to assess the overall assessment of budget preparation; utilization and performance and economic development office.

1.4.2 Specific objective of the study

The research was designed to investigate the following specific objective.

- To indicate importance of effective budgeting system in Basketo office.

- To revise the budget system it formulated periodically.
- To assess the gap of budget preparation, utilization & performance of budget in the office.
- To give possible solution for the problem identification in the organization.

1.5 Significance of the research

This research was provided a better information about the organization budget preparation, utilization and performance and also create awareness about how budget is prepared, utilized & performed affectively and will provide technical know ledge for the organization as well as for the reader. And it will serve as reference for other detailed studies.

1.6 Score of the Research

The study addresses the assessment of budget preparation utilization and performance in baskets special worse finance and economy development office consternation from Finance department, operation department, and human resource department.

1.7 Limitation of the research

The research would have faced certain limitation some of them mention below.

- The study was conduct in short period of time the shortage of time force the researcher to collect data not in very detain.
- When the researcher collect data all finance department worker is crowded by other works this may result missed information would be provided.
- The shortage of finance for collect data in formal way and other materials

1.8 Material and methodology of the research

This study was conducted in Basketo special woreda Finance and economic development office. The data objective of study. Different methods of data collection techniques were used.

1.8.1 Methods of data collection

The data necessary of the study was both primary and secondary that were conducted and investigated in details in order to collect the primary data observation personal interviews and self filling of questionnaires was used. The researcher prefers the primary data collection mechanism because it may help for intensive investigation it easily avoids his interpretations or answer by respondents and was collected or gather information from illiterates.

The secondary data was condused form the financial statement report and others written material both qualitative questions pertaining to the customer afftituse & perception to was as the budget.

1.8.2 Sample size

The researcher use non rend on sampling technique which is judgment sampling that means scheeses deliberately by taking sample organization in to consideration. To decide the sample size the researcher use proportional allocation that means take sample from each department in proportional to its relative weight.

1.8.3 Methods of data Analysis

To make the methods of data analysis effective ratio percentages and tabulation were used which sence to point out the efficient budget preparation, utilization and performance. Since all the data information necessary for the problem study are gathered the researcher was organized, process, analysis and interpress the respondent result in clear and understandable manner to meet the result with the expesced result.

Chapter three

3. Data Analysis and interpretation

3.1 Demographic back ground of respondents

The researcher was used 10 respondents from total 25 staff member based on their job description or duties and responsibilities. Namely:

I Head office

1. Ato Samuel Gujo 1-head office of finance and economic development diploma in Accounting and 4 years relevant experience
II/From development planning, monitoring and evaluation core process
2. Ato ewnetu meliku:- development planning, monitoring and evaluation officer BA in Agricultural economics and 15 years relevant experience.
3. Ato Abel-----: development planning, monitoring and evaluation officer BA in statistics and 2 yeas relevant experience

III/From procurement, financial and resource administration core process

1. Ato tefera -----: process owner diploma with accounting and 2 years experience
2. Ato merslaye tigabu: pcurment officer BA in economics and 2 years experience.
3. Ato ebiru Estifanose: procurement officer diploma in Accounting 3 years experience.
4. Ato Muluken -----: financial officer BA in management and 2 years experience.
5. Ato lematu Shifraw: Financial officer Diploma in accounting and 4 yeas experience.
6. Ato tesfaye Adaye: IBEX- Experts Diploma in human resource management and 10 years experience.

3.2 Basic Issues of data analysis

The researcher was used effective ratio percentage and tabulation method of data Analysis in order to serve “the assessments of Budget preparation, utilization and performance”. From this point of view the researcher was analyzed the data on the following manner:

In olden days, a budget was more or only a statement of the financial plans of the government. But now the importance of the government activities is full recognized. Government’s financial activities contribute a major portion to the flow of funds in the economy and the government’s fiscal policy to gather with the financial flows has a wide impact on the working of the economy. Accordingly, now various facts of budget estimates are presented to indicate the manner in which the budget would be affecting the economy. The actual role of government transaction in the life and Working of the economy can not be understood because of the immense impact which they have. As pious said, though ‘money is practically always the medium of public finance, it is not the thing I which if really deals. The money is merely a ticket embodying command over services and goods. It is those, not the money that represents them, which constitute the real object of all transaction”. And it is through them that the budget affects economic activities of the society.

Before, however, we move to the preparation of budget in our woredas, let us first distinguish between the executive and legislative budgets.

A legislative budget is the one which is prepared and adopted by the legislature directly or through its committees. An executive budget, on the other hand, is the one which is prepared by the executive branch of the government. From this point of view I have woreda budget is prepared by executive body and by southern national people finance bureau (SNNP). But before that Budget preparation monitoring and evaluation staff propose current fiscal year budget by using government expenditure performance and forecasting the future capital budget that is need for the woreda. This provides a necessary basis for deciding as to what was to be done, what has been accomplished and what more should be aimed at and in what direction.

The budget proposals should also be accompanied by an analytical description of the current economic situation of the woreda as also the position of the treasury. The budget proposals become far more meaningful in the light of the above mentioned accounts and describe them, they enable the legislature and the public to see the relevance or otherwise should be as clear as possible they should be clearly comprehensible so that correct judgement can be formed as to the way in which the budget proposal must accompany the proposal under major heads of receipts and expenditure.

Interpretation from secondary source documents

Table 3.1 Proposal of budget in Basketo special woreda finance office.

Fiscal year	Budget proposed by concerned body (DPME)	Budget body by concerned body (SNNPR)
2002		
2003		
2004		

From the above table we understand that there is a problem on the preparation of budget general in the office. From this standpoint we can cause the problem of preparation of budget on the office.

1. It is argued that the annual process of preparation, presentation and passage of the budget is a wasteful one. Expenditure against amounts sanctioned starts with a time lag, while preparation for the next annual budget starts soon after. In other words, the budget has become a continuous and time-consuming activity of the government.
2. Secrecy surrounding budget proposals is also a debatable issue. It is assumed that budgetary proposals are unnecessarily kept secret till their actual presentation to the legislature. This practice causes a lot of uncertainty and speculation and is damaging to approach planning of economic activity by everyone.
3. Generally, the preparation of budget is not focused on the government expenditure performance. Which means the proposal is not indicative of the

future policy of the government. However, the preparation is randomly by the expectation of future government direction. This results in the proposed approved budget beginning to differ.

Generally from the above mentioned reason and the table indicate that the preparation of budget makes a big difference in the government expenditures as well as revenue. However, the budget allocated for the woreda and for the office is increasing from year to year. This indicates that within the given constraint-government leads a sustained economic development of country by adoption of enough budget, these shown by the table below.

3.1.2 Budget allocated

Fiscal year	Amount of budget allocated in the woreda	Amount of budget allocated on the office
2002	17,745,300	640,338
2003	20,876,823	760,712
2004	28,200,749	1,129,780

The above table graph shows that the budget allocated from year to year increases peacefully. But within this increase budget allocation all the government target and infrastructure is not met properly. Because there is scarcity would happen, this forwards utilizing the resource properly is a key point.

utilization of budget

From the concepts of budget preparation we can understand that whatever the budget approved in the organization is not as the proposed budget utilizing the approved budget properly from the legislative government (SNNPR) is very essential. Because in order to overcome scarce resource of budget. Therefore, budget is utilized based on the two expenditure

i/ capital expenditure

ii/ current expenditure

and each of them is sub-divided into sub-categories capital expenditure is split up-into different sub-categories namely, building and other construction, machinery and equipment, change in stocks, purchase of land assets, capital

transfer, loans and advances etc. current expenditure is also split up-into three main categories.

1/ consumption expenditure (i.e. wage and salary including pensions, commodities and service

2/ subsidies

3/ transfer payment

The main objective of the researcher is not to show categories of expenditure as well as specific utilization of budget. Rattler general utilization of budget weather it is proper or not. From this point of view the data we obtained from different co-cerned bodies indicates that utilization of budget in the office is elacerbets from year to year. This is showed by the table below.

Table 3.2.1 Utilization of budget

Fisces year	Amount of budget a located in the office	Amount of budget utilized properly	Amount of budget utilized impropers
2002	640,338	621,127,86	19,210.14
2003	760,712	737,890.64	22,821.36
2004	1,250,080	1,095,886.6	33,893.3

Budget allocated, utilized, unutilized We can understand that from the above table and graph utilization of budget is not that more exhapurase, ever though the allocated budget is increased. But the graph indicate that the utilization of budget is below the allocated budget this shows that there is a budget unutilized properly. In addition to this the budget unutilized properly increase from year to year as we observed from the above table. Therefore, the researcher conclude the following point.

1. The budget is not teads by skilled person
2. There is min-allocation of budget from year to year.
3. There is unproper methods of planning budget and also leass by plan.
4. Weak back wad monitoring and evaluation of budget
5. Oraption is exlacerbets from year to year

An these problem and be over coming by improving the performance budget.

performance of budget

The resource of the disposa of the government are always scarce in comparison with the services which it would like to provide to the society. Accordingly, it must try to use the resources most economically and efficiently. To this end, therefore, choice of project should be based on cost benefit analysis and chosen programmes should be subjected to the tests of actual performance against their expected standards. A system of assessment is Neded because actual performance seldom equals the expected one. By implication, a decisibn to spend a particular set of resources for a particular purpose should

1. comprise propraming, or a stage wize sefurence of steps for executing.
2. Compize performance budgeting, that is tests for assessing the actual performance.

Based on this concepts of budget performce the office is following rational w'ays of performance

1/ If rees gmizes the fundamental nature of office problem, namely, scarcity of resources in relation to their needs, and the rely creating competing claims upon the least cost-benefit ration.

3.3 Interview interpretation

- The researcher was used non- random sampling techniques which means from 20 total staff member 10 members was selected. In order to decide this sample the researcher use proportional allocation that means face sample from each department in proportion to their relative weight. Based on this the researcher was generalized the interpretation of the selected sample size based on the questionnaire distributed. Therefore, from the total 10 interviewer of them was responds that budget was prepared by responsible team who is deligated a budget specialist or budget administrative in development plan preparation, monitering and evaluation core process. The rest 2 interview responds that budget was prepared by regional authority or SNNPR-on the concepts of Budget utilization 9 interview responds budget was not utilized efficiently. When their resear out that the right person was not set at the right place which means office heads, process owners and officer are not well qualified & experienced in order to utilized the budget efficiently. In addition to these the current steff members also was not familiar funew budget administration i.e. IBEX- system. But one interviews responds that budget was utilized efficiently.

On the othe hands all most all 910) interview responds that the budget was not performed well. Because the staff membes was not a quainted with procurement rule and population and deliance of purchasing due to unproper plan of procurement. Additionally the staff members was not settle the budget or the specific period.

4.2 Recommendation, of the research

Generally in order to overcome the existing problem of research the research was recommended the following

1. Budget preparation was not considered with government expenditure. This results in ineffective budget preparation so that in order to overcome this problem budget preparation must depend on the government expenditure programme (GEP).
2. In order to achieve efficient ways of budget utilization the office must follow:
 - i/ Improve a time base plan of budget
 - ii/ Improve the officer skills by providing short term training based on their gap assessed.
 - iii/ facilitating the pre-condition to use budget
3. The re-allocation of employees must be on the right place based on their skills. For example allocation of 'IBEX-experts' was not acquainted with the technology very well.

Advanced technology must be adopted for the office in order to run the budget efficiently and on specific period

**THE ASSEMENT OF BUDGET PREPARATION,
UTILIZATION AND PREFORMANCE IN BASEKETO
SPECAIL WOREDADA**



**SPECIAL EMPHASIS ON FINANCE AND ECONOMIC DEVELOPMENT
OFFICE
FOR THE PARTIL FULFILLMENT OF BA DEGREE IN
ACCOUNTING DEPARTMENT AT ST. MARY UNIVERSITY
COLLEGE**

PREPARED BY: - SELASSIE SHISHO MAMO

DEPARTMENT: ACCOUNTING

ID NUMBER: D4AC81690/01

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4.2 Recommendation -----

1. Introduction

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1.4.1 General objective of the study

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The research was designed to investigate the following specific objective.

- To indicate importance of effective budgeting system in finance office.
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1.8 Material and methodology of the research

This study was conducted in Basketo special woreda Finance and economic development office. The data that was going to be collected should reflect the objective of study. Different methods of data collection techniques were used.

1.8.1 Methods of data collection

The data necessary of the study was both primary and secondary that were conducted and investigated in details in order to collect the primary data observation personal interviews and self filing of questionnaires was used. The researcher prefers the primary data collection mechanism because it may help for intensive investigation it easily avoids his interpretations or answer by respondents and was collected or gather information from illiterates. The secondary data was conducted form the financial statement report and others written material both qualitative questions pertaining to the customer attitude & perception to was as the budget.

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1.9 organization of the research

The researcher was organized this research in four basic units. The first unit of the research was focused on the introduction parts as well as identifies the problem of the study and verifies its objective in order to over come the existed problem. It also includes methods data collection and analysis. Second unit of the research was focused literature reviews related to the topics .third units was the core parts of these research because analysis and interpretation of both primary and secondary sources of data was found here. The last and fourth unit of the research was focused on conclusion and recommendation that was for ward the future expectation of the study.

Chapter Two

Related literature review

2.1 Literature review

Budget is a common accounting tool companies for planning and controlling what they must do to satisfy the customer and success in the market places ,it is the quantitative expression of proposed plan of action by management for specified period and an aid to coordinating what need to be done to implement the plan it also covers financial and non-financial aspects of the plan for the company to follow in an oncoming period .Financial aspect quantifies management expectation regarding income cash flow and financial position. Just as financial statement are prepared for past period thus a budgeted income statement. A budgeted statement of cash flow and budgeted balance sheet .This financial budget can be non financial budget for say unit manufactured or sold Number of employees, and number of new products being introduced to the market place (Horngren 2003, 178)

Budget is viewed as a blue print for operation much like architect blue print for construction of building like architects blue print master budget helps the organization plan and coordination activities determine the chance of achieving goals and establish same norms against which it measures its performance (Maher 1997, 340)

Budget is a plan expressed in quantitative term that reflects the objective of management .A budget encompasses the operating and financial activities of an organization. A budget form and content on the information that accountant wants to convey (Frigo 1986,286)

A budget is a control plan Expressed in quantitative term that specifies how resources will be acquired and used during a specified period of time. A budget system is the set of procedure used to develop a budget, the most obvious purpose of budget is to quantify a plan of action, the budget process forces the individuals who make up an organization to plan ahead. Budgeting used for facilitating communication and coordination that is for any organization to be effective, each manager through out the organization must be aware of the plan made by other manager .It also used for allocating resources generally an organization resources are limited and budget provides one means of allocating resource among competing uses it also used for controlling profit that is budget is a plan and plan are subject to change, finally budget is used for evaluating performance and providing incentives (Hilton 2001, 386)

2.2 The Purpose of a Budget

The purpose of a budget is to provide a blue print or a plan of operation for enterprise.

The budgeting process provided abases for

- Coordinating and implementing the plan
- Motivating organizational members to perform well .and
- Controlling and evaluating the activates for the budget period

2.2.1 Coordinating and implementation

An important role of budgeting is to improve the coordination among the various units of the organization. Planning for budgeting means establishing objective in advanced and identifying the step by which the objective are to be accomplished. The planning process initiates coordinating and clarification of sub goals to achieve major enterprise goals, the coordination plan or budget provide a blue print for implementation and control.

2.2.2 Motivating Organizational Members to Perform Well.

It is generally associated with reward and punishment rather than with budgeting. A budget also plays potential roles in motivation because of it goals setting properties and goal seething related to performance. As individuals set higher performance goals actual performance levels generally increase. Top management is key motivators as the commit them selves to certain performance level for annual and long term objective

2.2.3 Control and Evaluation

Maintaining control over the activities accruing with in an organization is an important respondent ability of management fundamentally managerial control of

- Detaining what constitutes standard performance
- Measuring actual performance
- Comparing the budget with the actual performance level
- Communicating the result to the applicable aria throughout the organization and taking corrective action if needed

Budget is powerful management tools which is used to accomplish planning coordination motivation and control the budget is a planning tool that represent the expected results of operation for the coming year and that it is away of formulating and expressing in dollar term the objective of an organization and the operational plan for achieving the objectives. The budget is coordinate tool that is summarized in the firm of Performa financial statement four entire organization and these it ties together the financial marketing and production activities of all of the department and division which make up the organization. Budgeting used to motivate managers by providing explicit goals by involving managers in the planning and goal sitting process through which the budget is developed and by providing rewards (penalties) for the achievement of the failure to achieve the goal (cheering 1988, 140)

2.3 Budgeting And Organization planning

The basic time horizon chosen for budgeting is usually one year .However, firm may find it useful to break down annual budgeting to monthly or quarterly time period or to build annual budget from budget constricted for shorter time period the basic time horizons usually one year because it is long enough to smooth out miner week to week fluctuation and sea not variations. Budget should be accomplished by other form of planning which address both longer and shorter time firms

- Long-run analyzed takes the from of strategic planning
- Shorter time period in operational planning focused on decision which needs to be made daily or weekly

Budget provides measure of financed results company expects from its planned activities by planning for the future managers leans to anticipate potential problem and how-to avoid them instead of subsequence facing problems changers can focus their energies on Exploiting. (Maher 1997, 347)

2.4 Budgets and the Budgeting Cycle

A budget is:-

A/ the quantitative expectation of a proposed plan of action by management for specified period and

B/ an aid to coordinating what needs to be done to implement that plan

A budget can cover financial and non-financial aspect of the plan and service as a blue print for the company to flow in an incoming period. A budget that covers financial aspects quantifies management's expectations regarding income, case flows, and financial position. Just as financial statements are prepared for past periods, so can financial statement be prepared for future periods?

For Example:-

- A budgeted income statement
- A budgeted income statement of case flow
- A budget balance sheet

A budget that covers non-financial aspects, thus with regarding unit manufactured or sold, number of employees, and number of new products being introduced to the market place.

2.4.1 Steps of budget cycle

Well-managed companies usually cycle through the following budgeting steps.

Budgeting steps:-

2.4.1.1 Planning the performance of the company as a whole as well as planning the

Performance of it sub units (such as departments or division management at all levels agrees on what is expected)

2.4.1.2 Providing a frame of reference a set of specific expectations against which actual results can be compared.

2.4.1.3 Investigation variation from plans it necessary, corrective action follows investigation.

2.4.1.4 Planning gain in light of feedback and change conditions. The master budget expresses management operating and financial plan for a specified period usually a year and comprises asset of budgeted financial statements.

The master budget gets its name because it is the initial plan of what the company intends to accomplish with period, the master budget reflects the impact of both operating and financial decision.

- Operating decision deal with the use of scarce resources
- Financing decision deal with how to obtain the funds to acquire those resources ,(Herger 2003,176)

2.5 Advantages of budget

Budget are a big part of most management control system when a administrated wisely a budget

- Compels strategies planning and implementation of plan
- Provides a frame work for judging performance.
- Motivates managers and employees.
- Promotion coordination and communication among subunits within the company.
- Facilitates planning in an organization
- Provides the basis for performance evaluation of managers

2.6 budget committee

The budget committee is composed of several key executive from various segments of the organization are usually represented the procedures followed by this committee in developing the budget are largely determined.

- By the authority it has over the final budget
- By the amount of participation it allows from others with in the organization.

The authority of the budget committee is determined by top management's philosophy. Top management may have a predetermined profit objective in mind and will look to the budget as means to accomplish it. This objective may be stated in a variety of ways, such as a rate of return on net assets. It may be based on operation result of previous years.

When top management has a predetermined profit objective, the budget committee must recognize it and develop budget that will achieve it. If top management has no specific profit level in mind the budget committee must first develop some notion about what is affair and responsible expectation for the budget period. With out this, the budget process often turns in to a game and much of the benefit is cost. The budget committee may or may not invite other members in the organization to participate in developing the budget in estimating sales for the coming period, for example. Sales person may be asked to project the number of unites of each protect they expect to sell in their territories. The sale representative on the budget committee would use these as abases for developing the sales for casts for the entire company participation could be carried to the extreme, and every person in the organization could be asked to estimate productivity in her or his individual area. On the other extreme the budget committee may allow no participation. It merely may develop a budget that will achieve the desired profit, and pass it on as the standard of performance for the budget period more will be about the behavioral consideration associated with employee participation in developing the budget (cherrington 1988, 144).

2.7 Process of developing budget

The budget is developed in a step-by-step process but it may take several iteration before the final budget is acceptable Figure 1.2 illustration the step that are followed in developing the budget. A critical activity must be identified for each enterprise thus is the area of the business or activity that limits its productivity or profitability the selling process is the critical activity for most manufacturing organization. This organization can typically produce all units they wants but finding some one to buy them at a price that provides reasonable return on their investment in the limiting or critical factors. Emphasis should first be placed on estimating the clinical activist volume this estimate is then used by other areas of the business to develop the supporting function these estimates are brought together to develop a muster budget consisting of a complete set of preformed statements. The resulting profitability is compared to the desired profitability, if the desired profitability is achieved the budget is complete, if it is not achieved estimates are changed and the budget is revised several iteration are often required to obtain a satisfactory budget (Ebed, 155)

2.8 budget period

Budget period is length of time for which budget is prepared and operated. Budget period vary between short-term and long-term and no specific period can be laid down for budgets, it varies among concerns and industries as a result of several factors. A budget is usually prepared for one year which corresponds to the accounting year. It is then sub-divided in to quarters and interne each quarter is broken down in to three separate months, when a business experience seasonal fluctuations. The budget period may be fixed to cover one seasonal cycle. A long term budget should be prepared to cover that period this long period may then be broken down in to smaller period by preparing short term budget. Budget for capital expenditure are usually prepared on a long term basis for example in electricity companies which insure very heavy capital expenditure. The need for new power stations Is possibly for cast five to ten years in advance such long term budget are suppose emanated by short term ones. An important point to note is that short term budget will be mach more detailed are costly to prepare and operate white long term budgeting is considerable affected by unforeseen conditions (MN Arora 1998, 589)

2.9 Master Budget

The master budget is a collection of individual budget that encompasses the planned operating and financial activities through out the firm the primary components of master budget are:-

2.9.1 Operating Budget

The operating budget is composed of the budget income statement and individuals budget related on the budgeted income statement.

- Sales budget
- Production budget
- Direct material budget
- Factory over head budget
- Direct labor budget
- Cost of good sold
- Selling expense budget

- Administration expense budget

2.9.2 Financial Budget

The financial budget is composed of the budget balance sheet and the budget relates to the budgeted balance sheet follows.

- Budgeted Balance sheet
- Capital budget
- Cash budget

Budget statement of changes in financial position (Ebed, 595)

Chapter three

3. Data Analysis and interpretation

3.1 Demographic back ground of respondents

The researcher was used 10 respondents from total 20 staff member based on their job description or duties and responsibilities. Namely:

I Head office

- Ato Samuel Gujo 1-head office of finance and economic development diploma in Accounting and 4 years relevant experience

II/ from development planning, monitoring and evaluation core process

- Ato Ewnetu meliku:- development planning, monitoring and evaluation officer BA in Agricultural economics and 15 years relevant experience.
- Ato Abel Belewe-: development planning, monitoring and evaluation officer BA in statistics and 2 yeas relevant experience

III/ from procurement, financial and resource administration core process

- Ato tefera uyito: process owner diploma with accounting and 2 years experience
- Ato mershaye tigabu: procurement officer BA in economics and 2 years experience.

- Ato kebiru Estifanose: procurement officer diploma in accounting 3 years experience.
- Ato Muluken Asfaw : financial officer BA in management and 2 years experience.
- Ato Lematu Shifraw: Financial officer Diploma in accounting and 4 yeas experience.
- Ato Tesfaye Adaye: IBEX- Experts Diploma in human resource management and 10 years experience.

3.2 Basic Issues of data analysis

The researcher was used effective ration percentage and tabulation method of data Analysis in order to serve ‘the assessments of Budget preparation, utilization and performance’. From this point of view the researcher was analyzed the data on the following manner:

3.2.1 Analysis of budget preparation based on Primary and secondary source of documents

Depending on the answer of respondents budget was prepared by responsible team who is delegated budget specialist or budget administrative in development plan preparation, monitoring and evaluation core process. But before that Budget preparation monitoring and evaluation staff propose current fiscal year budget by using government expenditure performance and for casting the future capital budget that is need for the woreda. This provides a necessary bas is for deciding as to what was to be done, what has been accomplished and what more should be aimed at and in what direction.

The budget proposals should also accompany by an analytical description of the current economic situation of the woreda as also the

position of the treasury. The budget proposals become far more meaningful in the light of the above mentioned accounts and describe them, they enable the legislature and the public to see the relevance or otherwise should be as clear as possible they should be clearly comprehensible so that correct judgments can be formed as to the way in which the budget proposal must accompany the proposal under major heads of receipts and expenditure.

Table 3.1.1 relativity of budget proposed and approved

Fiscal year	Budget proposed	Budget approved
2002	26,230,118.30	17,745,300
2003	37,436,214.04	20,876,823
2004	43,087,406.20	28,200,749

From the above table we understand that there is a problem on the preparation of budget generally in the office. From this stand point of views can gauge the problem of preparation of budget on the office.

- It is argued that the annual practices of preparation, presentation and passage of the budget is a wasteful one. Expenditure against amounts sanctioned starts with a time lag, while preparation for the next annual budget starts soon after. In other words, the budget has become a continuous and time-consuming activity of the government.
- Secrecy surrounding budget proposals is also a debatable issue. It is assessed that budget proposals are unnecessarily kept secret till their actual presentation to the legislature. This practice causes a lot of uncertainty and speculation and is damaging to approach planning of economic activity by every one.

- Generally, the preparation of budget is not focused on the government expenditure performance. Which means the proposal is not indicate the future policy of the government. However, the preparation is randomly by the expectation of future government direction. This result that the proposed of approved budget begin difference.

Generally from the above mentioned reason and the table indicate that the preparation of budget makes a big difference in the government expenditures as well as revenue. However, the budget allocated for the woreda and for the office is increase from year to year. This indicated that with in the given constraint-government leads a sustained economic development of country by adoption enough budget.

Table 3.1.2 Budget allocated

Fiscal year	Amount of budget allocated in the woreda	Amount of budget allocated on the office
2002	17,745,300	640,338
2003	20,876,823	760,712
2004	28,200,749	1,129,780

The above table shows that the budget allocated from year to year increase. But with in this increase budget allocation all the government target and infrastructure is not fit properly. Because there is scarcity would happen, this forwards utilizing the resource properly is key point.

3.2.2 Analysis of budget Utilization based on Primary and secondary source of documents

From the concepts of budget preparation we can understand that what ever the budget approved in the organization is not as the proposed budget utilizing the approved budget properly from the (SNNPR) is very

essential. Because in order to overcome scarce resource of budget. Therefore, budget is utilized based

I/ capital expenditure

II/ Current expenditure

and each of them is sub-divided into sub-categories capital expenditure is split up-into different sub-categories namely, building and other construction, machinery and equipment, change in stocks, purchase of land assets, capital transfer, loans and advances etc. current expenditure is also split up-into three main categories.

1/ consumption expenditure (i.e. wage and salary

Including pensions, commodities and service /

2/ subsidies

3/ transfer payment

The main objective of the researcher was not to show categories of expenditure as well as specific utilization of budget. Rather general utilization of budget whether it is proper or not. From this point of view the data we obtained from different concerned bodies indicates that utilization of budget in the office was gradually increased through the years.

Table 3.2.1 Utilization of budget

Fiscal year	Amount of budget allocated in the office	Amount of budget utilized properly	Amount of budget unutilized
2002	640,338	621,127,86	19,210.14
2003	760,712	737,890.64	22,821.36
2004	1,250,080	1,095,886.6	33,893.3

We can understand that from the above table utilization of budget is not that more, even though the allocated budget is increased. But the table indicates that the utilization of budget is below the allocated budget this shows that there is a budget unutilized properly. In addition to this the budget unutilized properly increase from year to year as we observed from the above table. Therefore, the researcher concludes the following point.

- The budget is not leads by skilled person
- There is miss-allocation of budget from year to year.
- There are unproper methods of planning budget and also leads by plan.
- Weak back ward monitoring and evaluation of budget

3.2.3 Analysis of budget performance based on Primary and secondary source of documents

The resources of the disposal of the government are always scarce in comparison with the services which it would like to provide to the society. Accordingly, it must try to use the resources most economically and efficiently. To this end, therefore, choice of project should be based on cost benefit analysis and chosen programmers should be subjected to the tests of actual performance against their expected standards. A system of assessment is needed because actual performance seldom equals the expected one. By implication, decision to spend a particular set of resources for a particular purpose should

- Comprise programming, or a stage wise sequence of steps for executing.
- Comprise performance budgeting that is tests for assessing the actual performance.

Based on these concepts of budget performance the office is following rational ways of performance

1/ If recognizes the fundamental nature of office problem, namely, scarcity of resources in relation to their needs, and the rely creating competing claims upon the least cost-benefit ration.

2/ an efficient execution of selected project is as important as choice of there of. To this end, therefore, criteria of efficiency and the steps for achieving it have to be devised, as also assessing the extent of success or failure, or even over-achievement.

3.3 Interview interpretation

The researcher was used non- random sampling techniques which means from 20 total staff member 10 members was selected. I order to decide this sample the researcher use proportional allocation that means face sample from each department in proportion to their relative weight. Based on this the researcher was generalized the interpretation of the selected sample size based on the questionnaire distributed. Therefore, from the total 10 interviewer of them was responds that budget was prepared by responsible team who is delegated a budget specialist or budget administrative in development plan preparation, monitoring and evaluation core process. The rest 2 interview responds that budget was prepared by regional authority or SNNPR-on the concepts of Budget utilization 9 interview responds budget was not utilized efficiently. When their research out that the right person was not set at the right place which means office heads, process owners and officer are not well qualified & experienced in order to utilized the budget efficiently. In addition to these the current staff members also was not familiar the new budget administration i.e. IBEX- system. But one interviewer responds that budget was utilized efficiently. On the other hand all most all (10) interview responds that the budget was not performed well. Because the staff members was not acquainted with procurement rule and regulation of purchasing, due to improper plan of procurement. Additionally the staff members were not settles the budget or the specific period.

Chapter four

4 .Conclusion and recommendation

4.1 conclusions

In olden days, a budget was more or only a statement of the financial plans of the government. But now the importance of the government activities is full recognized. Government's financial activities contribute a major portion to the flow of funds in the economy and the government's fiscal policy to gather with the financial flows has a wide impact on the working of the economy. Accordingly, now various facts of budget estimates are presented to indicate the manner in which the budget would be affecting the economy. The actual role of government transaction in the life and Working of the economy can not be understood because of the immense impact which they have. As pious said, though 'money is practically always the medium of public finance, it is not the thing I which if really deals. The money is merely a ticket embodying command over services and goods. It is those, hot the money that represents them, which constitute the real object of all transaction". And it is through them that the budget affects economic activities of the society.

In generally when evaluates our woreda from this point of views and the data obtained from both primary and secondary source we can concluded that there was a problem on budget preparation, utilization and performance.

4.2 Recommendation

Generally in order to overcome the existed problem of the research the researcher was recommended the following

- Even though the Budget was prepared on the concepts of government expenditure program. The expenditure was not focused on the future government policy. Therefore, thus concerned bodies refer government future policy before they are preparing budget. Because this helps then in order to forecast future government direction.
- In order to achieve efficient ways of budget utilization the office must follow:
 - Improve a time base plan of budget
 - Improve the officer skills by providing short term training based on their gap assessed.
 - Adopting strong and continuous monitoring and evaluation of budget
 - facilitating the pre-condition to use budget
- The re-allocation of employees must be on the right place based on their skills. For example allocation of 'IBEX-experts" was not acquainted with the technology very well.
- Advanced technology must be adopted for the office in order to run the budget efficiently and on specific period

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