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## EVALUATION OF CASH BUDGET AS AN INSTRUMENT OF CASH CONTROL FOR EFFECTIVE MANAGEMENT OF CORPORATE PRIVATE ENTERPRISES IN ANAMBRA STATE

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### Abstract

*This study is the critical evaluation of cash budget as an instrument of cash control, both at management and operational levels for effective management of corporate private enterprises in Anambra State. It involves the examination of various cash controls, finds the extent to which they demonstrate the propriety of activities and their conformity with the established rules within the internal and external operations of private sectors. To undertake proper appraisal of cash budget as a cash control tool in corporate management, the researcher took particular interest in Intafact Breweries Limited situated at Niger Bridge industrial layout, Onitsha. In order to ascertain the effectiveness and efficiency of their operations in line with the established procedures and standard, primary sources of data collection such as interview and Focus Group Discussion (FGD) were used. Also, some related professionally completed works comprising of textbooks, journals and other publications were extensively used. Data collected from the respondents were arranged in tables and percentage statistics. It was discovered from the findings that the company has a very good budgetary system in place with proper applications and adherence. However, some recommendations were offered for the sustenance of the system to ensure regular accomplishment of the corporate goals and objectives.*

**Key Words:** Exchange, Budget, Cash, Fictitious, Corporate Private Enterprise.

## INTRODUCTION

Cash is understood to include nil forms of financial exchange like currency (coins and notes), money order, credit cards, receipts and cheques. Essentially, any type of financial exchange that can be immediately negotiated for a fixed value qualified as cash.

According to European Committee on cash seizure, defined cash as "currency, bank notes and coins that are in circulation as a medium of exchange and bearers negotiable instrument including monetary instrument such as promissory notes, cheques and money order that are either in bearer's form, endorsed within restriction made out to a fictitious payee or otherwise, in such form that little, there to passes upon delivery and incomplete instrument signed, but with the payee's name omitted". All business organizations, non-profit making organizations and households employed the basic tenant of cash control.

Cash control means competently managing all the types of instruments by maintaining an accurate tracking system that accounts for both receiving and disbursing the cash appropriately. There are few basic control elements that, will be incorporated into the process regardless of whether the cash control procedure is used in the home, in an office or business environment.

### The Basic Control Elements

#### 1. Documentation

All transactions related to cash must be proper recorded and documented immediately at the end of each transaction. With cash control, there is no use of the accrual method of accounting. Each cash receipt is recorded upon reception while disbursement is entered at the time the payment is made.

#### 2. Security

Cash control procedures require that there will be only certain individuals who shall have access to the cash. This helps to ensure adequate security and accountability of cash management. Also, the empowerment of two people to oversee each control helps to ensure that important transactions can take place at any given time, even if one individual is unavoidably absent from work for some reasons and lapses covered.

#### 3. Separation of Physical Cash

The cash control demands that the documents related to the cash are kept separately from the physical locations of the cash as cash does not control itself. This helps to avoid intentional or unintentional mixed-up. The main objective of cash budget is to ensure the availability of cash at all times to meet the level of operations as stipulated in the company's budgets. Hence, the management strives to keep their cash circulating appropriately. However, any surplus Balance at the end of each period can be reinvested in short-term investments. Therefore, there is need for cash planning and controlling as there is no control without planning. They are synonymous to each other.

On the other hand, budget is an estimate of possible income and expenditure for the ensuring years. Egbunu (2016), "A budget is a formal expression of managerial plan in quantitative and financial term encompassing different phases of business operation, and aims at helping management towards the attainment of organizational objectives" she slated the under-listed features of budget.

- a. It is a plan of action.

- b. The plan is stated in quantitative or financial terms.
- c. It is prepared prior to a defined period of time for the control of performance within that period.
- d. It states performance expectation over a defined period of time, in the different phases of business operations-sales, production, purchases, labour and so on.
- e. It integrates the resources and costs of an organization to plan for anticipated level of performance.
- f. It is aimed at the attainment of organizational objectives (Egbuonu, 2016).

Budget is one of the instruments in managerial activities for cash control' accounting. Cash receives the most attention in the budgeting process, because all transactions ultimately affect cash.

### **Statement of Problem**

All transactions of any corporation depend on cash, hence cash inflow and outflow must be properly planned. Corporate organizations' managers are entangled in cash problems, or cash related problems. These complex problems such as high profile illegal payments, misappropriations and cash deficiencies are usually experienced in some organizations as a result of ineffective and inefficient application of cash budget.

### **Objectives of Study**

In an attempt to critically evaluate the use of cash budget as an instrument of cash control in corporate private enterprises for effective management, the study intends to achieve the following objectives:-

- i. To establish whether there is effective cash budgeting decision making in a given enterprise.
- ii. To know whether the cash budgeting reveals excess or shortage of cash.
- iii. To find out whether cash control enhances growth and development in corporate enterprises.
- iv. To find out whether the management of corporate enterprises understand and uses cash budget as cash control tool.
- v. To know whether the INTAFAC BREWERIES LIMITED has a well articulated budgetary system.

### **Scope of the Study**

Budget is a method used to obtaining the most productive and profitable uses of the companies' resources through careful planning and controlling. And cash control is a process that is vitalized to verify the complete nature and accurate recording of cash that is received and disbursed. In the light of the above, this study covers the activities of Administrative, Finance/Accounts, production, purchases and sales departments in order to evaluate the budgeting process of INTAFAC BREWERIES LIMITED.

### **Research Questions**

These research questions are carefully put forward for trial answers on them.

- 1. Has the management of the organization always applied cash budget during the budget preparation process?
- 2. To what extent does the application of cash budget enhances effective- control

- the organization?
3. To what extent has the use of budget reduces or increases fraudulent practices in the organization?

### **Review of the Related Literature**

The related literature of this study will be treated under the following sub headings:

1. Conceptual Framework
2. Theoretical Framework
3. Empirical Studies

### **Conceptual Framework**

Budget and budgeting are concepts traceable to the Bible days of Joseph in Egypt. He was "reported that nothing was given out of the treasure without a written order". History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine (Good News Holy Bible). In order to attain the set business objectives of the organizations, these long-term plans are further broken down into detailed step by step procedures. The end result of this planning is to minimize cost and maximize profit.

According to Lucy, (2003), budget is defined as a "qualitative expression of a plan of action prepared for the business as a whole for financial resource items such as cash, capital, expenditure, income and man-power. He further stressed that the process of preparing and agreeing budgets is a means of translating the overall objectives of the organization into detailed feasible plans of action.

Reynolds (2010) opined that "budget planning is the key to survival in today's highly technical and competitive environment and failure to plan results for many forms of business failure that might have been avoided".

### **Theoretical and Empirical Studies**

The inventory control models which are the methods used for the theoretical calculation of target figures for order quantities, minimum stock levels and other stock control parameters for an organized, control and management of stocks and work-in-progress. The formulation of these models is mathematical in nature and can either be deterministic application involves calculations based on known figures while probabilistic applications are based on a possible rang of values. They are useful in forecasting and budgeting purposes, especially for manufacturing firms.

Adedeji (2006), Maintains that in addition to being the managers' planning tools, budgeting is also one of the most effective tool for communication and integration. It shows how cash of the organization relates to the end needs of the whole budgeting, therefore requires that the managers in various departments should discuss the budget jointly in order to arrive at the best result. However, budgeting at the early stage of every organization was concerned with preparing and presenting credible information to legitimize accountability and to permit consequently rewards. Over the years, the function and focus of budgeting was shifted considerably as organizations become more complex coupled with the dynamic nature of trend in business environments.

Budgetary control has grown beyond a financial tool only but all managerial tool, in essence, it is the best tool for making sure that key resources, especially performance and resource are assigned to priorities and results. It is a tool that enables the manger to know

when to review and revise plans either because results are different from the expected due to environmental, economic, market conditions or technological change which no longer corresponds to the assumptions of the budget. Me emphasized that budget should be used as a tool for planning and control. Cash control is a process that is utilized to verify the complete nature and accurate recording of cash that is received as well as any cash disbursement that takes place.

According to CIMA "budget is a plan quantified in monetary term, prepared and approved prior to a defined period of time usually showing planned income to be during-that period and capital to be employed to attain a given objective" (Chartered institute of Management Accountants, London).

### **Objectives of Budgeting**

According to Ezenwafor and Ezejiofor (2020), the objectives of budgeting control are the following

1. To use different levels of management in a co-operative endeavour for achievement of the objectives of the firm.
2. To facilitate centralized control with delegated authority and responsibility.
3. To achieve maximum profitability by planning income and expenditure through optimum use of the available resources.
4. To ensure adequate working capital in other resources for efficient operation of business.
5. To reduce losses and wastes to the minimum.
6. To bring clearly where effort is needed to remain the situation.
7. To see that the firm is not deflected from marching towards its long-term objectives without being overwhelmed by emergencies.
8. Various activities like production, sales, purchase of materials etc. are coordinated with the help of the budgetary control.

### **Classification of Budget**

Budgets classification defined on the various activities undertaken by an enterprise at a given period. Also, factors such as the nature, size and complexity of operations are considered in the process of preparing a budget by the management. The main classes of budget include:-

1. Functional Budget.
2. Masters Budget.
3. Cash Budget.

**Functional Budget:** Functional budgets are the individual functional departments or units or sections of an organization prepared at a particular period of budget exercise. Examples are sales budget, production budget, capital budget or financial budget, overhead budget, research and development budget et cetera.

**Masters Budget:** Master Budget consolidates all the functional budgets of an organization.

Anderson (2002) sees Master budget as "a combined set of departmental or functional budgets period that have been consolidated into forecasted financial statement for the whole company". Each of the separated budgets gives the projected costs and revenue for the organization.

According to Eze and Ani (2005), master budget is "the total budget package for an organization". It is the products of the budget preparation process. The master budget consists of the entire individual budgets for each part of organization aggregated into one and overall budget for the entire organization (Eze & Anc. 2005).

**Cash Budget:** A cash budget is a statement of cash receipts and disbursement during the budget period. Cash budget deals not just with cash items, but with the financial arrangement that organization needs to execute functional budget.

Anyaogu (2002) affirms that cash budget "represents a forecast of the cash required by the business during the budget period. It is intended to make sure that the business has sufficient cash available to meet the needs when they arise. Cash budget compliments the cash cycle since it goes beyond the turnover and minimizes excess cash operations for proper cash inflows and outflows periodically".

The cash budget whether prepared annually, monthly or weekly, the basis aims at placing the business cash flows appropriately.

### **Functions of Cash Budget**

Anyaogu (2002), states the functions of cash budget as follows-

- i. To ensure the sufficient cash availability when required, as this reflects in the liquid resources of the organization.
- ii. It shows any likely surplus cash so that management may take action to invest on short-term basis to earn some interest or profit.
- iii. It shows whether capital expenditure project can be financed internally.

### **Benefits of Cash Budget**

1. It identifies future cash shortage on time.
2. It helps in efficient utilization of resources.
3. Short-term investment plans can be made from future cash surplus being predicted.
4. It enables the timing of payments to be determined correctly.

### **Cash Budget Variance**

As the year progresses, manager compares actual figures with the budgeted amounts. Cash budget whether prepared annually, monthly, weekly or even on a daily basis cannot be exactly correct, therefore variations in cash budget are inevitable.

So, cash variance or variation is the difference between the budgeted amounts and actual amount when compared. The variance may be favourable or adverse at a given period.

### Format for Cash Budget

|   | Detail of Receipts       | Period 1(#) | Period 2(#) | Period 3(#) | Total (#) |
|---|--------------------------|-------------|-------------|-------------|-----------|
|   | Opening cash bal. b/f    | *           | *           | *           | **        |
|   | Cash sales               | *           | *           | *           | **        |
|   | Receipts from debtors    | *           | *           | *           | **        |
|   | Disposal of fixed assets | *           | *           | *           | **        |
|   | Divided received         | *           | *           | *           | **        |
|   | Interest received        | *           | *           | *           | **        |
|   | Other receipts           | *           | *           | *           | **        |
| A | Total Cash Receipts      | **          | **          | **          | **        |
|   | Details of Payments      |             |             |             |           |
|   | Cash Purchases           | *           | *           | *           | **        |
|   | Payment to creditors     | *           | *           | *           | **        |
|   | Wages and salaries       | *           | *           | *           | **        |
|   | Loan repayment           | *           | *           | *           | **        |
|   | Fixed assets purchased   | *           | *           | *           | **        |
|   | Interest payable         | *           | *           | *           | **        |
|   | Dividend payable         | *           | *           | *           | **        |
|   | Taxation                 | *           | *           | *           | **        |
|   | Other expenses           | *           | *           | *           | **        |
| B | Total Cash Payments      | **          | **          | **          | **        |
|   | (A-B) Bal. C/F           | *           | *           | *           | **        |
|   |                          | **          | **          | **          | **        |

## METHODOLOGY

### Design

The empirical survey design was adopted for the study, because the primary sources of data such as personal interview and focus group discussion were used for data collection.

### Area of Study

This study is centered on a particular private corporation which is 1NTAKACT BREWERIES LIMITED, situated at Niger Bridge Industrial Layout, Onitsha Anambra state. The company produces the Hero Premium Beer and Grand Malt.

### Population and Sample

The population of this study covers the number of administrative staff, finance and accounts production staff, purchases and sales departments of the company numbering eighteen (18) and sample size often (10) were randomly selected.

### Data Presentation and Analysis

The responses obtained from the personal interview and focus group discussion were presented and analyzed in block as shown in the statistic table below.

**Question 1: Does your company deal on cash transaction?**

| Option | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|--------|-------|----------|------------|-----------|-------|-------|-----|
| Yes    | 2     | 2        | 2          | 2         | 2     | 10    | 100 |
| No     | -     | -        | -          | -         | -     | -     | -   |
| Total  | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

**Question 2: Which of the following motive does your company hold cash for?**

| Option                | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|-----------------------|-------|----------|------------|-----------|-------|-------|-----|
| Precautionary Motives | 1     | 1        | -          | 1         | 1     | 4     | 40  |
| Transaction Motive    | 1     | 1        | 1          | 2         | 1     | 6     | 60  |
| Speculative Motive    | -     | -        | -          | -         | -     | -     | -   |
| Total                 | 2     | 2        | 1          | 3         | 2     | 10    | 100 |

**Question 3: Does your company use budget for planning the financial and other activities?**

| Option | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|--------|-------|----------|------------|-----------|-------|-------|-----|
| Yes    | 2     | 2        | 2          | 2         | 2     | 10    | 100 |
| No     | -     | -        | -          | -         | -     | -     | -   |
| Total  | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

**Question 4: How often does your company prepare its budget?**

| Option    | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|-----------|-------|----------|------------|-----------|-------|-------|-----|
| Quarterly | 2     | -        | 1          | 1         | 1     | 5     | 50  |
| No        | -     | 2        | 1          | 1         | 1     | 5     | 50  |
| Total     | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

**Question 5: Does your company have good budgetary control?**

| Option | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|--------|-------|----------|------------|-----------|-------|-------|-----|
| Yes    | 2     | 2        | 2          | 2         | 2     | 10    | 100 |
| No     | -     | -        | -          | -         | -     | -     | -   |
| Total  | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

**Question 6: Does Your company Prepare cash budget?**

| Option | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|--------|-------|----------|------------|-----------|-------|-------|-----|
| Yes    | 2     | 2        | 2          | 2         | 2     | 10    | 100 |
| No     | -     | -        | -          | -         | -     | -     | -   |
| Total  | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

**Question 7: Does the cash budget reduce the fraudulent practices in your company in terms of cash receipt and disbursement?**

| Option | Admin | Fin/Acct | Production | Purchases | Sales | Total | %   |
|--------|-------|----------|------------|-----------|-------|-------|-----|
| Yes    | 2     | 2        | 2          | -         | -     | 6     | 60  |
| No     | -     | -        | -          | 2         | 2     | 4     | 40  |
| Total  | 2     | 2        | 2          | 2         | 2     | 10    | 100 |

## FINDINGS AND CONCLUSION

The responses in tables 1, 2 and 3 above indicate that the company deals on cash transaction and uses budget for financial and other activities of the company by (100%) respondents.

From tables 4 and 5 above, the respondents disclosed that the company's activities were operated on well planned budgetary system and control which are anchored on development of budget manual and committee. These facilitate effective and efficient management of its resources for achievement of corporate objectives.

The tables 6 and 7 responses indicate that the company prepares its cash budget for all cash receipts and disbursement at each budget period of the company. The respondents also agreed that the cash budget reduces fraudulent practices and misapplication of cash through budget monitoring and implementations in the company.

So, the researcher summarily concludes that the adequate and effective applications and implementation of cash budget in the company as a control instrument helps in minimizing fraud, misappropriations errors, irregularities, cost and enhances corporate management and profitability.

## Recommendations

After a careful appraisal of the cash budget system of INTAFACBREWKIUKS LIMITED, it becomes clear that it is a good management tool for cash control that helps to ensure achievement of effective management of corporate private enterprises which facilitates rapid economic development through maximum utilization of its available resources.

Also, the researcher recommends that there should be periodic training and re- training of the company's staff to ensure the sustainability of the system of control. More so, the computerization of the budget committee activities as it concerns cash budget and control for future use.

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