

## PROJECT ABSTRACT

Master of Business Administration

Adventist University of Africa

School of Postgraduate Studies

Title: DESIGNING A BUDGETARY CONTROL SYSTEM FOR THE LOCAL CHURCHES OF KENYA LAKE CONFERENCE FOR OPTIMUM USE OF FUNDS

Researcher: Kilion Mingusa Agalo

Faculty Advisor: Marie-Anne Razafiarivony PhD

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The aim of this study was to design a budgetary control system for the local churches of Kenya Lake Conference to enable them to use the generated cash optimally for the achievement of the mission of the church. The study determined the budgetary process of the local churches in Kenya Lake Conference, the levels of budgetary controls, and the challenges affecting the budgetary control system of the local churches. A systematic probability random sampling method was used to select 255 participants to gather data. Findings indicate that the budgetary process in local churches in Kenya Lake conference begins with the departmental heads and that the church board has the sole responsibility to evaluate and monitor variances. The budgeting process faces different challenges which are addressed through the recommendations and propositions of a budget process and control manual. Based on the findings from the study, there is a need for regular seminars to be held to sensitize all the stake holders in the budget preparation and control in the local churches.

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DESIGNING A BUDGETARY CONTROL SYSTEM FOR THE LOCAL  
CHURCHES OF KENYA LAKE CONFERENCE  
FOR OPTIMUM USE OF FUNDS

A project

presented in partial fulfilment

of the requirements for the degree

Master of Business Administration

by

Kilion Mingusa Agalo

April 2017

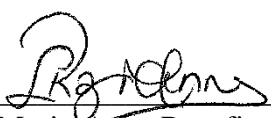


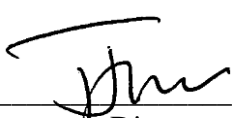
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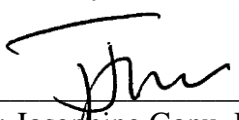
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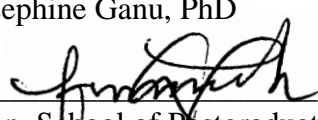
by  
Kilion Mingusa Agalo

APPROVAL BY THE COMMITTEE:

  
\_\_\_\_\_  
Advisor: Marie-Anne Razafiarivony, PhD

  
\_\_\_\_\_  
Programme Director, MBA  
Josephine Ganu, PhD

  
\_\_\_\_\_  
Reader: Josephine Ganu, PhD

  
\_\_\_\_\_  
Dean, School of Postgraduate Studies  
Daniel Ganu, DrPH

AUA Main Campus

Date: May 2017

To the Lord Almighty for His love, His gift of knowledge, wisdom, good health, and uncountable blessings especially during my studies, and to the loving family members, friends, and relatives for their involvement towards my success.

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## CHAPTER 1

### INTRODUCTION

The use of budgeting and the budgetary controls have existed since biblical times. When famine affected the land of Egypt for seven years Joseph used budgetary control to preserve the grains for all these years (Genesis 41:48). The children of Israel when travelling from Egypt were warned to gather only enough meals that they could eat during the Sabbath day (Exodus 16:4). These illustrations and so many others were a clear demonstration of a budgetary control.

In the eighteenth century, many managers widely used the concept of budgetary control to evaluate the performance of employees resulting in giving rewards. Budgetary controls, as a tool to manage costs and cash flows in large industrial organizations is a practice in many firms. Today budgets in many organizations (profit or not- for profit) are used for planning, communicating, and co-coordinating departmental activities, in decision-making, motivating employees and for monitoring and controls. According to Weygandt, Kimmel, & Kieso (2012), “budgetary control is defined as the use of budget in controlling operations”.

FAO (1997) articulates that budgetary control plays very important roles in the organization because it helps in planning, controlling, communication and coordinating the activities resulting in satisfactory performance. Organizations have limited amount of resources with which to operate and, therefore such organizations require accountability for the funds vested with them (Vargo, 1997). Vargo further states that churches must be cautious in allocating their resources among the projects because

church resources are limited. Close observation of the factors affecting the financial performance of organizations reveals there are problems regarding budgetary controls in the local churches in Kenya.

The importance of the financial performance of any organization cannot be underestimated for its optimum operations. Budgetary control has nowadays become the talk of any successful organization. Even in the context of Seventh-day Adventist local churches, to reach the mission, there is a need to ensure optimal financial performance, a part of which is the budgetary process and control. This study will be sought to look at the budgetary process and control of the local churches in Kenya Lake Conference and to develop a system which will be used for the optimum operations of the funds received.

### **Statement of the Problem**

Most of the local churches in Kenya Lake Conference collect money from the church members every Sabbath, which includes tithes and combined church offerings. The tithes being trust funds are for the conference's operations. The local church funds support departmental activities within the local churches each year. Nonetheless these local funds are limited considering the needs of the church. The unanswered question therefore is how to improve the allocation of these scarce resources to meet the demands of the local churches?

### **Research Questions**

1. What is the budgetary process of the local churches in Kenya Lake Conference?
2. Which are the levels of budgetary control in the local churches in Kenya Lake Conference?

3. Which challenges affect budgetary control systems of local churches in Kenya Lake Conference?
4. To what extent do the churches of Kenya Lake Conference make an optimal use of their financial resources?
5. Based on the findings, what budgetary control system can be designed and used by local churches in Kenya Lake Conference effectively?

### **Significance of Study**

The outcome of the study was to design a budgetary control system that will enhance the local churches in Kenya Lake Conference for optimal financial performance. This study will assist the local church members and officials to improve their performance in fulfilling the mission of the church in the local church environment. Furthermore, the study will also help the church members to fulfill their obligation to spread the gospel worldwide by planning, coordinating and controlling the activities of the local churches. The study is to add value to knowledge in research work to the researcher and add to the existing literature on the budgeting control measures for the optimum performance of not-for-profit organizations. It will assist future researchers who are interested in the topic for further research.

### **Scope & Limitation of the Study**

The study covered local churches of Kenya Lake Conference of Seventh day Adventist Church, which covers Homa Bay County and part of Nyamira County and it was conducted between December 2016 and April 2017.

Since this study covered only one conference and not the whole Union Conference, generalizability may be affected. The other limitation of the study is that the pastors who are in direct control of the local churches were not very willing to allow

for interviews to be conducted in their areas of authority and even the access to some vital documents of the study was a challenge.

### **Operational Definition of Terms**

**Budgetary control** is the process of establishment of budgets relating to various activities and comparing the budgeted figures with the actual performance for arriving at deviations. Budgetary control would, therefore, be used to mean a system of planning and controlling operations of the local churches (Periasamy, 2010, p. 563).

**Budgetary process** is a systematic activity that develops a plan for the expenditure of usually fixed resources, such as money or time, during a given period to achieve the desired result.

**Local churches** are churches within the territory of Kenya Lake Conference of Seventh day Adventist church.

**Optimum use of funds** means the best and the most effective ways the local churches use a fund to fulfill the mission.

**Budget** is a detailed plan that outlines the acquisition and use of financial and other resources over a given period. Budget is a financial blue print that qualifies an organization plan.

## CHAPTER 2

### REVIEW OF LITERATURE

#### **Budget**

Budgets had been defined as accounting device used to design and control resources of the operational department of government and divisions, (Abdullahi & Angus, 2012). Abdullahi (2012) gives a summary that government use budgets as a guiding tool for planning and control of its resources, be it financial or otherwise. The use of budget involves knowing how much money you can earn and spend over a period, particularly one year. Flamholtz (1983) who is an expert in the field of budgeting found that a budget in an organization acts as a mechanism for effective planning and controlling (p.8). This sentiment which was further supported by Schick (1999) that the main purpose of a budget in any organization is for planning and controlling to achieve organizational goal and objectives (p.224). In a separate study conducted by Lucey, (as cited by Onduso (2013) defines a budget as a quantitative statement, for a period which includes planned revenues assets, liabilities, and cash flows. A budget is, therefore, a standard against which the actual performance of an organization can be compared and measured. A budget stipulates which programs and activities should be pursued.

Yakubu (as cited by Festus and Ogunmakin 2014) points out that budget documents are the most important manifestation to the public; they record the outcome of the political process: winners and losers of the political competitions. Budgets delineate government total service efforts and as political documents; budget allocates

scarce resources among competing social and economic needs. As managerial documents, budgets specify the wants and means for providing the government services.

A recent study (Smith & Megeary, as cited in Festus et al., 2014) found that public budget preparation is one of the tedious tasks of any country. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget.

### **Budgetary Process**

SDA accounting manual (2008) states that “the basic to the entire budgeting process is the preparation of the annual operating budget, which is based on the anticipated income for the ensuing year and allocation of such expected income to various programs and supporting services of the organization.” (p149). SDA accounting manual (2008) further reiterates that the governing committee should take three months before the beginning of the year to prepare for the budget and approve the same which it is intended to govern since the process takes long.

In different studies conducted by (Flamholtz, 1983, Douglas, 1994, Bremser, 1988) indicates that budget process provides for coordinated planning among different functional areas.

In a study conducted by Huang, C., & Chen, M., (2010) on playing devious games, budget-emphasis in performance evaluation, and attitudes towards the budgetary process found out that playing devious games to obtain more budgetary request moderated the relationship of budget emphasis in the performance evaluation and attitude towards the budgeting process. The study showed that where playing the devious game was low, the relationship was strong and positive while where the

devious game was high, the relationship was weak. However, this does not make budgetary controls to be of no benefit to the organization because budgets having helped many in planning purposes.

When conducting a research on how controllers and managers interpret budget targets Kiln (2011) found out in his study that organizational budgetary processes do not provide a similar understanding of the budget targets for everyone. He discovered that the historical basis of the understanding budget may impact manager's interpretation which can be dynamic and change over time. Nevertheless, the interpretation of targets is very important for decision-making and therefore requires a degree of objectivity, managers and controller should henceforth abandon their self-interest and serve their organizations goals.

In a study conducted by Nace, Gary, Harold, Staley, & Robert, (2006) on how controllers and managers interpret budget targets, he found there is evidence that trust in superiors is an important intervening variable between manager's perception of the budgetary procedure fairness and some reactions. Consequently, more details regarding the specific psychological processes by which budgetary procedures fairness can work are required. Fairness in procedure will be realized when people are given chance to participate in the budget preparation.

Noguechi, M., & Boyne, (2012) conducted a research on the development of budgets and their use for purposes of control in Japanese aviation, 1928-1945. In this study, it was found that prior to the study the budget statement which was operated by special companies within Japanese transport sector was largely developed for looking for the government subsidies. The role played by the aviation bureau of the ministry of communication reflected changes in both status and finances. Because budgets have assisted in controlling the variances as well as coordinating and, communicating the



core mission, budgets have also been a vehicle for performance evaluation and for planning because it forces people to focus on the future as was also cited by Mukdad Ibrahim (2011).

Joshi, Al-Mudhaki, & Bremser, (2003) when conducting a research on corporate budget planning, control and performance evaluation in Bahrain came up with the finding that there is a need for research on the attitude held by the people making budgets towards the use of budgets variances in the content of the management accounting. Every budget preparation depends on the attitude of the people involved. In most cases whenever a budget is used as an evaluation instrument, its preparation will be done with the preconceived idea of finding those who can be promoted.

In the study conducted in Greece by Sandra, (2011) on the role of human resources department in budgeting the result was that “human resource department has limited involvement in the budgeting procedures which in turn could explain the limited use of budgets as a means of performance evaluation and communication”. Sandra (2011) further discovered “that both the size of the human resource and the numbers of employees has a positive effect on human resource management and budgeting interaction” (pp.147-166). It was further found out in this research that human resource department in Greece does not fully exploit the greater potential offered through budgeting process to achieve their goals.

While conducting a research on the budgetary process and the organizational performance of apparel industry in Sri Lanka (Silva Ariyaratra 2012), found that budgetary process has significant associations with the organizational performance of apparel industry in Sri Lanka. Silva (2012) further confirmed that efficient apparel companies maintained a sound budgetary process, which contributes to higher levels of organizational performance. In his study, Silva (2011) observed that organizations that

maintain sound budgetary process will experience the optimal use of funds because all the funds received are channeled to the intended purpose.

SDA accounting manual (2008) indicates that “It is prudent for organizations to develop budgets and then confer with the responsible people who should make the budget operational. SDA accounting manual (2008) suggests that “there is a need for discussions and a negotiation with all the parties from start to completion of the budget process. The SDA accounting manual which is the tool used to govern the churches suggests that a budget that is imposed from above stands a little chance of acceptance by those who the budget is governing. Hence, a budget to be submitted to governing committee must be supported by broad agreement of all individuals involved” (p. 151).

### **Budgetary Controls Levels**

The Institute of Cost and Management Accountants defines budgetary control as cited by FAO (1997) defines budgetary control as: "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”.

U.S GAO (1997) showed that “Any effort to link plans and budgets—that is, to link the responsibility of the executive to define strategies and approaches with the legislative “power of the purse”—must explicitly involve both branches of our government. PPBS [planning, programming, and budgeting system] and ZBB [zero-base budgeting] faltered in large part because they intentionally attempted to develop performance plans and measures in isolation from congressional oversight and resource allocation processes. In this study since goals, objectives, and activities were not discussed, it resulted to no consensus on what performance should be, how to measure it or how to integrate performance information with resource decisions” (p. 7).

Brown and Howard as cited in Periasamy (2010) define budgetary control as "a system of controlling costs which includes the preparation of budgets, coordinating the department, and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. "(p.561).

Budgetary Control is, therefore, the process of formation of budgets relating to various activities of an organization and comparing the budgeted figures with the actual performance for arriving at deviations if any. There cannot be budgetary control without budgets. Budgetary Control is a system that uses budgets as a means of planning and controlling (Periasamy, 2010). He affirmed that budgetary control is meant to assist the management in formulating policy, planning, controlling and coordinating the activities of an organization. It can be deduced, from these arguments, that designing a budgetary control system will help the local churches in analyzing the actual income with the estimates so that corrective actions can be undertaken.

In a study conducted by Yahya, &Fatima (2008) found that budgetary control participation affects the managerial performance via the mediating variables of organization commitments but not the perception of innovation. The study showed that there is a direct relationship between budgetary participation, managerial performance, organizational commitment, and perception of innovations. In a research, conducted Yahya et el (2008) in the ministry of defense in Malaysia, it was found that in most organizations, budgetary participation has a role to play in any organization for coordination, communication, control, and planning of the activities.

Budgets are considered for planning hence is very indispensable for any organization (Zimmerman, 2011). The author further suggests that the budgeting control involves the statement of plans of the various departments, coordination of

estimates, and analysis of actual and estimated figures. The generic budgeting systems are prepared annually and approved by the authorized board, and then used by the management as a measure of performance and rewards. Zimmerman (2011) showed that a budget presents the advantages of coordination of activities, proper controls of the expenditures and formulation of profits. The author, however, did not include other financial performance measures of the budgetary controls like the human resource and the attitudes of those people making the budgets, which plays very important role in budgetary control in organizations.

Planning as stated by Vargo (1995) is the prerequisite and basis for budgeting but is often very unfortunately skipped by many organization. Each organization must force itself to spend time in planning and develop its goal and objectives to guide every action otherwise the goals and the objectives become vague which makes evaluation impossible (p.15).

Kennon Callahen noted in twelve keys to an effective church as cited by Vargo (1995), said:

“Indeed, the first and most central characteristic of an effective, successful church is its specific, concrete, mission objective ...specific refer to the fact that the local congregation has focused its mission outreach on a human heart and hope for example by being in mission with the alcoholics and their families, with homebound elders, or with epileptics and their families. The church that does not end up helping no one with anything ... That objective refers to missioned direction stated in a sufficiently, clear fashion that is impossible to know when they have been achieved, that effective congregation is not engaged in watchful thinking with generalized purpose or goal statement that just lists its sentiments.”(p.16).Vargo (1995) therefore earmarked that proper planning involves , identifying needs, stating goals and objectives, being specific, establishing priorities, being able to evaluate progress towards reaching the goals and lastly considering both short term and long term perspectives. (p.16)

Yuen (2004) when conducting a study found that when a clear communication and reward systems are used, it can result in goal clarity, in addition, this can help to solve budgeting problems under difficult goal situations. On the other hand, Yuen

(2004), found that when goals are communicated in appropriate time and the rewards are appended people will always try to create budgets that will be easier to attain and therefore every budget control system needs an oversight body to check budgetary processing, to avoid budgetary slack.

Arora (2012) takes the ideas a bit further when he discusses how management uses budgeting as a planning tool to have sufficient raw materials, to meet production requirements and have enough money to pay the creditors and other organizational needs.

An alternative interpretation by (Weygandt, Kimmel, & Kieso, 2012) suggest that budget can have an impact on human behavior if well done; on the other hand, it can cause discouragement. It is from this that the authors have suggested participatory budgeting, which is fair and achievable because of the involvement of everybody. There are however dangers of budget slack which occurs when managers intentionally underestimate the budgets to become more achievable. Types of budgets include master budget, operational budget, financial budget, sales budget, and production budget.

Niels and Bukh, (2014), while conducting a research on beyond budgeting found out that many organizations that change their management accounting system because of aspiration of beyond the budgeting would maintain a fixed budget. It was further discovered in this study that use of budgets at the corporate level focuses on few line items, the diagnostic use of budgeting at lower levels in the organization might focus on many line items.

The SDA accounting manual (2008) gives a summary that budget is to serve as an instrument of financial authorization. It emphasizes that the treasurer is to provide timely financial information to his/her officers and the controlling committee, the treasurer could compare actual operating results with budgeted projections. The local

church treasurers, in this case, should always compare the operating results with the budgeted projections for the information to be meaningful to the controlling committee (p.149).

### **Benefits of Budgetary Controls**

Scarlett as cited in Adongo, Ambrose, (2013), refers to budgetary control as “principles, procedures, and practices of achieving given objectives through budgets” (p.7). Adongo & Ambrose, (2013) also cited Preetabh as highlighting the benefits of budgetary controls to include profit maximization and that it aims at maximizing profit, which comes through proper planning and coordination of different functions coupled with proper controls over various capital and revenue expenditures hence putting resources into best use (p.7). Another study conducted by Preetabh, (2010) suggests that budgetary controls also include specific times objectives where the plans, policies, and goals from the top management are decided. In this situation, all plans are put together towards achieving specific targets.

Adongo & Ambrose, (2013), cited Margah as saying that “budgetary controls are important tools for the country’s economy because it allows planning for expenditures which enhances systematic spending thus making finances to be put into optimum use by extending the benefits to the national economy” (p.7). Other research (see for example by S.K Merika, 2008) has found that deviations in budgeted and actual performance will also help to identify the weak spots and that when weak spots are identified, the management will take corrective measures hence will make various responsibility centers to be conscious of their roles.

Recent studies (Banovic, 2005; Pietrzak, 2013, Dugdale & Lynne, 2006, Libby & Murray, 2007) indicates that about 90% of companies from all over the world are using budgets for planning, coordination, and evaluation of activities; for motivation

and evaluation of the staff performance and for supporting the internal control system of the organization. Related results were found by (The survey results show that managers admit the importance of budgets in planning, controlling and performance measuring activities and disagrees that budgets leads to dysfunctional behavior and provides little or no value. Moreover, the surveyed companies indicated that they were not planning to abandon traditional budgeting soon.

Vargo, (1995), summaries the benefits of budgeting to the churches to include, helping in formalizing planning, helps in reducing emotions charged discussion in the churches, that budgets can be used as a basis of performance evaluation and basis of control (pp.20-24). He further reiterates that a benefit helps in controlling and assisting the church members to be involved in the activities and thus increasing the level of commitment in giving.

In 1995 Vargo found out that budgets can help in generating confidence in the church leadership and can allow time to lend or borrow prudently. Failure to recognize the importance of budgeting has caused many churches to experience severe financial distress and this failure has contributed to the closure of many churches (p.24).

### **Challenges Affecting Budgetary Controls in Organizations**

Carter et el as cited by Collins & Donkor (2015) declares that budgets may be an essential part of an organization's operations but may have several problems including, it being a pressure device imposed by management which may consequently result into a bad labor relations and may lead to inaccurate record keeping.

Departmental conflict may also arise from disputes over resource allocation and departmental blaming each other especially when targets are unattainable. In a separate study by Collins & Donkor (2015) indicates that budgets may also be challenged by responsibility versus controlling especially where some costs are under the influence of

more than one person may result in managers overestimating costs in order not to be blamed in the future should they overspend.

Prendergast as cited in Edmund et al (2015) in a recent study found out that challenges resulting from budgets are that, it involves a lot of guesswork and that budgets are becoming increasingly inaccurate because of shorter product life cycle and the rapidly changing business environment. In this study, budgets also result in conflict between management and the subordinates. Apart from the above, budgets also put extra emphasis on the short-term profits at the expense of continuous long-term improvements such as new products development and customer satisfaction. McNally (2002) also argues that “the days of traditional budgeting and planning are numbered.” The budgeting process consumes too much time with a lot of prohibitive costs incurred. Thus, he concludes that if a budget is finally authorized it may no longer be accurate thus causing problems for organizations in an unpredictable and fast moving business climate.

An investigation conducted by Ambetsa (2004) on budgeting control practices by commercial airlines operating at Wilson Airport Nairobi, indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in the preparation of the budget and lack of top management support. Ambetsa (2004) further concludes that airlines operate and use budgets to plan implement and evaluate their business performance. All enterprises make plans using budgets some in a systematic and formal way, while others in an informal manner but still have some form of budgetary control and budgetary control practices. Therefore, the issue is not whether to prepare a budget but rather how to do it effectively.

One study conducted by Wamae, (2008) on challenges of budgeting at National social security fund (NSSF), and how the organization can deal with the budgeting



challenges effectively. From the study, the researcher found that the organization faced challenges when drawing up a budget and the biggest included commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving the target, leading to complaints from the board. The researcher concluded that budgeting was very effective at NSSF as they served their purpose assisting in control, used as a means by which management communicates by another level of the department. The researcher further found that the process of budgeting at NSSF faced other challenges like the inability to achieve the required value of business, inadequate authority to spend funds despite allocation, cost inflation, poor participation, and poor co-ordination of the exercise. The researcher recommends that all units in the organization should be involved in the budget preparation and enough time allocated to prepare the budget.

### **Budgetary Control and Optimal Use of Funds**

Ivar & Allan (2015) conducted a study and discovered that the constraints of the line-item budget imposed on the director had positive effects. Some of the effects include pre-commitments, entailed, which aided in protecting the director against the negative aspects of passion including distorted thought processes, myopia, and weakness of will. Ivar & Allan (2015) further found in this study that, the creative process in terms of the ability of the constraints to channel creativity in certain directions, thus preventing the availability of too many options from hampering the creative process.

In a separate study conducted by Alexandra &, Friederike. (2015) further found that finite period budgets and fully flexible budget which allows the subordinate both to use and save unspent funds beyond the budget year and to borrow fund for future

budget cause inefficiency in budget spending. Which means that subordinates who can spend and save at their discretion seem to spend their budgets efficiently.

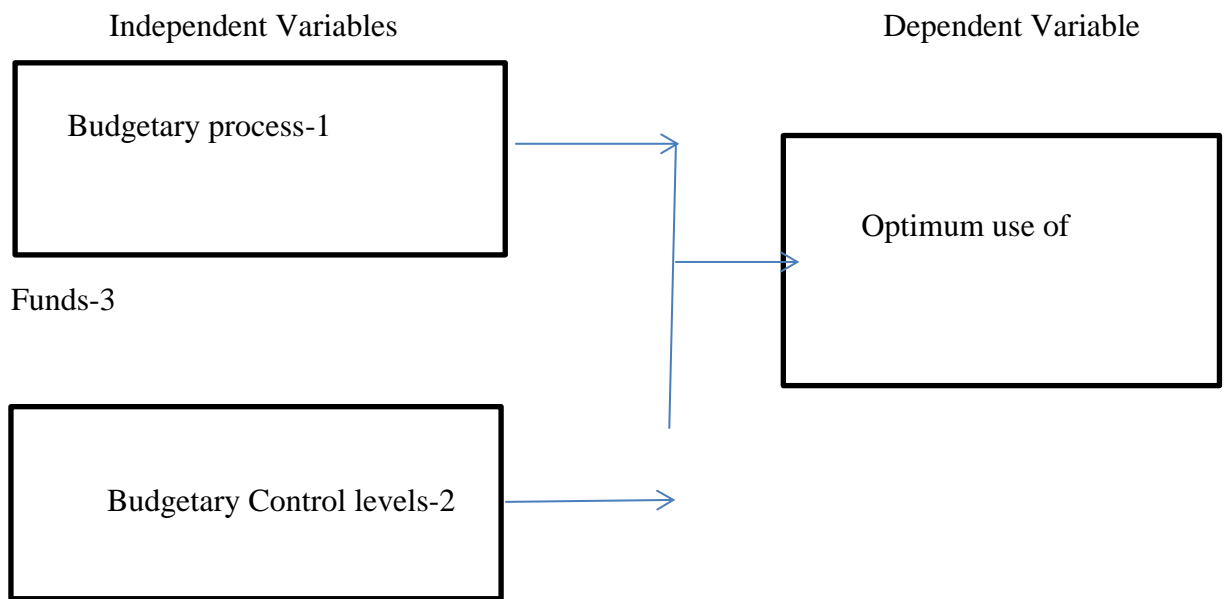
Muema (2006) concluded that funding of university library services in Kenya is inadequate due to diminished governmental fund allocations for these institutions.

Further, that budget plays a key role in fund allocation if they are properly followed.

As indicated from SDA Local church and schools accounting manual, (2003) that “Local church funds include such funds as church expense, church building and repair funds, and the church fund for the needy. The local church funds belong to the church, therefore, should be disbursed by the treasurer only by authorization of the church board or church business meetings. However, the church treasurer shall pay from the church expense funds all bills for local church expense authorized by the church board, such as rentals, janitor, water, light, fuel, insurance, and paving assessments. The treasurer should be careful to secure receipts for all bills paid. All moneys received by and for these organizations are turned over promptly to the church treasurer by the secretary of the organization, or by the deacons. These funds belong to the auxiliary organizations of the church and may be disbursed only by order of the auxiliary organization to which they belong. It is of the utmost importance that all offerings and gifts contributed by individuals to the church for a specific fund or purpose are used for that purpose. Neither the church treasurer nor the church board has the authority to divert any funds from the objective for which they were given” (p.102).

According to SDA local church and schools accounting manual, (2003) which is used to govern the local churches, it is suggested that, good judgement should be exercised in counselling the church board and the directors of various activities to use the funds wisely. While the church treasurer is not the “last word” on how and when funds should be spent, the church board should highly regard the treasurer’s counsel as it makes its decisions in financial matters (p.202).

SDA Local church and schools accounting manual, (2003) suggests that all disbursements of church funds should be made by check on the church bank account and the treasurer should ensure that all the expenditures are supported before payment is done (p.204).



*Figure 1: Conceptual framework of the study*

The optimum use of funds in the local churches will depend on the budgetary process followed, the levels of budgetary control instituted in the operation of the churches and how the variances arising are monitored and corrected.

## CHAPTER 3

### PROGRAM DESIGN AND METHODOLOGY

#### **Setting of the Study**

The research was conducted in Kenya Lake Conference of seventh day Adventist church. The conference was started in 1906 and it was from here that the seventh day Adventist church spread in other parts of Kenya. The conference covers the bigger part of Homa Bay County and some parts of Nyamira County with a total church membership of 82,288 in 850 churches. The church elder, church treasurer, and church clerk are the people charged with the responsibility of running the local churches on day- to- day basis. The local churches have a body called the church Board which is chaired by the Pastor and is mandated to pass weightier agendas items which are consequently voted by the church business meeting for implementation. The Conference has the work force of 120 which includes both the office workers and the district pastors. Since the local churches in the conference receive and disburse funds contributed by the local church member the, study was conducted to design the best way by which these local churches may use the funds optimally to fulfil their mission in this territory.

#### **Research Design**

In conducting this study, the researcher employed descriptive survey design to examine the budgetary process, the level of budgetary control and the optimum use of funds in the local churches of Kenya Lake Conference. A descriptive survey was suitable in this study because several churches were sampled to achieve different

phenomenon of the interest of the researcher. The researcher in using descriptive survey analyzed the results using mean and standard deviation for each variable. The researcher also used correlation to determine the relationship between budgetary controls and the optimum use of financial resources of the local churches of Kenya Lake Conference. To collect the other required data for impact of good budgetary process and control on optimum use of funds on the local churches of Kenya Lake Conference, the researcher used observation, and one-to-one interview strategies to collect the required data.

### **Population & Sampling Procedure**

Per the second quarter statistical records for the year 2015, the Kenya Lake Conference has 850 churches that caters for spiritual needs of 82,228 members. These 850 churches are the population target used for this study. The researcher randomly picked every 10<sup>th</sup> church in the list of local churches to determine those who participated in the study. This enabled the researcher to have a sample list of 85 local churches for the study. Table 1 shows the population and sample of the study.

After identifying, the local churches who participated in the study, the researcher used simple random sampling to select three church board members from each church to participate in the study making a total of 255 participants. This method enabled the researcher to improve the accuracy and to focus on all the churches within the four blocks of the conference. The researcher also used interview to get the feeling of the other church members on the issue of budgetary control. Forty people interviewed were chosen randomly from the church board attended.

*Table 1. Research Participants*

KLC Church Membership	KLC number of Churches	Sample Size (Every Tenth)	Three participants from Sample Size
82,228	850	85	255

### **Instrument of Data Collection**

For this study, the researcher used a self-constructed questionnaire, which was used as a base, the review of literature as well as the SDA accounting church manual. The researcher developed a questionnaire divided into three sections namely the demographic information, the closed ended questions on a scale, and the open-ended questions. The closed ended sections had twenty-nine items on interval scale of 1-7 based on the variables under study whereby 1 represented strongly disagree, 2 was for disagree, 3 was for somewhat agree, 4 was undecided, 5 was somewhat agree, 6 was agree, and 7 was strongly agree.

The open-ended section had five items which gave room for the recommendations on how the funds received in church coffers can be used optimally to improve the operations of the local churches in Kenya Lake Conference. The researcher used questionnaire because it is less costly, not biased and convenient.

The researcher also used close observation to get information on how the church board meetings of the local church was organized and how resolutions relating to finances is passed and implemented thereafter. This personal observation took one month and the researcher did the observation on how ten church boards were conducted in ten churches.

The items observed and recorded in the church board included:

Was there any issue regarding finance discussed in the church board?

Which questions or information regarding the control of church expenditure was raised in the church board?

It was appropriate for the researcher also to conduct one-to-one interview from at least four other church members from each church to find out more information on their feeling on budgetary control as applied in their churches. The number interviewed for this study was forty from ten churches. The researcher formulated structured questions to find out how the church uses the budgetary control to achieve the church projects.

The following structured questions was used in finding some of the solutions to the budgetary control:

Which are some of the projects you have initiated in the last three years?

Was there a budget for the projects before they were initiated?

Before administering the questionnaire, it was contented validated by the supervisor and a committee of experts. More so, the researcher conducted a pilot test on the five local churches in Kenya Lake Conference to ensure the reliability of the questionnaire. The analysis showed an alpha reliability of 0. 737. After the analysis the questionnaires were distributed to the local church board members to fill.

### **Ethical Considerations**

The researcher ensured an elevated level of confidentiality and guided the privacy of the respondents to the extent that all the communication necessary to the respondents was done before the data was collected. The researcher did not misrepresent the nature of the study to the respondent and ensured that the nature of the study was clear to the respondent. In data collection, the self-respect and self-esteem of the respondent was maintained and thus ensured that the respondent was not exposed to inadvertent study harms.

The researcher ensured that the participants in the study cooperated fully in the task by responding to the survey and by providing the truthful and honest responses to the questionnaire. Because the people who provided this information are part of local churches in Kenya Lake Conference, we believe they gave us a correct picture of the budgetary controls process and procedures, their response was strictly confidential and only the members of the research team had access to responses and the data.

### **Data Collection Procedure**

After approval of the study proposal by the MBA Research Committee, the researcher headed to the following procedures:

1. He sought letter of authorization from Kenya Lake Conference administratorsto collect primary data.
2. Upon approval , the questionnaires were distributed through the church pastor,after explaining the essence of the study to the local church pastors of the governing boards.
3. The distribution and the collection of the filled questionnaires took a period of four weeks.

### **Method Data Analysis and Statistical Treatment**

After collection of the questionnaires the researcher coded, key in and edited the data using Statistical Package for Social Science (IBM SPSS statistics 20). Since this is a descriptive study, the main statistical techniques used for the analysis were (1) frequency and percentages (2) average mean and standard deviations. These were useful in answering the research questions raised.



## **Product Design**

The main objective of this study was to design a budgetary control system that includes some of the measures that will enable the local churches to use the funds optimally for their operations, the researcher included all the conceptualized ideas. The researcher developed a budget manual for the local churches in the preparation of a budget. The budget manual details the plans and the procedures for its execution, the manual specifies the timetable for the budget preparation and approval. The budget manual has also stipulated the budget committee set up with a responsibility for the budget preparation and efficient execution of the budget plan. The budget manual has shown where delegation of responsibility lies and has stipulated the periodic reporting system for its effectiveness. The manual has also stipulated that the budget should not cost more to operate than it is worth.

The designed system of budgetary control considered some aspects of the local churches for its effectiveness as the organization chart, the budget center, budget committee's members, budget officer, the budget period, key factors that includes the local churches funds, the budgeting process, and the budgeting control levels all geared towards achieving the mission statement of the local churches.

We identified the relevant budgetary controls by focusing on cash flow budgets, and operational budgets for design. The two types of budgets design involve drafting stages before any action is taken. Since budgets should involve all the stakeholders and therefore in the local churches set up, all the department heads should be consulted to bring their proposals three months before the year-ends. This stage all involve the participation of all heads representing other church faculties based on the strategic plan of the local church.

The second stage in the budget design involves the steering stage that may involve the actions taken in case of variances are detected after analysis is done. In this case, the level of emphasis on identifying variances and achievements is put, and then assigning responsibility for the variances to the appropriate departmental heads. The designer has then given a provision on the possibility of a revision of the budget by changing the initial budget figures and giving allowance for the reforecasting throughout the period.

The designer has given some of the suggested relevant ratios, which will be used to analyze the optimum use of the local church funds. Some of these ratios include and not limited to, debt to budget ratio, cash reserve to annual budget, receipts, and expenses ratio of actual to budget, weekly offering to weekly budget goals, giving per adult per week and designated fund ratio. Mainly funds for women Ministry, youth, music and, mission outreach is considered.

The designer has given a proposal for the review and the evaluation stage where the church board members must evaluate and monitor the budget after a given period that may be quarterly, or yearly depending on the needs of each local church.

## CHAPTER 4

### PRESENTATION AND DISCUSSION OF RESULTS

The purpose of this study was to design an improved budgetary controls system to enhance the optimum use of financial resources of the churches. The findings of the study are presented below.

#### **Response Rate**

The survey targeted 255 respondents, however 201(79%) participated and returned completely answered questionnaires. The response rate is above 70%, therefore it is considered appropriate for the type of study under consideration, according to Mugenda and Mugenda (2003).

#### **General Demographic Distribution of Respondents**

##### **Gender**

According to the study demographics, 62.5% of the respondents were male and 37.5% were female, which is an indication that the church boards of the local churches are composed of males as compared to females and that majority of the church officials are males. The results are shown in Table 2.

*Table 2. Gender Distribution of the Respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	125	62.2	62.5	62.5
Female	75	37.3	37.5	100.0
Total	200	99.5	100.0	

### **Age**

The analysis of the findings depicted that 37.5% of the respondents were between the age of 41-50 and 25% of the respondents were between the age of 31-40 years old. This is to be expected since the study selected church board members as respondents. An interesting finding was that only about one third (31%) of the respondents were 51 years old and above. This seems to indicate that the board members of that conference are not very old. On the other end, they are not too young either (only 6% are under 30 years old), but they are mature adults. The finding is shown in Table 3.

*Table 3. Age Distribution*

	Frequency	Percent	Valid Percent	Cumulative Percent
Under 30	13	6.5	6.5	6.5
31-40	50	24.9	25.0	31.5
41-50	75	37.3	37.5	69.0
51 and above	62	30.8	31.0	100.0
Total	200	99.5	100.0	

### **Years of Membership in the Church**

The study requested the respondents to indicate the numbers of years they have been members of local churches where they congregate and the results indicated that majority (87%) has been in the church for more than 10years. This is a good sign that indicates that churches in this conference do not allow new converts, and new members to be elected as church board members. The finding is shown in table 4.

*Table 4. Years of Membership in the Church*

Years	Frequency	Percent	Valid Percent	Cumulative Percent
1-5 Years	3	1.5	1.5	1.5
6-10Yr	23	11.4	11.5	13.0
Above 10Yr	174	86.6	87.0	100.0
Total	200	99.5	100.0	

### **Levels of Acedemic Education**

Based on the analysis of the findings it is evidently indicated that majority of the respondents had attained post-secondary education standard with 55%. This finding is important to this research because for budgetary control measures to be effective in the local churches it requires people with higher educational training to effect optimum use of the local church funds. The analysis of the findings is illustrated in table 5.

Table 5. Levels of Academic Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	12	6.0	6.0	6.0
Secondary	78	38.8	39.0	45.0
Post-Secondary	110	54.7	55.0	100.0
Total	200	99.5	100.0	

The summary of the finding from the above section indicate that most of the respondents were mature adults, mostly men, that are members of the church board and most them has an academic training beyond secondary education.

### **General Budget Information**

Apart from the demographic variables, some general information was gathered regarding the budget in the local churches. The section is a deeper analysis of the budgeting in the local churches.

### **Most Common Type of Budget Used**

The researcher wanted to know from the respondents the most common type of budget used by the local churches in Kenya Lake Conference. The analysis of the findings depicts that most common type of budget used by the local churches in Kenya Lake Conference is income and expenditure budget as illustrated with 58% followed by a cash budget with 33%. The finding also indicated 9% of the respondent indicating other budgets. Hence, the findings indicate that cash budgets do not have as much importance in those churches as income and expenditure budgets. The results of the analysis are as shown in table 6.

*Table 6. Most Common Type of Budget Used*

	Frequency	Percent	Valid Percent	Cumulative Percent
Cash Budget	66	32.8	33.0	33.0
Income & Expenditure Budget	116	57.7	58.0	91.0
Others	18	9.0	9.0	100.0
Total	200	99.5	100.0	

### **Initial Stages of Budgeting Process**

Per the findings 72.5% responded that the budgeting process begins from the departmental heads of the local churches in Kenya Lake Conference. The analysis also indicated that 21% believe that the budgeting process begins with the church board and 6.5% indicated that the budgeting process begins with the local church treasurer. This information was very important for this study because in setting up budgetary control measures in the local churches it is important to know where the process should begin. The analysis of the findings is illustrated in table 7.

*Table 7. The Initiator of the Budget Process*

	Frequency	Percent	Valid Percent	Cumulative Percent
The Church Treasurer	13	6.5	6.5	6.5
The church Board	42	20.9	21.0	27.5
Departmental Heads	145	72.1	72.5	100.0
Total	200	99.5	100.0	

### **Analysis of the Budget Variance**

The researcher further probed from the respondents to find out who evaluates the variance reports from the budget of the local churches in Kenya Lake Conference. The analysis of the findings indicated that the church board is the one who evaluates the variance reports. To 71% of the local churches, the church board evaluates the variance reports, for 9% of the churches it is the internal auditor of the conference who evaluates the variances, whereas for 8.5%, the treasurers perform this duty. An interesting finding is that 8% of the respondents do not know who evaluates the variance reports for the budget. Further probing needs to be done to find out the reason for that lack of knowledge. The findings are illustrated in table 8.

*Table 8. Analysis of Budget Variance*

	Frequency	Percent	Valid Percent	Cumulative Percent
Treasurer of the church	17	8.5	8.5	8.5
Church Board	142	70.6	71.0	79.5
Internal Auditor	18	9.0	9.0	88.5
Church Elder	7	3.5	3.5	92.0
I do not Know	16	8.0	8.0	100.0
Total	200	99.5	100.0	

### **Research Question One: Budgetary Process**

The first research question focused on the budgetary process adopted by the local churches in Kenya Lake Conference. A survey of 13 items was designed to establish the level of agreement of the respondents regarding the process. The analysis was done on an item by item basis, indicating the mean and standard deviation for each. The item on whether the church members are consulted when a budget is being



prepared in the local churches in Kenya Lake Conference, there was a mean of 5.1 and standard deviation of 2.04. This indicates that the respondents somewhat agree to show that the church members are consulted when a budget is being prepared in the local churches in Kenya Lake conference. The item whether the churches prepare the budget every year the results indicated a mean of 5.1 and standard deviation of 1.99 showing that the respondents somewhat agreed that the budgets are prepared every year. The respondents were also asked to indicate whether the church members are made aware of their financial obligation for the entire year using church budget prepared and the results had a mean of 5.1 and standard deviation of 1.94 showing that the respondents somewhat agreed meaning they were not very sure.

An interesting finding was the item regarding whether the treasure prepares the budget and gives the church board for approval the results indicated a mean of 3.8 and standard deviation of 2.29 showing that the respondents somewhat disagree that the treasurer prepares the budget and gives the church board for approval. On whether there is no need for church board to approve the budget the results showed had a mean of 1.9 and standard deviation of 1.74 showing that the respondents strongly disagree showing they believed the church board should approve the budget.

On whether there is no need to prepare the church budget every year the results indicated a mean of 1.7 and standard deviation of 1.44 showing that the respondents strongly disagree and that showed that the churches should prepare budgets every year to enforce the optimal use of the funds. When asked whether the church officers discuss the draft budget before it is approved the results indicated a mean of 5.3 showing that the respondents somewhat agree and had a standard deviation of 1.83. The results indicated that the respondents were not very sure whether the officers discuss the draft budget before it is approved.

On whether the church budget is usually read to the church members during a business meeting before implementation, the results indicated a mean of 5.7 showing a scale of somewhat agree and a standard deviation of 1.67 indicating that church budgets sometimes read to the members during the business meeting before implementation. On whether the budgets have clear goals and objectives showed a mean of 5.3 of the scale of somewhat agree and a standard deviation of 1.74. The results indicated that the respondents somewhat agree that the churches have clear goals and objectives.

When asked whether the churches have long term and short term budget plans, the results had a mean of 5.4 which is a scale showing somewhat agree and a standard deviation of 1.78 showing that the respondents were not very sure whether the churches have long and short term budget plans.

The other aspect of the budgeting process sort to know whether the budget covers all aspects of the church mission, and the results had a mean of 4.5 indicating undecided and standard deviation of 1.93 which means that the respondents were undecided whether the budget covers all aspects of the church mission.

On whether the churches set priorities for the coming year at the budget committees, the results indicated a mean of 4.8 a scale showing they were undecided and a standard deviation of 1.96. This showed that the respondents were not very sure whether priorities for the coming year are set at the budget committees. On whether when budgeting goals and objectives are linked to the strategic plans, the results indicated a mean of 5.1 a scale for somewhat agree and a standard deviation of 1.81, thus the results showed that the respondents somewhat agree to the fact that when budgeting goals and objectives are linked to the strategic plans of the church. The finding of the study is as shown in table 9.

*Table 9. Perception of Respondents Regarding the Budgetary Process*

<b>Budgetary Process</b>	<b>Mean</b>	<b>Standard Deviation</b>
Church members are consulted to prepare a budget for our church	5.1	2.04
We prepare church budget every year	5.1	1.99
The church members are made aware of their financial obligation for the entire year using church budget prepared	5.1	1.94
The treasurer prepares the budget and gives the church board for approval	3.8	2.29
There is no need for the church board to approve the budget	1.9	1.74
There is no need to prepare the church budget every year	1.7	1.44
The church officers discuss the draft budget before it is approved	5.3	1.83
The church budget is usually read to the church members during business meeting before implementation	5.7	1.67
There is no need for our church budget to be approved by the church board	1.8	1.60
Our budgets have clear goals and objectives	5.3	1.74
Our church has long term and short term budget plans	5.4	1.78
Our church budget covers all aspects of the mission	4.5	1.92
We set priorities for the coming year at the budget committees	4.8	1.96
When budgeting goals and objectives are linked to the strategic plans	5.1	1.80

The summary of the above findings indicates that, the budget process of the Kenya Lake Conference is quite participatory in nature, whereby the church members are consulted. However, the findings indicate that there is an area of weakness regarding the treasurer's behavior, indicated by the lowest mean of the whole distribution (3.8). The respondents indicated that the church board does not always approve the prepared church budget.

### **Research Question Two: Levels of Budgetary Controls**

The second research question was focused on the level of budgetary controls in the local churches in Kenya Lake Conference. A survey of nine items was designed to establish the level of agreement of the respondents regarding budgetary controls. The

analysis was done on one item by one item basis indicating the mean and standard deviation for each. The items measured respondents on the perception of the influence the local church treasurer checks the budgeted amount for the church expenditure before approval for the purchase and the result indicated a mean of 5.1 showing the respondents were undecided whether the church treasurer checks the budgeted amount for the expenditure before approval for purchase and this showed standard deviation of 1.95.

The researcher also wanted to know whether no one is bothered with the budget variance and the result indicated a mean of 5.8 and standard deviation of 1.69 that is a strong indication that the churches in the conference are bothered if a variance is reported in the expenditure as compared to the budget.

An interesting finding in the levels of budget control in the local churches was on the item inquiring if the budget figures are set and compared with actual performance, a mean of 4.9 and standard deviation of 1.86 was indicated showing that the respondents were undecided as to whether the budget figures are set and compared with the actual performance. This was an indication that the churches in the conference do not prepare financial statements with comparison with the budget.

On the item whether any out-of-budget expenses must meet the approval of the church board before disbursement, the results indicated a mean of 5.7 and standard deviation of 1.51 showing the respondents agreed that any out-of-budget expense must meet the approval of church board and this indicates that the church board have controls over the funds generated.

On the item whether the treasurer is the only person authorizing the purchase, the result indicated a mean 2.9 and a standard deviation of 2.16 showing that in the local churches of Kenya Lake Conference the authorization of purchase is not solely

done by the treasurer of the church. The researcher wanted to know the perception of the respondents on whether the conference audits the church records on regular basis, the result indicated a mean of 5.6 and a standard deviation of 1.65 showing that the local churches are audited by the conference on a regular basis.

The researcher wanted to know whether the treasurers of the local churches in the said conference ensures that all expenditures are supported before payment is done. The result of the finding indicated a mean of 5.7 and standard deviation of 1.54 showing that there is control on expenditures of the churches.

An interesting item was whether budget performance evaluation reports are prepared regularly. The result of the finding indicated a mean of 4.8 and standard deviation of 1.91 showing that the respondents were undecided whether the budget performance evaluation reports are prepared regularly meaning the treasurers cannot performing their duty. Further probing is needed to find why such a situation exists. For the item “We have budget policies available to check on spending”, the result of the finding indicated a mean of 4.7 and standard deviation of 1.89 showing the respondents were undecided. So, for the local churches to have levels of control to accomplish the mission of the church, the conference should provide the applicable policies to the local churches. The results of the study are shown in table 12.

*Table 10. Perception of Respondents Regarding the Levels of Budgetary Control*

	Mean	SD
The treasurer checks the budgeted amount for the church expenditure before approval for the purchase	5.1	1.95
No one is bothered with the budget variances	5.8	1.69
Budget figures are set and compared with actual performance	4.9	1.86
Any out-of-budget expense must meet the approval of the church board before disbursement	5.7	1.51
The treasurer is the only person who authorizes the purchase	2.9	2.16
The conference audits the church records on regular basis	5.6	1.65
The Treasurer ensures that all expenditures are supported before payment is done	5.7	1.54
Budget performance evaluation reports are prepared regularly	4.8	1.91
We have budget policies to check on spending	4.7	1.89

### **Research Question Three: Challenges Regarding Budget Preparation and Budget Control**

Based on the findings, it can be deduced that 28.4% of the respondents cited that, no regular, systematic process to prepare the budget is a great challenge in the local churches in Kenya Lake Conference. 27.8% of the respondents cited that lack of qualified personnel to prepare and check budgetary control in the local churches are also challenging factors. This fact was further confirmed by the observation on how the church boards are conducted nearly all the church board did not have financial reports presented for discussion.

Another challenge to budgetary control in the local churches in Kenya Lake Conference is that members of the local churches in Kenya lake Conference like things done traditionally even when they are done in the wrong way (18.8%). The respondents indicated that local churches have a challenge that budgets involve guess work (10.8%) meaning that people believe that the figures put in the budgets are not realistic and that

since the churches do not have a specialist in budgeting the figures are just put to fulfill the requirements.

An interesting this to note from the finding is that minority of the respondents cited that there is no excessive cost involved in the budget preparation and that there is always church board to approve the budget. The finding is illustrated in table 13. The further challenge realized during observation is on capital expenditures. The researcher inquired from the respondents the constraints foreseen in meeting the target and the respondents indicated that low income of the church members and some church members looking at such projects as burdensome.

*Table 11. Perception of Respondents Regarding the Challenges Affecting Budgetary Control in the Local Churches*

	Frequency	Percent	Valid Percent	Cumulative Percent
Lack of Qualified personnel	116	8.2	27.8	27.8
No Regular Budget Prepared	118	8.4	28.4	56.2
Traditional method	78	5.6	18.8	75.0
No church Board to approve expenditure	14	1.0	3.4	78.4
Budget Consumes time	32	2.3	7.7	86.1
Budget Involves guesswork	45	3.2	10.8	96.9
High cost involved	13	0.9	3.1	100.0
Total			100.0	

#### **Research Question Four: Optimum Use of Financial Resources**

The fourth research question wanted to determine the extent the local churches in Kenya Lake Conference make an optimum use of financial resources. A survey of six items and nine items was designed to establish the relationship showing the mean, standard deviation of the items. An analysis was done on one item and the other to determine the extent of use. On the item on whether the local churches have short term goals that are established for the use of the local church funds indicated a mean of 5.2 and standard deviation of 1.68 showing that the respondents somewhat agree to this fact. The response on whether the local church funds reach the annual operational goals indicated a mean of 3.4 and standard deviation of 1.96 showing that somewhat disagree to the fact that the local church funds reach the annual operational goals.

The researcher wanted to establish whether the local churches have established long term goals for the use of local church funds and the response indicated a mean of 4.6 and standard deviation of 1.92 showing that in the local churches it is believed that the long-term goals are established for the use of funds. On the item on whether the church funds are carefully allocated between departmental expenditures, the response indicated a mean of 4.7 and standard deviation of 1.98 showing that the local churches carefully allocate expenditure between departmental and according to the needs.

The researcher wanted to determine if the local church funds in the said conference are arranged in order of the needs and priorities of the church. On this item, the response indicated a mean of 5.4 and standard deviation of 1.75 showing that the churches arrange the needs in order of priorities.

An interesting response was on the item that requested whether the local church funds always reach the long-term capital expenditure goals of the church. The response indicated a mean of 3.6 and standard deviation of 2.16 showing that the respondents



were undecided. It can be implied that when it comes to capital expenditure, the respondents are not so certain when it comes to operational expenditure. The results are indicated in table 12.

*Table 12. Perception of Respondents Regarding the Optimum Use of Financial Resources*

	Mean	Std
There are short term goals that are established for the use of the local church funds	5.2	1.68
The local church funds reach the annual operational goals	3.4	1.96
There are long term goals that are established for the use of local church funds	4.6	1.92
The local church funds are carefully allocated between departmental expenditures	4.7	1.98
The local church funds always reach the long term capital expenditure goals	3.6	2.16
The local church funds are arranged in order of the needs priorities of the church	5.4	1.75

The summary of the above finding indicates that local churches have short term goals and long term goals. The expenditures of the local churches are carefully allocated between departmental needs. However, it is not easy for the expenditures to reach annual goals established and that short term operational goals are not easy to attain.

### **Findings from the Observation Sessions**

The study made use of some observation sessions to gain insight of the situation. To that end, the researcher attended 10 church boards to observe and listen to what was going on. The following is a report of the findings that were gathered from these observation sessions.

The issues discussed included the opening of church bank account, over expenditure on some purchases of the church building, church budget income not enough to fund operations, no financial reports from the church treasurer and other departmental heads, debt payment for electricity, lack of receipting of cash received by the treasurer and banking of cash received.

Some of the questions regarding the control of church expenditure raised by the board members included:

Who authorized the purchase of the public-address system we are using in the church?

Why is it that this time we have used a lot of money on electricity?

How will we ensure that the church will buy the goods at a reasonable price?

When the church board members were given chance to react to the issues raised on who authorized the purchase of the public-address system it was answered that the church officers consulted over the issue and since there was urgent need it was bought. From the answer, which was given it was finally resolved that matters dealing with such purchases should be authorized by the church board.

On the issue raised on why it is that this time we have used a lot of money on electricity, the reaction was that there were many activities in the church as compared to the previous period. The issue of getting a good deal on goods purchased the reaction was that it would require window shopping for the product.

The summary of the above findings indicates that the church board members wanted to be more involved in the purchase decisions, whether operational or capital expenditures. The local church treasurers were not at par with their duties: there was an absence of financial reports and financial statements during the meetings. Further, the treasurers displayed a lack of understanding of their responsibilities and accountability

when it comes to cash transactions. Reports of significant debts that are being incurred testify to that effect.

### **Findings from the Interviews Conducted**

To complete the analysis interviews were conducted to find out about church budget issues. These interviews were deemed necessary to address some sensitive issues that could not be unearthed from the survey. Forty individuals were interviewed for the study. The response recorded from the interviewee showed that for the last three years the local churches had initiated some significant capital investment in the form of church construction, construction of a guest house, construction of camp sites, purchase of land for building church, building houses for the widows, renovation of the churches, and purchase of church furniture. The order of priorities of these projects differed from one church to the other, and in general the respondents grouped the projects as long term and short term. The ones which they could do within one year had high priority than those they said were for more than two years and above. The building of the church, camp site and guest house belonged to the latter category.

The researcher wanted to know whether the churches had set out the targets for these projects and the response was that most churches had set to complete the building project between a period of 3-5 years.

An objective of the researcher was to find out who oversaw the implementation of the targets and the response was that for the building projects the implementation is overseen by the chairman of the building and other projects are overseen by the departmental head. All of them give the reports to the church board.

The researcher also desired to identify whether there was a budget for the capital expenditure projects before they were initiated. The response was that if the district board initiates some capital projects, these projects were then just presented to the

church members. However, for those projects that were initiated by the church members, a clearly detailed budget was given.

The researcher prompted the interviewees to find out who funded, and hence had control, on the funding of the capital projects set within the last three years. The response was that most of the capital projects were funded by fund raising from the church members who have been given targets regarding the raising of funds and or from donations.

On the question of whether the targets set was met, the response was that majority of the church members relied on the contribution from donations, rather than contribute to raising the funds themselves. This is because of the low income of the church members. Indeed, some respondents indicated that these projects became a burden to some churches. This may explain why often the targets were not met.

### **Designing Budget Manual**

The last research question was, based on the findings, what would be the best budgetary control system designed for the local churches in Kenya Lake Conference for the optimum use of the funds generated. This prompted the researcher to design a manual which, when put into use, will help in defining the budgeting process, the levels of budgetary controls, to reduce the budgeting challenges and consequently promote the optimum use of financial resources in the local churches in Kenya Lake Conference. The manual will act as a training tool for training the local church treasurers on how to prepare a budget and financial statement for use in the churches.

A budget is an action plan for executing the mission of the church and therefore a very important tool for the optimum use of the funds in the local churches. Budget forms a very important part of the church's overall financial health.

The following key points form the basis in setting up a budget for your church and choosing which point depends on the needs of your church.

Zero -based budgeting where every program and activity is at zero Kenya Shilling and all the departments of the church will justify all the financial needs for the coming year. It is useful for churches whose programs and methods of operation carry forth year after year without questions.

Incremental budgeting, it is often called line item or traditional budgeting and this is based on the previous year's expenditures. It takes this year's budget as the basis for next year's budget and makes an adjustment to each item for any anticipated cost increases or activity changes.

Program budgeting where all programs and activities are evaluated based on the effectiveness at their current levels of funding.

Finances are always a very delicate subject in any church and without adequate funds your church cannot continue to focus on the mission effectively. It is sad situation when your church is not able to honor its financial obligations and therefore request the clients to hold their requests until funds become available.

Budgetary controls for the optimum use of the local church funds will therefore begin with the budgeting process.

### **The Budgeting Process of the Local Church**

One of the most challenging exercises in an organization is the creation of a budget which forms an action plan for executing the action for achieving the mission of the church. Once created the church board has the mandate to approve the budget presented which gives the limits of expenditures for the year. The adoption of the local church budget should be done prior to the first date of the coming year for

implementation. A typical budget process for the local churches would entail the following stages.

### **Setting Objectives of Budgeting in the Local Church**

The purpose of budgeting is to provide the local churches with the best budgetary control for the optimum use of the church funds to accomplish the mission of the church. The budget should also reflect the church board ability to manage the financial affairs of the local churches. Budgets are therefore required to:

Be prepared in accordance with the policies of the seventh day Adventist church and accounting principles.

Provide a basis for evaluation of the church's service efforts, costs, and accomplishments of the mission.

Be balanced so that current incomes are sufficient to pay for the current services.

### **Budget Process Overview in the Local Church**

The budgeting process is comprised of three major phases: namely, planning, preparation, and evaluation. The planning aspect begins with sound planning where goals and objectives of the local churches are defined and programs are developed to attain these goals and objectives. After the programs and plans are established, budgetary resource allocations are made to support them. The budgetary resource allocations are the preparation phase of budgeting.

The final aspect of this is the evaluation which comes after the close of the year for it to be effective in accomplishing local church goals and objectives. The evaluation process typically includes an examination of how funds were expended and what outcomes resulted from the expenditure of these funds. It will also involve what extent

the outcome achieved the objective stated during the planning phase. It is important to do the evaluation to determine the following year's budgetary allocations. Budget preparation is therefore not a one-time event to determine how a church will allocate funds, but it is a continuous cycle of planning and evaluation to achieve the church's goals for the mission.

## **Budget Cycles**

### **Preparation of Budget Cycle in Local Church**

The beginning of the budget cycles should be started by September in the year preceding the budget year. The organization structure of a church, the size and complexity of its structure, and the level of centralization in budget development will affect the budget development process and even the time required to adopt the final document of the budget. All these will be determined by the church board and the departmental heads.

The budget for the church projects a number of resources available to meet the prospective financial obligations of a local church. An effective budget system must be conducted on a year-round foundation and its preparation should include a valuation of the past to see if actual and estimated income resulted in favorable or unfavorable results. The projection should also be based on past experiences as well as future expectations such as new program needs and inflation. This analysis will require the input of the departmental heads of the local churches.

The last aspect of the preparation of the budget for the church is the review by the church board and then adoption by the church business meeting. The rest of the period in the year will be devoted to budget control. This is what is called a budget cycle which should not go beyond December 31, of the year of budget preparation.

The task of preparation of a budget should be delegated to the budget committee which should comprise at least 5 members depending on the membership of the church and not more than seventh members.

### **Budget Esstimates in Local Church**

The three basic resources used in developing income estimates are:

1. Historical Trends
2. Identifiable local events that will materially affect the local churches income
3. National and regional economic circumstances.

To handle the above circumstances, the local churches should form small committees to handle some of these issues. The committees could consist of key officers of the local church with some professionals.

### **Financial Forecasting and Planning in Local Church**

Financial forecasting is the practice of projecting the quantitative effect of trends and changes in the church's operating setting on its future operations. Financial forecasting uses historical and current data to predict changes that could impact a church's status in the future.

Importance of financial forecasting:

It facilitates planning efforts by quantifying the future costs.

It enables budgetary priorities to be evaluated based on their long-term impacts.

Forecasting makes clear trends, need, and issues that must be addressed and evaluated in the preparation of budgets.

Forecasting provides available insight into the future issues that may affect the local churches church officials to deal with the issues proactively, rather than reactively.

For the local churches the forecast may include, but not limited to:



1. Income projection which includes: Combined Offering example: Women Ministry Fund, Dorcas Fund, Adventist men Fund, Music Fund, Sabbath school fund, Church development fund, youth fund, rental income, and miscellaneous income.

2. Expenditure projection includes: Salary. Supplies, utilities, insurance, Telephone, Electricity, water, postage. Church Programs such as Youth, Music, Dorcas, Adventist Men, Children's Ministry, building fund and contingencies.

### **Review and Approval of the Budget in the Local Church**

The final review of the budget for the church before it is presented to the church board is made by the treasurer of the church who may consult with the church elder and the church clerk and others involved with the preparation of the budget.

During the review process the local church should review the line budget items for the following issues:

That the reported amount is for the current fiscal year only.

That the reported budget amount is consistent with amounts reported in prior years, or if amounts are inconsistent, the local church can identify a valid reason for the inconsistency.

All applicable funds are reported.

That for each reported fund, the income, expenditures are reported

The church should also analyze certain budget amounts for account codes with special significance to the church.

### **Adoption of the Church Budget**

The proposed budget must be printed and made available to the members of the church board and read in the hearing of all members of the church board chaired by the

church pastor. The members of the church board should get time to go through all the budget items one by one and any changes made if necessary.

The final document will then be signed by at least five members of the church board and then the signed document should be read in the hearing of the church business meeting for its final adoption.

### **Monitoring the Church Budget**

Monitoring of the budget takes place periodically as the budgeted funds are expended. The treasurer of the local church should prepare income and expenditure account monthly to allow monitoring of the budget. To review budget performance the spending plan should be compared with the budget. The church board should then take appropriate action to curb over expenditure of the budget line items by assigning responsibility for the variance to the appropriate departmental head. The church board may change the initial figure on the budget giving allowance for forecasting throughout the period to accommodate any unforeseen event. The church board has the mandate to review and evaluate the performance of the church in quarterly, semiannually, or yearly depending on the need of each local church.

To analyze the optimum use of the local church funds, the following suggested ratios may be used, debt to budget ratio, cash reserve to annual budget, receipts, and expenses ratio of actual to budget, weekly offering to weekly budget goals, giving per adult per week and designated fund ratio. Some of the funds to be considered may include: funds for the women ministry, youth, children ministry, music, Dorcas, Adventist men.

## Sample of Income and Expenditure Budget

### XYZ OPERATING BUDGET FOR THE YEAR...7

<b>INCOME PROJECTION</b>	<b>KS</b>
Women's Ministry Fund	12,000.00
Dorcas Fund	9,000.00
Adventist Men Fund	6,000.00
Music Fund	21,000.00
Sabbath School Fund	3,000.00
Youth Fund	18,000.00
Church Development Fund	240,000.00
Rental Income	15,000.00
Miscellaneous Income	42,000.00
<b>TOTAL PROJECTED INCOME</b>	<b>366,000.00</b>
<b>EXPENDITURE PROJECTION</b>	<b>KS</b>
Salary and wages	36,000.00
Church Supplies	3,000.00
Utilities	1,500.00
Insurance	6,000.00
Telephone	1,500.00
Electricity & water	9,000.00
Postage	1,200.00
Youth	18,000.00
Music	21,000.00
Dorcas	9,000.00
Adventist Men	6,000.00
Children's Ministry	6,000.00
Repair & Maintenance of Building	4,200.00
Repair & Maintenance of Equipment's	9,000.00
Church Building	231,600.00
Contingencies	3,000.00
<b>TOTAL PROJECTED EXPENDITURE</b>	<b>366,000.00</b>

## Sample of Income and Expenditure Statement

### XYZ INCOME AND EXPENDITURE STATEMENT

For the month, January 31, 2017

<b>INCOME</b>	<b>ACTUAL</b>	<b>BUDGETED</b>	<b>VARIANCE</b>
Women's Ministry fund	800.00	1000.00	(200.00)
Dorcas	1,000.00	900.00	100.00
Adventist Men Fund	600.00	500.00	100.00
Music Fund	500.00	2000.00	(1500.00)
Sabbath School Fund	300.00	250.00	50.00
Youth Fund	900.00	1500.00	(600.00)
Church Development Fund	10,000.00	20,000.00	(10,000.00)
Rental Income	1,500.00	1250.00	250.00
Miscellaneous Income	5,000.00	3500.00	1500.00
<b>TOTAL INCOME</b>	<b>20,600.00</b>	<b>30,900.00</b>	<b>(10,300.00)</b>
<b>EXPENDITURE</b>	<b>ACTUAL</b>	<b>BUDGETED</b>	<b>VARIANCE</b>
Salary & wages	3,000.00	3000.00	-
Church Supplies	400.00	250.00	(150.00)
Utilities	200.00	125.00	(25.00)
Insurance	500.00	500.00	-
Telephone	300.00	125.00	(75)
Electricity & Water	900.00	750.00	(150)
Postage	200.00	100.00	(100.00)
Youth expenses	3,000.00	1500.00	(1500.00)
Music Expense	3,000.00	1750.00	(1250.00)
Dorcas	-	750.00	750.00
Adventist men	700.00	500.00	(200.00)
Children Ministry	600.00	500.00	(100.00)
Repair & Maintenance of Equipment's	1,000.00	800.00	(200.00)
Church Building Construction	6,000.00	20,000.00	14,000.00
Contingencies	400.00	250.00	(150.00)
<b>Total Expenditures</b>	<b>20,000.00</b>	<b>30,900.00</b>	<b>10,900.00</b>

## Cash Flow Budget

A cash budget is a management tool to determine the viability of an organization. Cash budget will determine how the church will pay the suppliers, how the church will fast grow, pay the bills, and accomplish the long term and the short-term projects.

A cash budget will therefore enable the church board to make decisions regarding cash position and at the same time allow the church board to determine how cash is coming in the church and how they are being used. A cash budget will also enable the church to evaluate and plan for capital needs. The local churches can prepare cash budget on monthly basis, quarterly basis, or for the entire year.

Here is an example of a cash budget that can be adopted by the local churches:

### Cash Budget Sample

XYZ CHURCH

Cash Budget

For the three months ending March 31, 2017

	January	February	March
Beginning Cash Balance	Ks 5,000.00	37,000.00	7,500.00
<b>Expected Cash Receipts:</b>			
Building Fund	50,000.00	15,000.00	30,000.00
Youth Fund	4,000.00	2,000.00	3,000.00
Women's Ministry	3,000.00	4,000.00	5,000.00
Dorcas Fund	2,000.00	3,500.00	1,000.00
Other Income	1,500.00	8,000.00	10,000.00
<b>Total Cash</b>	<b>65,500.00</b>	<b>69,500.00</b>	<b>56,500.00</b>
<b>Expected cash Payments:</b>			
Salaries & wages	8,000.00	8,000.00	8,000.00
Electricity and water	2,000.00	2,000.00	3,500.00
Youth Expenses	3,500.00	2,000.00	500.00
Building Expense	15,000.00	50,000.00	40,000.00
<b>Total Cash Payments</b>	<b>28,500.00</b>	<b>62,000.00</b>	<b>52,000.00</b>
<b>Ending Cash Balance</b>	<b>37,000.00</b>	<b>7,500.00</b>	<b>4,500.00</b>

\*The ending cash balance becomes the beginning cash balance for the next period.

### Sample of month -end budget versus actual report

XYZ CHURCH

BUDGET VERSUS ACTUAL REPORT JANUARY 2017

	Budget	Actual	% Variance
Cash Balance	5,000.00	5,000.00	0%
Cash Receipts:			
Building Fund	50,000.00	45,000.00	90%
Youth Fund	4,000.00	4,500.00	112.5%
Women's Ministry Fund	3,000.00	5,000.00	166.67%
Dorcas Fund	2,000.00	1,500.00	75%
Other Income	1,500.00	4,000.00	266.67%
<b>Total Cash</b>	<b>65,500.00</b>	<b>65,000.00</b>	<b>99.24%</b>
<b>Expected Cash Payments:</b>			
Salaries & Wages	8,000.00	10,000.00	125%
Electricity & Water	2,000.00	1,500.00	75%
Youth Expense	3,500.00	4,500.00	128.58%
Building Expenses	15,000.00	17,000.00	113.34%
<b>Total Cash Expense</b>	<b>28,500.00</b>	<b>33,000.00</b>	<b>115.79%</b>
<b>Ending Cash Balance</b>	<b>37,000.00</b>	<b>32,000.00</b>	<b>86.49%</b>

### Implementation of Budgetary Control Manual

The goal of implementation of a budgetary control manual is to assure the church members that funds they have contributed towards different activities of the church operations are used efficiently and optimally as directed by the Seventh day Adventist church manual. The church manual provides that the most satisfactory method of providing for church expenses is the budget plan and that before the beginning of the new budget year, the board should prepare a budget of expenses for church activities during the next year.

This manual will therefore be presented and discussed with the treasurer of Kenya Lake Conference who will present the same to the executive committee of

Kenya Lake Conference, if approved to be used by the local churches in the conference it will be rolled for adoption by the district pastors. It will require the conference treasurer to conduct training for the church board members to equip them with the necessary skills for the budget preparation and if invited, I will be willing to facilitate the training exercise. The pastor who is the chairman of the church board will ensure that the church board implements the issues discussed in this manual and the guideline for preparation of financial statement of the churches. The conference internal auditor will also ensure that the churches implement all issues pertaining to the controls in the annual audit exercise.

The church boards will be expected to review the budget work programs for compliance with the church manual and practicability of the manual. After the approval of the budget before the year begins, the church board will mandate the departmental heads to spend money allotted to them monthly within the limits of the program.

The church board will be often required to adjust the budget during the year with the council of the treasurer of the church per any need which may arise consequently the treasurer of the church will be required to report to church board the financial situation of the church every three months. This report should also be read to the church business meeting for adoption.

## CHAPTER 5

### CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to describe the budget process, preparation, and control within the local churches of Kenya Lake Conference. The study sampled 255 respondents from different churches in Kenya Lake Conference. The response rate for the study was 78.82%. The study findings indicated that majority of the respondents are males, aged between 41-50 years, and have been members of the seventh day Adventist church for ten years and above. The findings also showed that the highest educational attainment of the respondents is post-secondary. The study further indicated that majority of local churches in Kenya Lake Conference prepare income and expenditure budget only. The findings also revealed that the budgeting process in the local churches begin with the departmental heads and that, the church board evaluates the budget variances. On the challenges affecting budgetary controls in the local churches in Kenya Lake Conference it was revealed from the findings that there is a lack of qualified personnel and the budget preparation is not systematic and regular. Most participants somewhat agreed that the church members are consulted when a budget is being prepared.

On matters of the evaluation of variances from the financial reports, it was found from the study that the church board members and that church members are bothered with the budget discrepancies, and that any out-of-budget expenses must meet the approval of the church board before disbursement. The findings also conclude that budget preparation of the local churches in Kenya Lake Conference faces



challenges which should be addressed for the churches to meet the objectives of their mission.

### **Recommendations**

There is a need to increase the level of sensitization of all the stake holders in the budget preparation on the importance of the budgetary controls in enhancing the optimal use of the local church funds for accomplishing the mission strategy. The budgeting process in the local churches should consider setting priorities for the coming year at the budget committees and both short term and long term goals budget plans should be established. All the stake holders in the local churches should be involved for to enhance the overall budget implementation. The conference should ensure that the local church treasurers are given continuous training to equip them with the necessary skills to ensure optimum use of the local church funds is enhanced.

### **Suggestions for Future Research**

This study was concerned with local churches in Kenya Lake Conference with the budget model to fit the context. Further research could be conducted in other parts of Kenya, or in other countries of the continent and beyond, to identify if the challenges are similar. This would enable the higher organizations of the Church to come up with global strategies to address these challenges.

To complement the study, further research can also be done using financial data gathered from the churches, in addition to a perceptual scale used in this study, to establish the relationship and impact between budget control and optimal use of funds in local churches. Hence, beyond a descriptive analysis, inferential statistics can also be used.

## APPENDICES

APPENDIX A  
LETTER TO PARTICIPANTS

Dear Participant,

This questionnaire is designed to study budgetary control as a measure of optimum use of funds of local churches of Kenya Lake Conference. The information you will provide will help us better understand the budgetary control and how we can improve the better use of funds of the local churches in Kenya Lake Conference. Because you are part of the membership of local churches in Kenya Lake Conference, we believe you can give us a correct picture of the budgetary controls process and procedures we request you to respond to the questions openly and honestly and remember not to include your name.

Your response will be kept strictly confidential and only the members of the research team will have access to it.

Thank you very much for your time and cooperation.

Cordially,

Kilion Agalo

MBA student-Adventist University of Africa

## SECTION A

Using the scale below, please indicate your response to each of the items that follow by ticking the most appropriate response that best describes your experience.

Indicate to what extent you agree with the following statements on budget of your local church in Kenya Lake Conference.

1= Strongly disagree 2= Disagree 3= Somewhat disagree 4= Undecided

5=Somewhat agree 6=Agree 7=Strongly agree

	<b>Budgetary Process</b>							
1	Church members are consulted to prepare a budget for our church	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
2	We prepare church budget every year	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
3	The church members are made aware of their financial obligation for the entire year using church budget prepared	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
4	The treasurer prepares the budget and gives the church board for approval	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
5	There is no need for the church board to approve the budget	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
6	There is no need to prepare the church budget every year	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
7	The church officers discuss the draft budget before it is approved	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
8	The church budget is usually read to the church members during business meeting before implementation	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
9	There is no need for our church budget to be approved by the church board	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
10	Our budgets have clear goals and objectives	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
11	Our church has long term and short term budget plans	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
12	Our church budget covers all aspects of the mission	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
13	We set priorities for the coming year at the budget committees	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>

14	When budgeting goals and objectives are linked to the strategic plans	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
	<b>Levels of Budgetary Controls</b>							
15	The treasurer checks the budgeted amount for the church expenditure before approval for the purchase	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
16	No one is bothered with the budget variances	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
17	Budget figures are set and compared with actual performance	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
18	Any out-of-budget expense must meet the approval of the church board before disbursement	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
19	The treasurer is the only person who authorizes the purchase	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
20	The conference audits the church records on regular basis	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
21	The Treasurer ensures that all expenditures are supported before payment is done	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
22	Budget performance evaluation reports are prepared regularly	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
23	We have budget policies to check on spending	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
	<b>Optimum use of funds</b>							
24	There are short term goals that are established for the use of the local church funds	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
25	The local church funds reach the annual operational goals	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
26	There are long term goals that are established for the use of local church funds	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
27	The local church funds are carefully allocated between departmental expenditures	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
28	The local church funds always reach the long term capital expenditure goals.	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
29	The local church funds are arranged in order of the needs priorities of the church	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>

## SECTION B

1. Tick the type of budget your church prepares

A. Cash Budget

B. Income and expenditure Budget

C. Others

2. Where does the budgeting process begin?

A. Treasurer of the church  B The church board  C Departmental

Heads

3. Who evaluates the variances reports from the budget?

(A) Treasurer of the church

(B) The Church Board Members

(C) Internal Auditor of the Conference

(D) The Church Elder

(E) I do not know

4. Put a tick on some of the challenges affecting budgetary control in your church

(a) Lack of qualified personnel

(b) No regular, systematic process to prepare the budget

(c) Members like things done traditionally, even wrong

(d) No church board to approve the church expenditures

(e) Budget consumes a lot of time

(f) Budget involves guesswork

(g) There is high cost involved in the preparation

List any other challenges that affect budgetary control in your church

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5. Give any suggestions you think may improve budgetary control of the local churches in Kenya Lake Conference

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## SECTION C

### Personal Data

Tick the appropriate choice

1. Gender:      Male               Female

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

3. How many years have you been a member of the church?

1-5years [    ]    6-10 years [    ]              above 10 years [    ]

4. Highest education attainment

1. Primary    2. Secondary    3. Other

We sincerely appreciate your time and cooperation. Kindly check back to make sure that you did not skip any question.

Thank you

APPENDIX B  
THE BUDGET SCHEDULE

ITEM	COST(KS)
A. Project Writing	
Printing of 70 pages @Ks.30	2,100.00
Production of 6 copies @ Ks.700	4,200.00
Binding of 6 copies @ KS. 60.00	360.00
Travelling Expenses	6,000.00
Subsistence	4,200.00
Buying Printer	15,000.00
Total	31,860.00
B. PRODUCTION OF FINAL DOCUMENT	
Data Distribution &Collection	18,300.00
Binding 6 copies @KS. 400	2,400.00
Miscellaneous expenses	3,000.00
Total	23,700.00
<b>GRAND TOTAL (A+B)</b>	<b>55,560.00</b>



APPENDIX C

AUTHORIZATION LETTER

30/1/2017

The Chairman Kenya Lake Conference Executive Committee

P.O Box 43-40301

Kendu Bay

Dear Sir,

RE: AUTHORITY TO CONDUCT RESEARCH IN THE LOCAL CHURCHES IN  
KENYA AKE CONFERENCE

I am a student at Adventist University of Africa doing Masters in Business administration. One of the requirements for this course is to conduct a research in the field of study. I chose to carry out a survey in the local churches in Kenya Lake Conference dealing with designing a budgetary control system for the local churches for the optimum use of the local church funds. When completed, the results will help the local churches to put measures for the mission of the church in Kenya Lake Conference territory

May the Lord help your committees to transact this business as soon as possible to grant me a go ahead.

Yours Sincerely

Kilion Mingusa Agalo  
MBA Student -Adventist University of Africa

CC: Executive Secretary KLC

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Treasurer  
KLC

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## VITA

### **Personal identification:**

Name : Kilion Mingusa Agalo

Date of birth: December 12, 1963

Place of birth: Karachuonyo East, Homa Bay County, Kenya

Marital Status: Married

Children: Roseline, Angela, Christine, Juliet, Brighite, Beryl, and Ben

### **Education:**

Master of Business Administration Finance option

Adventist University of Africa, Nairobi, Kenya

Bachelor of Business Administration-Accounting and Finance

Kenya Methodist University, Nairobi, Kenya

### **Work Experience:**

Africa Herald Publishing House Senior Accountant 2016- Present

Kenya Lake Conference Treasurer 2004-2015

Kenya Lake Field Accountant, 1998-2004

Kenya Lake Field Internal Auditor, 1996-1998

Kenya Wild Life Service Accounts Clerk 1995-1996