

CHRISTIAN SERVICE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS

IMPACT OF BUDGETS AND BUDGETARY CONTROLS ON PERFORMANCE

(A CASE STUDY OF SELECTED PUBLIC HOSPITALS IN KUMASI

METROPOLIS)

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DECLARATION

We hereby declare that, this submission is our own work towards the award of Bachelor of Business Administration and that, to the best of our knowledge, it contains no material previously published by another person nor material which have been accepted for the award of other degree of the university, except where due acknowledgement have been made in the text.

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DEDICATION

We dedicate this master piece to our parents and all who contributed one way or another to the financing of our education and helping make this research project complete and successful.

ACKNOWLEDGEMENT

We are very grateful to the Almighty God for seeing us through this level of education and giving us the guidance to write this work to perfection.

We also appreciate and acknowledge our humble but hardworking supervisor, Mr. Daboug Bright Christopher for his tireless effort and selfless supervision of this wonderful write up, we couldn't have made it that easy without him.

ABSTRACT

Budgeting and budgetary controls are tools of financial management, designed for achievement of goals and objectives of organizations of which hospitals are part of. It is in this vein that this work explored on the possible impact of budget and budgetary control on the hospital performance in Kumasi metropolis. The focus was on four public hospitals namely Seventh Day Adventist hospital, Menhyia government hospital, Suntreso government hospital and South government hospital.

In the course of this research work 60 workers at various hospitals were taken as sample population. The research found out among other things that hospitals prepare budgets and controls. It also revealed that those who involve budget gain better performance over those who do not. However, poor budget formulation and implementation and low revenue generation base make it difficult for these hospitals to live up to their responsibility as health care institutions.

It is recommended that subordinates are always involved in budgeting; it is also recommended that the hospitals keep involving the practice of budget so as to improve on performance. This would ensure that the hospitals target.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Institutions irrespective of their forms, sizes and purposes of existence need to achieve their set objectives. To achieve this would require a lot of management commitment and discipline regarding the management of its resources. Hospitals are no exception. This is because, hospitals both private and public are expected to achieve their objectives by providing health care services to the communities they serve. This is achievable if management is able to discipline the resources efficiently and effectively. This can partly be executed by instituting policies in place. One of such policies is budget and budgetary control. It is against this background that a journey is being undertaken on the impact of budgeting and budgetary control on the performance of hospitals in their achievement of objectives particularly with their financial performance.

1.2 Statement of the problem

Public hospitals in developing countries face many challenges in their finances which Ghana is not an exception. In Ghana, public hospitals depend mostly on three major sources for their financing, which are Government of Ghana Subvention (GOG), Internally Generated Funds (IGF) and Donor Pooled Funds (DPF) (M. A. Akortsu 2011). Of these sources, the internally generated fund is rated the most reliable, and the least reliable is the donor pooled funds. Several challenges associated with the various financing source are identified. These include delay in receipt of government subvention, delay in the reimbursement of service provided to subscribers of health insurance

schemes, influence of government in setting user fees and the specifications to which donor funds are put.

In spite of these sources of finance available to the public hospitals in developing countries, they still encounter various challenges especially with the allocation of resources and logistics. As a result, their performance with respect to rendering of their service becomes minimal. The introduction of the National Health Insurance Scheme (NHIS) has also led to a delay in raising funds internally since the public hospitals provide service before they are reimbursed for their services provided. Mr. Sylvester Mensah, Chief Executive Officer (CEO) of the National Health Insurance Scheme said “the NHIS is facing a sustainable challenge that requires urgent steps to salvage it”. (Reported by Afua A. Ansong in the daily graphic on 17th November, 2010) He explained that the current investment cover of the scheme was less than six months, beyond which there would not be funds income to fully cover the over 65 percent of Ghanaian who depend on it.

Moreover, the Ghana Health Service is proposing that hospitals and other health facilities be allowed to charge patients extra fees to carter for their utility tariffs due to the increasingly power crisis.(myghanaonline.com). The above reports support the fact that public hospitals in Ghana have problems associated with generating funds, coupled with countless commitment it has to embark on.

1.3 Research objectives

The objectives for this study are:

1. To determine the processes of budgeting within the hospital.

2. To determine the types of budgeting undertaken by public hospitals.
3. To examine the impact of budgets and budgetary control on performance of public hospitals.
4. To assess whether public hospitals integrate budgets and budgetary control into their systems.
5. To examine the challenges associated with budgets and budgetary control in public hospitals within Kumasi metropolis.

1.4 Research questions

In order to achieve the above objectives the following research questions will be used:

1. What processes do public hospitals go through in preparing their budget?
2. What are the types of budgeting undertaken by the public hospitals?
3. What are the impacts of budgets and budgetary control on performance of public hospitals?
4. Do public hospitals integrate budgets and budgetary control into their systems?
5. What challenges are associated with budgets and budgetary control in public hospitals within Kumasi metropolis?

1.5 Significance of the study

The findings of this research will be a good guide for future and present management of resources using budgets and budgetary control. The outcome of the study will help widen their horizons on resource allocation and control. Operating staff of institutions and companies whether big or small would also be informed on how they can improve their

performance through the use of budgets and guides. The research will also provide enough information to external auditors on how resources of public hospitals are allocated and managed. Finally, this study is intended to unveil the factors that are responsible for poor budget implementation which frequently leads to failures, it will also highlighting the control mechanisms required for a successful budget implementation to improve performance.

1.6 Scope of the study

The research would be concentrated on some selected public hospitals in Kumasi Metropolis. Researchers would consider management, accounting staff, senior and junior staff etc of the selected hospitals as major source for relevant information.

1.7 Methodology

Two sources would be utilized to collate information in this project. The primary source would be interviews and questionnaires which would be used in collecting data from respondents. Aside interviews and questionnaires observations and personal interactions will be adopted to have insight about the views of the members of the institutions. Secondary data source will be information from books, journals etc.

1.8 Chapter scheme

The project will be organized in five chapters; Chapter one gives an introduction to the research work. It gives the basic information about the hospitals and the research being undertaken. This chapter therefore consists of the background of the study, statement of

the problem, objectives, and research questions, significance of the study and scope of the study. Chapter Two consists of the literature review and the theoretical framework which is followed by chapter three which gives details of the research methodology. The research methodology represents the various ways and methods which the researchers used in gathering data. Chapter Four focuses on the analysis and interpretation of the data gathered by researchers. Chapter five which is the last chapter presents the recommendation of the research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the various works done by other researchers. The focus would be on the process of budgeting within the public hospitals, the type of budget they use, the benefits they derive from preparing the budget, how well they integrate budget into their systems and operations. Finally, researchers will look at some challenges they encounter when preparing the budget.

2.1 Meaning and definition of terminologies

2.1.1 Budget

David Fredrick (2001) defined budget as “a plan that is measurable and timely”. Bruns and Waterhouse (1975) defines budget as financial plans that provide the basis for directing and evaluating the performance of individuals or segments of organizations. For the purpose of this study, researchers defined 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. It can be concluded that, a budget is a statement setting out the monetary, numerical or non-quantitative aspects of an organization’s plans for the coming week, month or year. Three key components are clear, first, 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.

2.1.2 Budgeting

Merchant (1981) defines budgeting system as a combination of information flows and administrative processes and procedures that is usually an integral part of the short-range planning and control system of an organization. Budgeting is been defined by many writers of which most of them agree that it is an estimate of costs, revenues and resources over a specified period, reflecting a reading of future financial conditions and goals. It can be concluded that, budgeting for a business is a process. It is the process of preparing a detailed statement of financial results that are expected for a given time period in the future. Two words can be drawn from the statement. The first keyword is “expected”, meaning something that is likely to happen. The second keyword is “future” which represents the period in the time to come. Therefore it can future be concluded that budgeting is a process of preparing of preparing a detailed statement of financial results that are likely to happen in a period in a time to come.

2.1.2 Budgetary Control

According to the Chartered Institute of Management Accountants (CIMA), budgetary control is “the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision". In the business dictionary, it is defined as a methodical control of an

organization's operations through establishment of standards and targets regarding income expenditure, and a continuous monitoring and adjustment of performance against them.

Researches of this work support the above definitions and believe that, budgetary control is a system in which income and spending are compared with a company's budget to make sure the plans are being followed. Every company has a budget, and at times, that budget needs to be revised to account for spending and an increase or decrease in income. In essence, budgetary control compares actual results with budgets. If discrepancies are found, key players within a company have two choices. They can either control the spending of the company or revise the original budgets. Budgetary control helps to coordinate and organize a company's financial activities.

2.2 Process of Budgeting within the Hospitals

The budget process is the way an organization goes about building its budget. It is a procedure by which an organization or individual creates and manages a financial plan. Within a larger business, the budget process is typically performed by managers who often obtain projected spending requirements and suggestions from their staff. A good budgeting process engages those who are responsible for adhering to the budget and implementing the organizations objectives in creating the budget.

In preparing the line-activity budget, the hospitals go through this process. First, the budget committee is appointed. (Don Griffin 2011). After they have been appointed, they hold meetings where they; agree on key definitions, assumptions and document formats; determine and schedule any necessary training or key meetings; evaluate the previous

year's budget; and forecast revenues and expenses base on program goals and assumptions. The budget proposal is then completed which leads to communication between the budget committee and departmental managers.

From there, negotiations and revisions are completed which means approval of the budget. Lastly the budget is been implemented. This process is in accordance with Maitland (2001) that, "The process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action".

Hospitals primary budget is the operating budget. He explained that the operating budget must go through the following process. First, unit of service is projected, afterwards, resources are been allocated. Moreover, rates are set and finally, performance is been monitored. (Donald Snook 1992)

Researchers of this work are in support of the processes explained by Donald and Don Griffin above. This is because budget is a very important activity as the core objective of the hospital, if a budget is not properly prepared, the hospital may be unable to deliver medical services at all. So many expenses and sources of revenue must be taken into consideration, so the budget process takes an expert to get through it successfully.

2.3 Types of Budgeting within the Hospitals

Different types of budget can be prepared. The most popular ones used by the hospitals are the Line-item budget, Responsibility centre budget (departmental budget) and Program budget. (Don Griffin 2011)

2.3.1 Line activity budget

This is a type of budget where expenditure is expressed considerable details with less attention being paid to the activities to be undertaken. The object of expenditure is the key to classification. This may also be called an 'indicative budget' if it is in a preliminary stage (pre-approval stage). It shows the nature of spending rather than its purpose. Typical of this type of budgeting are salaries and overheads. In researchers' opinion, a Line Activity Budget is a planning and asset management tool because it requires identifying the total available revenue and each of the expenditure requirements necessary for overhead costs, as well as associated activities and tasks.

2.3.2 Responsibility Centre Budget (Departmental Budget)

Responsibility centre budget (departmental budget) divides the budget into units for which individual managers are held accountable. Responsibility centres are organizational sub-divisions that are supervised by a specific person. Under responsibility centre budgeting, all pertinent costs and the revenue to support these costs are assigned to various organizational units--departments, bureaus, and programs--designated as responsibility centres. Responsibility centre budgeting seeks to assign accountability to those individuals who have the greatest potential to exercise influence, on a day-to-day basis, over the costs in question. It seeks to determine which individuals in an organization are in the best position to explain why specific outcomes have occurred as a result of allocating resources to support the activities of these units.

2.3.3 Program Budget

According to Jennifer Van Baren, “A program budget is a budget designed for a specific activity or program. This budget includes only revenue and expenses for a specific program.” According to John Hager, Program budget is derived from the simple fact that the planning process is organized by program rather than by department of fiscal input or output. Program budgeting is generally described as a planning-oriented procedure. Its main goal, according to Schick, is to rationalize policy-making by providing (a) data on the cost and benefits of alternative ways of attaining proposed public objectives and (b) output measurements to facilitate the effective attainment of chosen objectives.

According to Janice L. Buerger (1991) “many types of budgets can be used, but three which are important to any hospital are the operating budget, capital budget and the cash budget”.

2.3.4 Operating Budget

The operating budget is composed of the expense budget and revenue budget. It lists, for the upcoming fiscal year, anticipated income by source, and anticipated expenses by natural classification such as salaries, supplies, and utilities. This shows how operations will be carried out to produce an organizations goods and services. The essence of operational budget is for the organization to be able to meet the demand of its goods and services.

2.3.5 Capital Budget

Pandy (1999) defines capital budgeting as the firm's decision to invest an entity's current funds most efficiently in long-term activities in anticipation of an expected flow of the future benefits over a series of years. Janice L. Buerger (ibid) explained that "capital budget with regards to a hospital summarizes future plans for acquisitions of plant facilities and equipment."

2.3.6 Cash Budget

According to Janice L Buerger (ibid), without cash a hospital cannot survive. This is the primary reason for a cash budget. Because of the many changing reimbursement rates from Medicare, Medicaid, and Health Maintenance Organizations (HMOs), predicting cash flow requires a lot of thought and planning. Cash flow should be reviewed on a monthly basis to enable administration to foresee cash shortages and seek possible financing if necessary.

2.4 Impact of budgeting and budgetary control on hospitals

Hospitals which are owned and controlled by the government are often operated not for the purpose of making profit. But through the preparation of budgets, they derive various benefits some of which are explained below.

2.4.1 Allocation of Resources

A budget helps in the allocation of scarce resources of an organization. In government hospitals, resources are derived from three major sources thus, Internally Generated

Funds (IGF), Government Subventions and Donner Pooled Funds (DPF). The budget thereby helps those charged with the responsibility of preparing budgets have a fair idea of how much resource available in their disposal and therefore, channel these resources into their appropriate areas based on budgeting. Due to this reason, efficiency and effectiveness are ensured

2.4.2 Clear Definition of responsibilities

Budget helps in clearly defining areas of responsibility. It requires managers of budget centres to be made responsible for the achievement of budget targets for the operations under their personal control. Here, responsibilities are given to managers based on set targets so as their respective performance may be appraised and rewarded.

2.4.3 Guide for Monitoring performance

Budget serves as a guide for monitoring performance. As targets are set for department leaders and managers within the hospitals, the budget becomes a basic yardstick against which actual performance is measured and assessed. This helps in improving the performance of various leaders and managers.

2.4.4 Compels Management to think about the future

Budget also compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Management, based on the budget is forced to look ahead, set out detailed plans for achieving the targets for each department to anticipate and give the organization purpose and direction.

2.4.5 Promotes communication and coordination

Budget promotes coordination and communication within the operational system of an organization. Various departments prepare their departmental budget within the hospital which has to conform to the master budget of the hospital. This ensures that leaders and heads of departments interact with each other so as to come out with a budget which will be of conformance with other departmental budgets. It is vital that the plans of each department are related to each other and are integrated together to make a coherent whole. The master budget is the major planning device for an organization. Thus, it is used to integrate and coordinate the activities of the various functional areas within the organization.

2.4.6 Motivate Employees

Budget helps in motivating employees as they become part in setting out the budget. Once employees both superiors and subordinates coordinate in preparing the budget they have the sense of involvement and hence they give their maximum best in attaining the objective of the budget. This helps employees in functional areas in the hospital see how their efforts contribute to the overall goals of the hospital.

Based on the above benefits hospitals accrue when they employ budgeting into their systems, researchers are of the view that budget and budgetary control are very essential tools important for every business organization both non-profit making organizations and profit oriented businesses.

2.5 Challenges Hospitals Encounter in Preparing and Controlling Budget

According to James R. Martins three major problems and limitations associated with budget and budgetary control that need to be considered by management. These problems are Uncertainty, Behaviour bias and Cost.

2.5.1 Uncertainty

Budgeting involves a considerable amount of forecasting, this activity includes a significant amount of uncertainty. It is usually prepared for the upcoming year or an upcoming event which makes it obvious the unforeseeable instances that may occur on the road. In government hospitals, there is a huge uncertainty on the base of resources which therefore make it difficult for the budget to be prepared. Some unforeseeable instances such as economic instability, natural disasters etc may have an impact on how much to spend.

2.5.2 Behaviour bias

There is an existence of behavioral bias among employees. Variety of behavioral conflict occurs when the budget is used as a control device. To be effective, the budget must be usable by the all level of managers as it is designed to help them. Thus, it must be acceptable to all levels of management. The behavioral literature on budgeting supports the view that the budget should reflect what is most likely to occur under efficient operating conditions. If a budget is to be used as an effective planning and monitoring device, it should encourage a high level of performance and efficiency, but at the same time, it should be fair and obtainable. If the budget is viewed by managers as unfair, (too

optimistic) it may intimidate rather than motivate. One way to gain acceptance is referred to as participative (rather than imposed) budgeting. The idea is to include all levels of management in the budget preparation process.

2.5.3 Cost

Cost is one of the major challenges in budgeting, this is because cash budget is one of the major types of budget prepared by hospitals and hence the matter of cash flow problems becomes rampant, for instance not having enough cash available to pay for merchandise or raw materials, to meet payments (payroll). Though, many of these problems can be avoided when the cash budget is prepared on a regular base.

2.5.4 Variance

Variance becomes a basic challenge for the hospitals and becomes frequent due to the changing circumstance and poor forecasting by those charged with the responsibility of budgeting. Due to unforeseeable circumstance which may be beyond the control of management, the budget as compared to actual results may be different.

Notwithstanding James R. Martins view on the challenges involved in budgeting, there are other notable problems the hospitals face in dealing with budgeting. For instance, researchers in an interaction with Mr. Ibrahim, realised that time has been a major problem they encounter before preparing the budget. This is because they receive directives from the Ministry of Health before they can prepare the budget and the time for the directive becomes very inconsistent. Sometimes, they have to prepare the budget based on projections of the previous year's budget

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter highlights the research design, sources of data (both primary and secondary), population and sampling techniques, sample size and data collection tools (questionnaire and interview). It further highlights validity and reliability as well as data analysis of this research work.

3.1 Research Design

The design employed for the study was descriptive sample survey. The research was specifically conducted by using descriptive survey design to find out the characteristics and opinions of respondents on assessing the impact of budget and budgetary on performance of public hospitals within Kumasi metropolis. The descriptive research is concerned with the conditions or relationships that exist such as determining the nature of prevailing conditions, practices and attitudes, opinion that are held, processes that are going on and trends that are developed. The design was used for the study because it helps in discovering the real state of affairs or events as they are on the ground in the case study. The assessment of the situation was through serving questionnaire and granting of interviews to staff and management of selected public hospitals within Kumasi metropolis.

The design however has a few weaknesses of which the researcher must be aware and try to reduce its magnitude. Some of the questions which may not be understood by the respondents would let them give answers that may not be expected by the researcher.

Another problem is likelihood for the respondents to state something which is convenient to them. Such expected problems were kept down by resorting to the following measures: The researchers had to undertake pre-testing of instrument to help come out with questions that might be well understood by the respondents. Secondly, the researcher had to check if some respondents stated something which they did not know or were not sure of by carrying out informal interviews or checking other opinions from different group.

3.2 Population

According to Fraenkael and Wallen (1993), a population is the group to which the result of the study is intended to apply. The population is a large group of people who exhibit characteristics that stimulate research work. The target population comprises Accounting and Finance staff as well as management of some selected public hospitals within Kumasi metropolis. Currently, the number of public hospitals within Kumasi metropolis is ten and out of this, four namely Seventh Day Adventist Hospital, South Government Hospital, Suntreso Government Hospital and Manhyia District Hospital were used as the sample size. These hospitals were selected for the work as it appears to give a fair proportion of the total number of hospitals within Kumasi metropolis.

3.3 Sample

According to Agyedu et al (1999), the process of sampling makes it possible to limit a study to a relatively small portion of the population. Researchers used purposive sampling to select the hospitals. A sample is thus a subset of the population and consist of representative group of individuals, objects or events that from the population of the

study. Since it was not possible to deal with the whole of the target population due to access, effort was made to sample a reasonable number of people, which gave a representation for the research. A sample size of 60 respondents, made up of Accounting and Finance staff.

3.4 Source of Data

For the purpose of this work, two sources would be utilized to collate the information with regards to this project: Primary source and Secondary source.

3.4.1 Primary Sources

The primary research used was interviews and questionnaires which were used in collecting data from respondents although situational observations and interactions were made to have finished insight about the views of the members of the institutions. Copies of the questionnaires were personally delivered to respondent who were given one week to respond. Prior to the administration of the questionnaires, an introductory letter was received by researchers from the school registrar (Christian Service University College) to the administration of the various hospitals which then gave permission for the exercise to be carried out. This procedure involves a lot movement from one place to another by researchers. The researchers had to explain the questions to respondent thoroughly after the copies of the questionnaires had been given to selected staff and management of the institution. The purpose of this was to help the respondent understand the content of the questionnaire, do away with ambiguities, suspicious, partialities and also be able to provide their independent opinions on the questionnaire items given them.

3.4.2 Secondary Sources

Secondary data is gathered from data sources like journals, books, business reports and magazine articles. Both published and un-published sources were utilized. The sources of the unpublished data include materials of scholars and research workers and projects reports and thesis from different universities websites. On the other hand, published information like newsletters and articles concerning public hospitals were also involved in the procedure for gathering secondary data.

3.5 Data Analysis Plan

The collected data were statistically analyzed using the Statistical Package for Social Sciences Software (SPSS). Representations like tables, graph were used to ensure easy and quick interpretation. Data from the completed questionnaires were checked for consistency. The open ended items were grouped based on the responses given by the respondents. The items were coded using Statistical Package for Social Science (SPSS). Descriptive statistics indicating frequencies and percentages have been used to present the results in tabular form. This is aimed at helping explain into details findings of this work.

3.6 Background of the hospitals

Researchers of the work selected four public hospitals namely Manhyia District Hospital, SDA Hospital, Atonsu Agogo Government Hospital and Suntreso Government Hospital. Manhyia District Hospital was established as a clinic in 1966 and gained a health centre status in 1977. It is located at Manhyia around the Asantehene's palace in the Ashanti

Region. In early 2000, District hospital Status was given to the health centre by the Ghana Health Service Council. Currently, it serves as the District Hospital for Manhyia Sub-Metro and serves estimated total population of 304, 092, which forms 22.3% of the metro population.

Seventh Day Adventist Hospital was established in the year 1990; a ministry established hospital and has now gained District hospital status recognition within Kwadaso Sub Metro. The hospital is located at Kwadaso in the Ashanti Region.

Kumasi South Government Hospital is a government hospital located in the town of Kumasi. The hospital was founded in the year 1926 by the Kumasi South Municipal Assembly to help provide health care for the people of Kumasi south and its surrounding communities. It provides services to 56 communities in the Kumasi area which contains a roughly a population of 400,000 people. Through its expansion, the hospital today is the second largest in the Kumasi South District in the Ashanti region and provides health care to all the municipalities in Kumasi.

North Suntreso Hospital is a government hospital, established in the late 90's. The hospital was established to provide support to the people of Kumasi and its environs especially to the community of Suntreso. It is located at North Suntreso near the Prempeh College.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents data which are gathered from the field through questionnaires administered, interviews conducted and other conversations with respondents regarding to budget preparation and budgetary controls which is to ensure prudent cash flow. Based on this, frequency distribution tables, percentages and charts are used to give true definition of the research findings. The questionnaires were based on try categories on which the analysis was made. The first part of the questions dealt with; Impact of Budget and Budgetary control on performance and finally the Problems associated with budgeting and budgetary control.

4.1 Analysis of Data

Sixty (60) questionnaires were administered to all respondents within the various hospitals. Respondents were asked to answer the questions or give their views and submissions to the researchers through the questionnaires and interviews respectively. Of all the 60 questionnaires, 50 which represent 83.33% were completed and received due to series of problems. Five (5) questionnaires which also represent 10% of the received questionnaires were rejected by the researchers since they were not answered in the way researchers expected. Nine (9) respondents were selected randomly for face to face interview. During the interview, researchers listened attentively to what they said, what they intended saying and what they had difficulty in saying.

4.2 Gender of Respondents

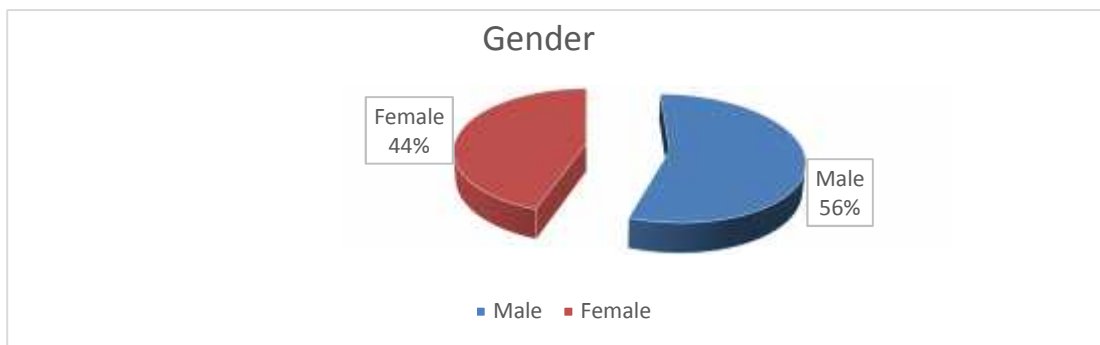
Figure 4.1 is a presentation of gender of respondents. It shows that of the 45 questionnaires, 56% represent males where as 44% represent females. This indicates that majority of the workers at the Accounting and Finance departments of the various hospitals are male and for that matter, their views may be predominant over the females.

Table 4.1 Gender of Respondents

Gender	Frequency	Percentage
Male	25	55.6
Female	20	44.4
Total	45	100

Source: Field data May, 2015.

Figure 4.1 Gender of Respondents



Source: Field data May, 2015

4.3 Age of Respondents

From the research work, respondent from the selected hospital have accounting and finance staff whose ages range below 30 years thus 51.1%, this is closely followed by the age group of 30 to 45 years which also represents 46.7%. It appears that respondent from

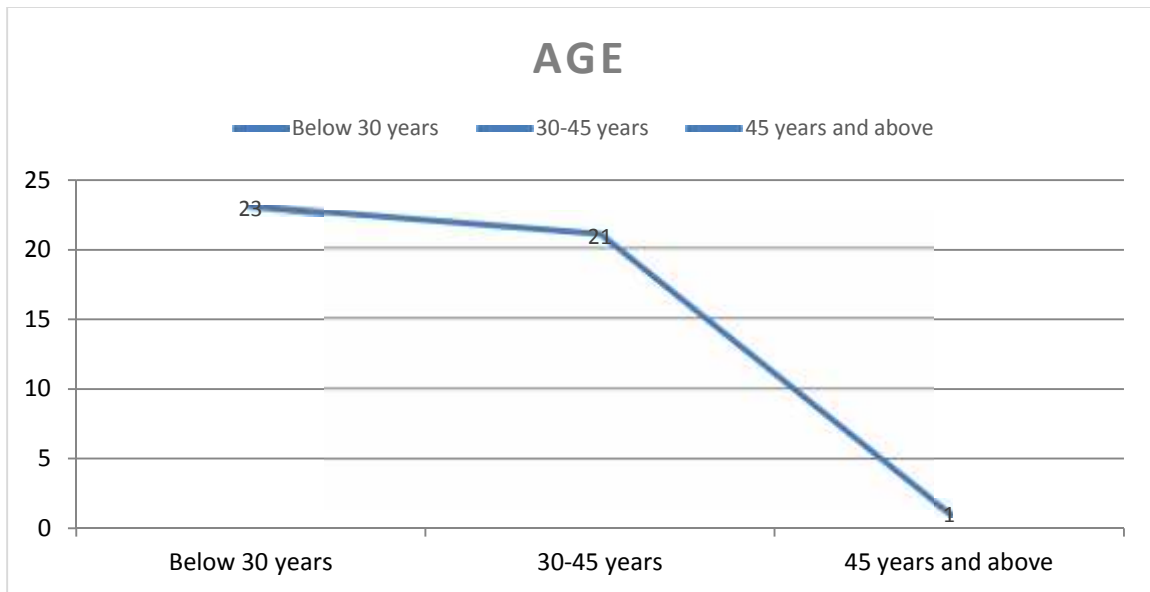
the various hospitals ages fall below 45 years as only 2.2% of them was within the age range of 45 years and above.

Table 4.2 Age of Respondents

Age	Frequency	Percentage
Below 30 years	23	51.1
30-45 years	21	46.7
Above 45 years	1	2.2
Total	45	100

Source: Field data May, 2015.

Figure 4.2 Age of Respondents



Source: Field data May, 2015.

4.4 Involvement of Budget into Hospital Activity

From the diagrams, it was realised that most of the hospitals involve budget into their system. 44 people representing 97.8% says the hospitals involve budget into their systems

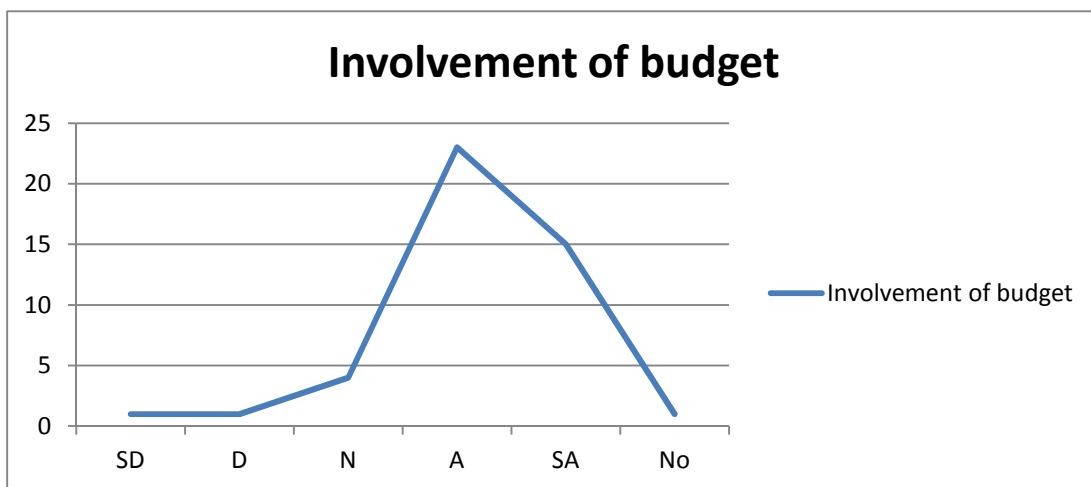
were as only 1 person representing 2.2% said they do not involve budget into their systems.

Table 4.3 Involvement of Budget into Hospital Activity

Response	Frequency	Percent
Strongly Agree	1	2.2
Disagree	1	2.2
Neutral	4	8.9
Agree	23	51.1
Strongly Agree	15	33.3
No	1	2.2

Source: Field data May, 2015.

Figure 4.3 Involvement of Budget into Hospital Activity



Source: Field data May, 2015.

4.5 Use of Controlling Measures in Accessing Performance

Figure 4.4 Presents measures the hospitals have and use, from the questionnaires we realised that most respondent (67%) attest that they have and use some control measures.

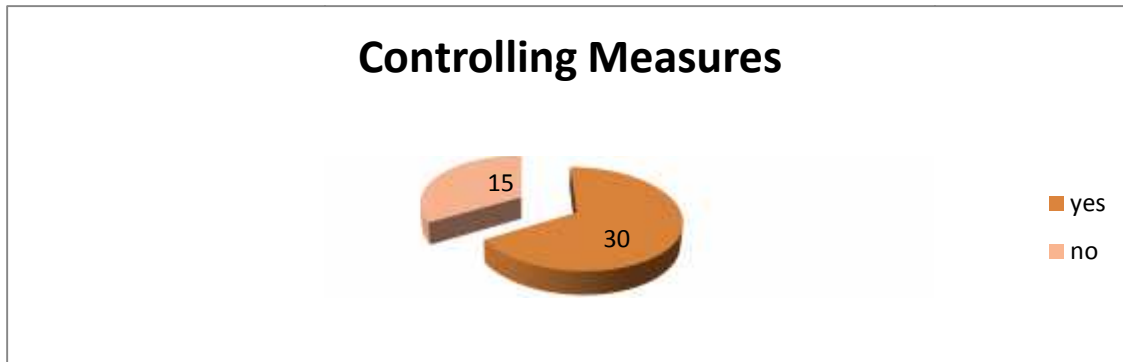
Meanwhile, others (33%) were of a different view that neither do they have nor use these measures.

Table 4.4 Use of Controlling Measures in Accessing Performance

Response	Frequency	Percentage
Yes	30	66.7
No	15	33.3
Total	45	100

Source: Field data May, 2015.

Figure 4.4 Use of Controlling Measures in Accessing Performance



Source: Field data May, 2015

4.6 Assessment of Performance Reviews

The figure and table below helped researchers in determining the factors which help in assessing the performance of the hospitals involved in the research. Respondents were asked to rate how regular or irregular performance reviews are undertaken. Out of the 45 questionnaires 73% responded yes to the questions while 27% responded no. Out of the 73% of respondent who responded yes, 33.33% said seminars are held regularly 9.10% also said seminars are held Very Regularly and 21.21% said that they are not sure

whether seminars are held by management. It was also realised that 24.24% of them think seminars are not held regularly, and 12.21% of them think seminars are Somehow Regularly held. The statistics below indicate that the hospitals take keen interest in holding seminars on regular bases.

Table 4.5 Assessment of Performance Reviews

Response	Frequency	Percentage
Not Regular	8	17.8
Somehow Regular	4	8.9
Not Sure	7	15.6
Regular	11	24.4
Very Regular	3	6.7
No	12	26.7
Total	45	100

Source: Field data May, 2015.

Figure 4.5 Assessment of Performance Reviews



Source: Field data May, 2015

4.7 Budget Review

From the table and figure below, researchers wanted to conduct a research into the budget review of the hospitals around Kumasi metropolis. From the diagram, there is a clear

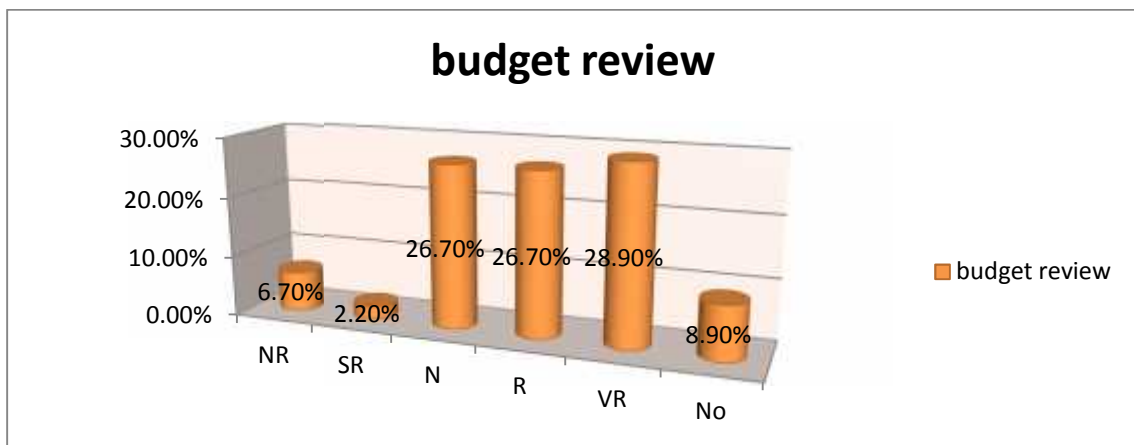
indication that budget within the public hospitals are reviewed on a timely base. This is because only 8.9% of respondents believe it is not reviewed on a timely base while 91.1% attest that review of their budget is done timely with a large portion of them saying that activity is very regular. This is a good measure as the review of budget ensures that corrective measures are taken to meet changes in direction.

Table 4.6 Budget Review

Response	Frequency	Percentage
Not Regular	3	6.7
Somehow Regular	1	2.2
Neutral	12	26.7
Regular	12	26.7
Very Regular	13	28.9
No	4	8.9
Total	45	100

Source: Field data May, 2015

Figure 4.6 Budget Review



Source: Field data May, 2015

4.8 Impact of Budget on employees in Achieving Target

From the diagram, 9 people representing 20% of respondents said no, on the other hand 36 people who also represent 80% said yes. Though 36 people responded yes, but within them, there were divergent views. Out of the 36 people, only 1 disagree, 6 were neutral, 20 agreed and 9 strongly agreed to the fact that budget and its controls may be used as a means of ensuring that employees work towards the attainment of goals.

Table 4.7 Impact of Budget on employees in Achieving Target

Response	Frequency	Percentage
Disagree	1	2.2
Neutral	6	13.3
Agree	20	44.4
Strongly Agree	9	20.0
No	9	20.0
Total	45	100

Source: Field data May, 2015.

4.9 Budget and Achievement of Target

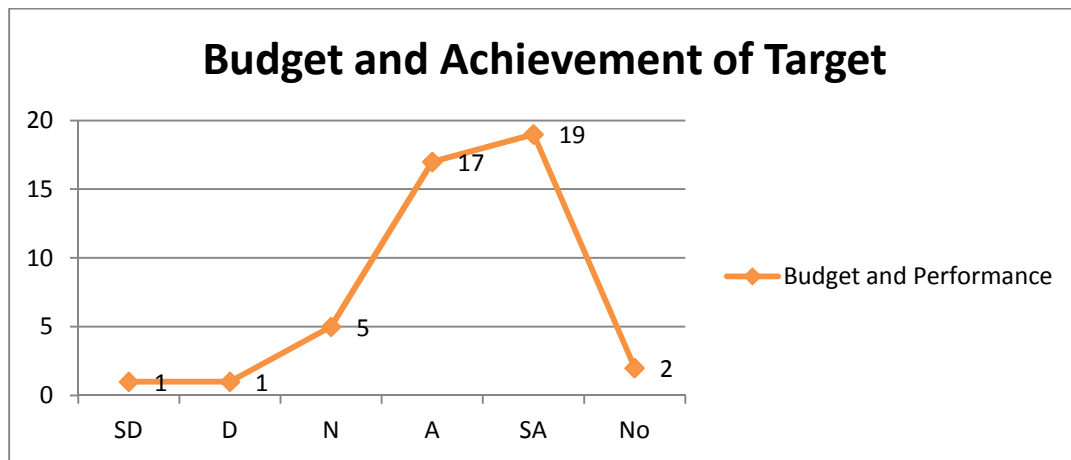
From the table above, there is a clear indication that budget could be easily be used to ensure the achievement of targets as 2 people representing only 4.4% thinks is no whiles the remaining 43 people representing 95.6% said yes when asked the question. Moreover majority of the people (19 people) said they strongly agree.

Table 4.8 Budget and Achievement of Target

Response	Frequency	Percentage
Strongly Disagree	1	2.2
Disagree	1	2.2
Neutral	5	11.1
Agree	17	37.8
Strongly Agree	19	42.2
No	2	4.4
Total	45	100

Source: Field data May, 2015.

Figure 4.7 Budget and Achievement of Target



Source: Field data May, 2015.

4.10 Budget Monitoring Unit

The table below presents monitoring unit within the various hospitals. 22.2% of respondents responded that there are no monitoring unit used to monitor their budget, on the other hand 77.8% respondents also think the hospitals have monitoring unit which monitors the budget.

Table 4.9 Budget Monitoring Unit

Response	Frequency	Percentage
Disagree	3	6.7
Neutral	7	15.6
Agree	10	22.2
Strongly Agree	15	33.3
No	10	22.2
Total	45	100

Source: Field data May, 2015.

The above diagrams are in relation to the impact of budgeting on the performance of the public hospitals specifically within Kumasi metropolis. Based on the responds gathered from respondents, a valid conclusion can be made with regards to budget and its impact on public hospitals within Kumasi metropolis.

Budget is something which is a very good practice, notwithstanding it has various challenges some of which are analyzed below.

4.11 Collecting of funds

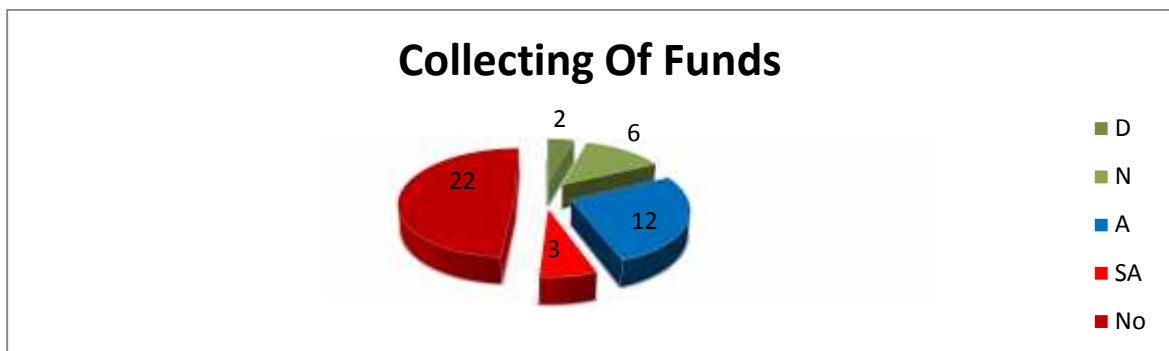
In table 4.10 researchers wanted to find out how best the hospitals are able to collect enough funds to compliment government subventions. From the data collected, there was a split decision on the issue. Out of the 45 respondents, 22 respondents representing 48.9% thinks the hospitals are not able to collect enough funds to compliment government subvention, on the other hand 23 respondents representing 51.1% thinks the hospitals are able to collect enough funds to compliment government subvention.

Table 4.10 Collecting of funds

Response	Frequency	Percentage
Disagree	2	4.4
Not sure	6	13.3
Agree	12	26.7
Strongly Agree	3	6.7
No	22	48.9
Total	45	100

Source: Field data May, 2015.

Fig 4.8 Collecting of Funds



Source: Field data work May 2015.

4.12 Impact of Government Directives on Budget

Table 4.11 depicts how government directives have impact on their budget. From the data given, 13 respondent representing 28.9% believe government directives have no impact on the budget of the hospitals and on the other hand 32 respondent representing 71.1% believe that government directives have direct impact on the budget of the hospitals.

Table 4.11 Impact of Government Directives on Budget

Response	Frequency	Percentage
Disagree	2	4.4
Neutral	6	13.3
Agree	15	33.3
Strongly Agree	9	20.0
No	13	28.9
Total	45	100

Source: Field data May, 2015.

4.13 Receipt of Government Subvention

In the table below, researchers wanted to find out how promptly government subventions are received by the hospitals. The data collected gives a representation of the fact that the government subvention is not received promptly by the various hospitals. This is so because 29 people which represent 64.4% of the total respondents are of the view that government subvention is not received promptly by the hospitals, contrary to that, 16 people representing 35.6% of respondents think government subvention is received timely by the hospitals.

Table 4.12 Receipt of Government Subvention

Response	Frequency	Percentage
Strongly Disagree	1	2.2
Disagree	6	13.3
Not Sure	2	4.4
Agree	4	8.9
Strongly Agree	3	6.7
No	29	64.4
Total	45	100

Source: Field data May, 2015.

4.14 Misapplication of Resources and its effects on the Budget

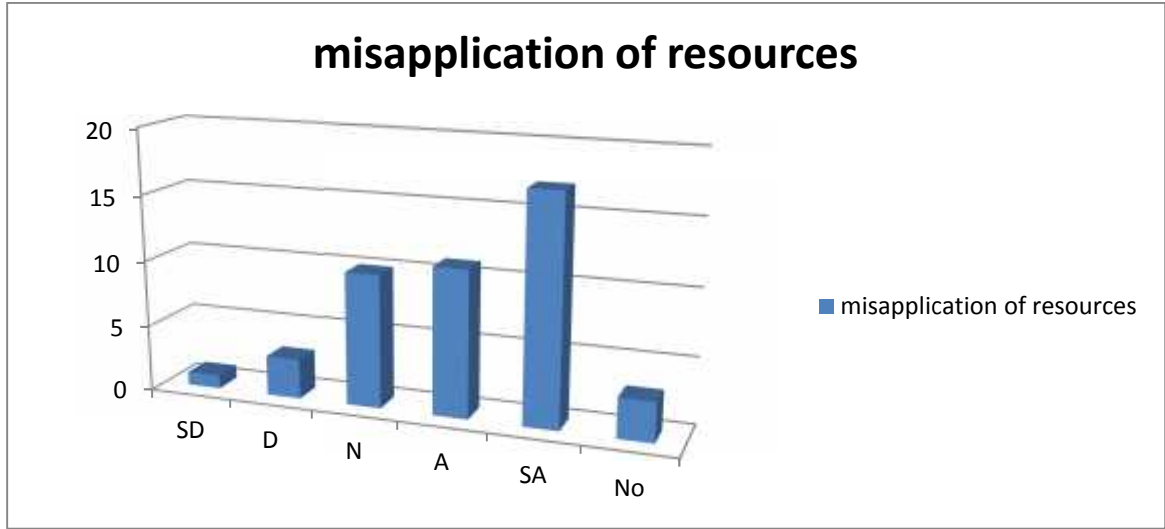
From the table, researchers wanted to find out how misapplication of resources affect budget of various hospitals. In the table given 3 people representing 6.7% believe misapplication of resources does not have an impact in the budget of the hospitals, on the other hand 42 people representing 93.3% believe misapplication of resources does have an impact in the budget of various hospitals.

Table 4.13 Misapplication of Resources and its effects on the Budget

Response	Frequency	Percentage
Strongly Disagree	1	2.2
Disagree	3	6.7
Neutral	10	22.2
Agree	11	24.4
Strongly Agree	17	37.8
No	3	6.7
Total	45	100

Source: Field data May, 2015.

Figure 4.9 Misapplication of Resources and its effects on the Budget



Source: Field data work May 2015

4.15 Impact of Time on Budget decisions

In the table 4.15, questions were asked to assess the impact time has on the budget preparation of the hospitals. From respondents, 7 which represent 15.6% were of the view that time has no impact on their budget preparation whiles 38 representing 84.4% were also of the view that time has a major impact on their budget preparation.

Table 4.14 Impact of Time on Budget decisions

Response	Frequency	Percentage
Disagree	1	2.2
Neutral	10	22.2
Agree	15	33.3
Strongly Agree	12	26.7
No	7	15.6
Total	45	100

Source: Field data May, 2015.

4.16 Involvement of Subordinates in Budget Decisions

Involvement among workers in bringing the budget is very keen and important as specific targets are spelt out to various groups and individuals. For that matter, researchers asked questions in relation to how effective the involvement of subordinates was and from the data gathered, 53.3% of the respondents think subordinates are not involved in bringing up the budget while 46.75 of the respondents think otherwise.

Table 4.15 Involvement of Subordinates in Budget Decisions

Response	Frequency	Percentage
Not Regular	2	4.4
Somehow Regular	6	13.3
Neutral	3	6.7
Regular	8	17.8
Very Regular	2	4.4
No	24	53.3
Total	45	100

Source: Field data May, 2015.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Summary of findings

The summary of the findings are presented on the objectives addressed in the study. These objectives are to establish the perception of the various heads of Accounting and Finance Department in the use of budget. It also establishes their views regarding participation on budget building and review, their understanding to budget procedures and how effective budget can be used as a control measure for performance improvement.

The gender proportion in the four selected hospital indicated that majority of the workers at the Accounting and Finance departments of the various hospitals are male and for that matter, their views may be predominant over the females in the course of this research work. On the controlling measures the hospitals use in assessing performance, it was realized that there are measures put in place in controlling the budgets.

From the findings, it was so comprehensible the fact that, most hospitals resort to the preparation of budget. Though not all hospitals are able to keep up with what they budget for. This therefore revealed that those who prepare and keep up with it are able to outperform those who do not keep up with the budget given the resource available to them.

The findings revealed that, there are seminars held regularly by management of the various hospitals to review their performance. This helps management to know whether various departments of the hospitals are in line with their budgets prepared.

The study indicated that, the budgets of the hospitals are reviewed on timely basis to ensure that corrective measures are taken to meet changes in direction. The research further revealed that, budgets and budgetary control help motivate employees in achieving targets of the various hospitals.

It was revealed that, the selected hospitals are able to collect enough funds to complement government subvention. This helps them to know the amount of money to budget with and also facilitates the preparation of the budget.

The research indicated that, government directives have adverse impacts on the budget of the various hospitals which affects them in preparing a proper budget. The findings revealed that, government grant is not received promptly and there are difficulties in receiving these grants. It was revealed in the findings that, misapplication of resources has a negative impact on the budgets of the hospitals.

The research further indicated that, the inability of management to involve subordinates in budget decisions affects the overall performance of the hospitals, since specific target are not likely to be spelt out to various groups and individuals when budgets are prepared. Budgets are very useful as they help organizations to determine its financial priorities and assess its performance.

5.1 Conclusion

A budget can be extremely important and effective tool for management in piloting the affairs of the organization. However, to prepare a meaningful budget, the hospitals must know where it is heading and its goals and objectives.

Priorities changes, and this means that many people should be involved in the budget preparation and approval process to ensure that resulting budget is fully supported. Once prepared, the budget must be compared to actual result on a timely basis throughout the year to ensure that management knows where deviations are accruing for corrective actions to be taken when necessary.

Involvement among workers in bringing up the budget is very important as specific targets are spelt out to various groups and individuals. There is an inactive participation of the entire department in the budget preparation. The inability of management to involve subordinates in budget decisions affects the overall performance of the hospitals, since specific targets are not likely to be spelt out to various departments when budgets are prepared. Budgeting is one of the fundamental decision making process at the various hospitals as it serves numerous purposes. It aids planning, co-ordination, communication, control and performance evaluation. Budgetary controls enhance financial management in the various hospitals as they;

-) eliminate or reduce corruption
-) enhance effective revenue mobilization
-) share responsibilities
-) ensure judicious use of resources.

A good budget can do very little by itself, good management and effective budget can do much together. Therefore, effective budget and budgetary control is indispensable in the public hospitals.

5.2 Recommendations

Based on the findings, it is recommended that, the management should make strict decision about the organizations future, if profits are to be expected by providing a frame work that contains flexible plan to accommodate unanticipated changes; this is the essence of budgeting. For the budget to be effective, it must be a joint effort of all the stakeholders. It must also be working documents, which forms the basis for action.

Subordinates should be involved in budget planning and decision. The activities of the various parts of the organization should be planned and coordinated very, which will ensure effective budget.

In addition, orientation, seminars and workshops on budgeting should be adequately emphasized to those involved in the budget preparation. Budget committee should function very well to make sure that the proper budget is applied and in an effective way.

Since budget and budgetary control is an accounting tool and also a useful benchmark with which actual result can be compared, the researchers therefore, recommend that government should encourage it so that it will be applied effectively.

Government should make sure that the resolutions are made available to government bodies to allow them to perform the activities approved in the budget. Before a budgetary control system should result in a number of advantages to the business concerned, it must be a fully comprehensive budget.

Adequate information should be gathered and critically examined using all possible parameters before arriving at budget decision, this will require rigorous appraisal

technique and skills and in order to achieve this, the hospitals should use the services of consultants to assist them plan and prepare good budget. Ghana government should also collaborate with other non-governmental organizations to sponsor and award scholarships to students to carry out more research and in-depth studies into budget and budgetary control practices and other relevant financial issues that will benefit the public hospitals in Ghana.

APPENDIX

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CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

Survey questionnaire

This questionnaire is prepared for the sole purpose of obtaining information about the impact of budget and budgetary controls on the performance of business organizations’, taking a case study on public hospitals within Kumasi metropolis. Your corporation and indulgence is warmly requested to accomplish this study. You are promised of the confidentiality and anonymity of the information being requested of you.

Part 1: Demographic Data

1. Gender : male [] female []
2. Age : below 30 years [] 30-45 year [] above 45 years []
3. Year of working at the hospital? below 5 years [] 5-10 years [] above 10 years []
4. Department.
5. What is your post in the institution?

Part 2: Impact of Budget and Budgetary control on performance

1. Does the hospital have and use controlling measures in accessing performance?
Yes [] No [].

2. If yes, please identify the measures by stating them below

.....
.....

Please answer the following questions and rate if YES by ticking 1, 2, 3, 4 or 5.

Ratings may differ based on the type of question. 1= Not effective (NE), strongly disagree (SD), Not frequent (NE) or Not regular (NR). 2= somehow effective (SE), disagree (D), somehow frequent (SF) or somehow regular (SR). 3= not sure or neutral (N). 4= very effective (VE), agree (A), frequent (F) or regular (R). 5= excessively effective (EE), strongly agree (SA), very frequent (VF), or very regular (VR).

The questions below seek to know how regular or frequent the respondent think the question is.

Activities	Yes/No	NR	SR	N	R	VR
1. Are seminars held regularly by management in reviewing the performance of the hospital?						
2. Are budgets prepared based on specific standards set by management of the hospital?						
3. Is the budget used as a constant factor for monitoring performance?						
4. Does management see to the implementation of the budget?						
5. Is the budget reviewed on a timely base?						

The questions below tend to find out how effective the respondent think the question is.

Activities	Yes/No	NE	SE	N	VE	EE
1. Does the hospital have budget policies to						

check on spending?							
2. Are measures put in place to control cost?							
3. Does management embark on budget performance report?							
4. Does management access the performance of employees and staffs with regards to the budget?							

*The following questions seek to know to what extent a respondent **Agree** or **Disagree** to a question.*

Activities	Yes/No	SD	D	N	A	SA
1. Do you think budget and its controls help motivate employees in achieving targets of the hospital?						
2. Can the budget be varied to meet changes in ambitions and targets of the hospital?						
3. Does the budget help in achieving targets?						
4. Does the budget serve a purpose of coordinating among staff and workers?						

Part 3: Processes for budgeting at the hospital

Activities	Yes/ No	SD	D	N	A	SA
1. Does the institution budgets for its financial programs?						

2. Are you familiar with the processes involved in taking financial budgeting in the firm?							
3. Does the hospital have a budget monitoring unit?							

Part 4: Integrating budget and budgetary control to the work system

1. How often does the firm resort to financial budgeting

Always [] not too often [] not at all

2. If not too often, what activities pushes the institution to budget financially?

Medium term projects [] long term projects [] short term projects [] any project []

3. Does the budget falls in line with the corporate objective? yes [] No []

Part 5: Problems associated with budgeting and budgetary control

The following are possible challenges associated with budgeting in general. In your opinion, respond to the following hypothesis as presented on public institutions. Tick as many options as possible.

Possible challenges of budgeting & its control	Yes / No	SD	D	N	A	SA
1. Is the hospital able to collect enough revenue to compliment government subvention?						
2. Do government directives impact budgeted amounts adversely?						
3. Are government subventions received promptly by the hospital?						

4. Does the hospital have a reliable staff to budget appropriately?							
5. Do economic instabilities affect the hospital's budgeting exercise?							
6. Has misapplication of resources affected budgeting of the hospital?							
7. Does time frame impact on budget decisions?							

Activities	Yes/ No	NR	SR	N	R	VR
8. Does management involve subordinates during budget decisions?						

Part 6: Type (s) of Budget used by the hospital

1. Does the institution resort to a particular budget type?

Yes [] No []

2. What form of budget is commonly used by the institution?

Master budget [] operational budget [] cash flow budget [] financial budget []

Static budgets [] other (specify).....

3. How many years have you been using this (these) approach (es) of budgeting?

Below 5 years [] 5-10 years [] above 10 years []

4. Do budgetary controls contribute positively to the performance of Public Hospitals in Kumasi? Yes [] No []

5. Do you agree that budgetary control assist management to assess performance?

Yes [] No []

6. If you agree, to what extend?

Strongly disagree	Disagree	Not sure	Agree	Strongly agree