

THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

Budgetary Controls and Financial Performance of Brewery Firms Quoted on Nigerian Stock Exchange

Ebenezer Yemi Akinkoye

Associate Professor, Department of Management and Accounting,
Obafemi Awolowo University, Nigeria.

Agbogun Sarafa Adewumi

Ph.D. Student, Department of Management and Accounting,
Obafemi Awolowo University, Nigeria

Abstract:

There are many management accounting techniques used in planning and control functions to achieve organizational objectives and budgeting and budgetary control play a key role in this regard. The main objective of this study is to assess the effects of budgetary control on the financial performance of quoted brewery companies in Nigeria. The research design that was used in this study was ex-post factor research design. The data used covered a period of ten years, from 2007-2016. The variables tested in the study are cost of sales control, operating cost control, inventory cost control and return on Assets. The study has a population of thirteen (13) brewery companies quoted on Nigerian Stock Exchange (NSE) as at June, 2017. A sample of only four (4) quoted firms from the sectors was selected for the purpose of analysis. The findings of this analysis reveal that cost of sales control, operating cost control and inventory conversion period have statistically significant effect on the financial performance of brewery firms in Nigeria. The study therefore concludes that budgetary control has a strong effect on the financial performance of quoted brewery firms in Nigeria.

Keywords: *Budgeting and budgetary control, financial performance, sales control inventory cost control, return on assets*

1. Introduction

Many businesses throughout the globe recognize the need to have a developed and comprehensive budgetary control system in order to minimize budget variances, costs and maximize efficiency (Alesina & Perotti, 1996). Budgetary control is as crucial as cash itself and any theft, waste, excessive use or stock out could lead to the business poor performance. The resources of an organization should be managed effectively and efficiently to achieve the purpose for which it was established. This implies that the organization should be able to achieve its objectives by minimizing cost using available resources. Thus, managing implies coordination and control of the efforts of the organization for achieving organizational objectives. Alesina and Perotti (1996) state that the process of managing is facilitated when management charts its future course of certain objectives in advance and takes decision in a professional manner, utilizing the individual and group efforts in a coordinated rational manner. One systematic approach for attaining effective management performance is budgeting. Budgets are monetary expressions of target to be accomplished in a given year by individual, organization or nation. It is a deliberate attempt to achieve superior targets over time with available and expected resources. Such targets are influenced by the experiences of the past and expectation of the future (Atkinson, Banker Kaplan and Young, 2001; Carr, 2000). Basically, a budget system enables management to plan, coordinate, control and evaluates its activities more effectively. It is a device intended to provide greater effectiveness in achieving organizational efficiency (Chenhall & Langfield, 1998). To be effective, however, the functional aspects must outweigh the dysfunctional aspects. Because a budget plan exists, decisions are not merely spontaneous reactions to stimuli in an environment of unclassified goals. It is pertinent to note that management activities are the driving force behind every organization and of course necessarily unavoidable (Hansen, David, Otley & Van der Stede, 2003). These activities—planning, organizing, directing and controlling of economic resources, are schematized to reflect the nature and objectives of the organization and must be tailored towards the attainment of the overall organization's predetermined objectives. Consequently, it is important to systematically and objectively assess the relevance, efficiency, effectiveness, impact and sustainability of the activities in the light of the budget. In this context, therefore, the concern is to use the budgetary control to evaluate the financial performance of brewery manufacturing companies.

Generally, every manufacturing company's objective is to achieve best financial performance in terms or good return on investment for its shareholders who provided funds in form of capital for the business. The success of the management is determined by the amount of profit generated for its owners. It is however important to examine the effect of budgetary control on the financial performance of brewery manufacturing companies. The decision as to the distribution of limited financial and non-financial resources, in an effective and efficient manner, is important in every organization. In most large and complex organizations, this task would be nearly impossible without budgeting. Without effective budget

analysis and feedback about budgetary problems, many organizations would have been out of business. In recent times, companies that performed poorly due, to the fact that they lack effective and efficient budgets and budgetary control systems to adequately and judiciously allocate resources to meet organizational goals, and maximize performance. A study conducted by Boquist (2001) observed that companies continue because they have flawed budgetary planning and control systems, which they apparently fail to recognize. Some firms saw weaknesses in their budgetary analysis but viewed them as individual problems rather than systematic deficiencies, hence, this study. This study will give answers to the following questions raised such as; what is the relationship between cost of sales control and financial performance of quoted brewery firms in Nigeria? What is the effect of operating cost control on the financial performance of quoted brewery firms in Nigeria?, What is the effect of inventory cost control on the financial performance of quoted brewery firms in Nigeria? In addition, the main objective of this study is to assess the effect of budgetary controls on financial performance of quoted brewery firms in Nigeria while the specific objectives are to evaluate the effect of cost of sales on the financial performance of quoted brewery firms in Nigeria. The study was undertaken to assist the management of the quoted firms improve their operational efficiency that will be able to direct available scarce resources in the most profitable direction so as to ensure that maximum result is achieved. It will also guide the management to identify budgetary control components that are essential to financial performance of brewery firms in Nigeria as well as enhancing formulation of appropriate policies which will contribute to the development the sector. This work will also assist the stakeholders to take investment decisions on this sector because this sector is key in Nigeria, more also, the study will be of relevance to future researchers interested in the subject matter by using this study as a basis for further studies. The study covers only publicly listed brewery firms in Nigeria. Brewery, sub sector of manufacturing sector was chosen because it remains the most powerful engine for economic structure of countries as any country that engages only in consumption of goods and services and cannot produce to sell will have economic crises and will definitely will have serious economic challenges. The decision to use the manufacturing sector could also be explained by the nature of their assets structure, for instance, manufacturing firms make use of all categories of assets unlike some other sectors of the economy

2. Literature Review

The word budget originated from a French word *bougette* meaning little bag. In Britain, the word was used to describe the leather bag in which the then chancellor of the exchequer used to carry to the parliament the statement of governments needs and sources as described by several thought of consensus, the budget became the document contained in the bag which represent plans of government expenses in money and submitted to legislature for approval, (Abdullahi & Angus, 2012). Horngreen (1982) defined a budget as "a quantitative expression of a plan of action and an aid to coordination and implementation". The Oxford Advanced Learners' dictionary defined budget as an estimate or plan of the money available to somebody and how it will be spent over a period of time. Both Horngreen and the dictionary emphasized the word plan, but planning itself is found in all aspect of human endeavour, hence planning is a blue print of business growth and a road map for development that helps in deciding objectives quantitatively and qualitatively. It involves setting a goal on the premise of the objectives and keeping of the resources. The process of planning requires that managers of business to act as if they are fortune tellers and attempt to predict the future course of action to be adopted. Such prediction of the so-called fortune tellers will determine whether or not the objectives of the firm will be met. A budget has been defined by Chartered Institute of Management Accountants (CIMA), as "a financial or qualitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. It may include income, expenditure and the employment of capital". CIMA also defined budgetary control as "the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparisons of actual with budgeted results, either to secure by individual action the objectives of that policy or to provide a basis for its revision.

Adams (2001), views budget as a future plan of action for the whole organization or a sector thereof. Budgets are plans that deal with future allocations and utilization of resources to different activities over a given period of time. For any organization to make progress or achieve its goals, it needs capital and to be able to make profit, it requires planning of its resources, which can only be achieved through budgeting, hence budgeting serves as a tool for financial planning. Harper (1982) saw budget as a quantitative economic plan in respect of a period of time, while Weston and Brigham (1979) defined budget as "a tool for obtaining the most productive and profitable use of the company's resources by improving the firm's internal co-ordination".

Similarly, Corlovan (1978) defined budget as instrument for coordinating organizational activities, communicating organizational objectives and achieving organizational efficiency. Irrespective of the apparent diversity of the definitions given above, all of them agreed on the view that budgets are expression of plans. The plans which budgets express are those relating to the economic activities of organizations. Hamilton [1961] rightly indicated that, "modern budget comprises both a plan of operations and the means of controlling operations within the scope of the "plan". He further pointed out that "Budget by itself is not a wonder-working device; neither should it be regarded as a mere accounting procedure. It is a powerful tool of good business management. Effective use of this tool requires sound organization, proper accounting classification and records, adequate research, and the enthusiastic support of all employees from top down". Budget is very useful in the making of business plans, expression of organizational activities, matching of expenditure with economic realities of the organization, reduction of costs and achievement of goals is enhanced (Mathis, 1996), In addition, budgets are also known as a financial expression of a country's plan for a period of time (Falk, 1994). ICAN (2016) argued that some of the objectives of budgeting are; Planning, Co-ordination Communication Motivation, Control and Performance Evaluation. The goal of control is to ensure that operations and

performance conform to plans. The shape and design of budgetary control system is largely determined by the size and nature of the business organization (Mahesh, 2015). In a large sized organization, an effective budgetary control system can be organized as creation of budget centres, provision of adequate accounting records, setting the guidelines, establishment of a budget committee, appointment of budget officer, Preparation of a budget manual, determination of the 'Key Factor', laying down the levels of activity, budget reports and budget review. Budgetary control has become an essential tool of management for controlling costs and maximizing profits (Mahesh, 2015). It acts as a friend, philosopher and guide to the management. Its advantages to management can be summarized as: it brings efficiency and economy in the working of business enterprise, elimination of buck-passing, establishment of coordination, acts as a safety signal, adoption of uniform policy, decrease in production costs, adoption of standard costing principles, optimum mix and Favour with credit agencies. In the case of a manufacturing business, accounting information should be prepared by management in form of a series of budgets. The main functional budgets and the methods of arranging for the compilation of these budgets are sales budget, purchase budget, production budget, direct labour budget and operating overhead budget. Agency theory that assumes that the interest of principal and agents differ was used in this work. Siyanbola (2013) investigated the impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria using Cadbury Nigeria Plc, as case study and it was revealed that budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are realized

2.1. Model Specification

The study adopted a similar regression model from the study of Gilbert(2015). This model assisted the study in achieving the objectives earlier stated. The econometric specification of the model takes the following form:

$$(ROA) = b_0 + b_1(P) + b_2(MC) + b_3(PB) + U_1$$

Where:

Y = Financial performance as measured by ROA,

P= Planning

MC= Monitoring and Control

PB= Participative Budgeting

β_0 = Intercept,

U_1 = error term

b_0 = Intercept for X variable of company

$b_1 - b_3$ = Coefficients for the independent variables of companies, denoting the nature of relationship with dependent variable (or parameters)

The model used in this study was built on the modification of the above-stated model. The three independent variables were excluded from the model because they are subjective measures of budgetary control which do not actually measure the independent variables of this study. For the purpose of this study, financial performance was measured by return on assets. This is considered as an appropriate proxy for financial performance as it measures a firm's financial performance and the managerial efficiency of an organization (Mukhoma, 2014, Mustafa 2014). The functional specification of the model takes the following form:

$$ROA = f(\text{COSC} + \text{OCC} + \text{INCC})$$

The econometric specification is as follows:

$$ROA = b_0 + b_1(\text{COSC}) + b_2(\text{OCC}) + b_3(\text{INCC}) + \varepsilon_1$$

Where:

ROA = Return on Assets (Proxy for financial Performance)

COSC= Cost of Sales Control

OCC = Operating Cost Control

INCC= Inventory Cost Control

b_0 = Intercept for X variable of firms

$b_1 - b_5$ = Coefficients for the independent and control variables of firms, denoting the nature of relationship with dependent variable ROE (or parameters)

ε_1 = error term

A priori expectation: There is an expectation of a significant positive relationship between financial performance (return on assets) and all measures of budgetary control such as $b_1, b_2, b_3 > 0$ (Oluwaremi & Member, 2016).

2.2. Research Design

The research design that was used in this study was ex-post factor research design. This was chosen because it involves events that have already taken place in the past. The data that were observed were from 2007-2016 a period of ten years. The variables tested in the study are cost of sales Control, operating cost control, capital expenditure control and return on Assets. Secondary data was used for this study with a population of thirteen (13) brewery companies quoted on Nigerian Stock Exchange (NSE) as at June, 2017. From the population, a sample of only four (4) quoted manufacturing firms from the sectors was selected for the purpose of analysis because of incomplete and unavailability of data. The study first picked all the publicly quoted manufacturing firms comprising of 65 firms in total then proceeded to eliminate firms whose data were not up to date from 2007 – 2016. Consequently, purposive sampling technique was used as the study included only quoted manufacturing firms that have consistently been operating at the NSE for the past 10 years from 2001-2016 resulting to 40 observations (10 x 4). The study made use of only secondary data that were extracted from the

annual reports and statements of account of the selected manufacturing firms. The data from the annual report are reliable, because according to part X1, chapter one of the Companies and Allied Matters Act 2004, companies are required to keep accounts and to produce accounts that give true and fair view of the company. Based on this, the study used annual reports and statements filed in the Nigerian Stock Exchange. The data for this study includes cost of goods sold, operating costs, and profit after tax, non-current assets, and total assets. The dependent variable of the study is firms' financial performance. In order to analyze the effect of budgetary control on the firm's financial performance, the return on assets was used as proxy for dependent variable. ROA shows the return on total assets utilized in generating profit. This ratio gives investors a figure that can be compared between different firms and investment opportunities (Brigham & Ehrhardt, 2005). Emekekwe (2008) states that return on assets is a ratio that seeks to measure the amount of profit generated from the entire assets of the firm. It is expressed as:

2.2.1. Profit After Interest and Tax (PBIT)

2.2.1.1. Total Assets

With regards to the independent variables, budgetary control is measured by using cost of sales control, operating cost control and capital expenditure control. The independent variable of this study is measured by the difference between current year cost of sales and previous year cost of sales divided by previous year cost of sales. The variable measures the ability of the management to control costs such as purchases of raw materials, wages and other direct expenses. The independent variable of the study is measured by the difference between current year operating cost and previous year operating cost divided by previous year operating cost. The variable cost control measures the percentage change in costs such as manufacturing factory overhead, selling & distribution cost and finance cost. The inventory cost control was measured using inventory turnover ratio. It is the average number of times the firm convert its materials into finished products and then selling them to customers. The higher the rate, the higher the level of efficiency of the firms in managing their inventory. Inventory turnover ratio is calculated by dividing total sales by average inventory for the year. The study made use of both descriptive and inferential statistics for the analysis of the data from the period of 2007 – 2016. Descriptive analysis which includes frequency tables, graph, mean values, standard deviations, minimum and maximum of the variables, was the first step of this analysis, it helped the study to describe relevant aspects of budgetary control and financial performance and provide detailed information about each relevant variable. Inferential statistics employed in this study included correlation and regression analysis. Pearson correlation was used to measure the degree of association between different variables under consideration and ordinary least square regression method was used for the analysis of the hypotheses to determine the relationship of independent variables with dependent variable and know the effect of independent variables on the dependent variable. By using this method, the study was able to identify the significance of each explanatory variable to the model and also the significance of the overall model at 1% level of significance

This chapter presents and analyses the descriptive statistics and the multiple regression of the dependent and independent variables of the selected quoted brewery firms in Nigeria. Statistical averages, standard deviations, minimum and maximum of the variables were employed to evaluate and see the degree of variability of the estimates of these variables.

3. Results and Discussion

The brewery firms covered in this study were three which include Nigerian Brewery Plc, Guinness Nigeria Ltd and International Brewery Plc. The main objective of this statistics is to draw certain conclusion on financial performance and budgetary control of quoted brewery firms in Nigeria and to highlight the trend of financial performance of quoted firms in Nigeria within the period under study.

Y	ROA			COSC			OPCC			INCC		
	F ₁	F ₂	F ₃	F ₁	F ₂	F ₃	F ₁	F ₂	F ₃	F ₁	F ₂	F ₃
1	0.21	0.19	0.18	0.47	0.71	0.55	0.29	0.38	0.22	112.20	199.42	135.99
2	0.25	0.04	0.21	0.51	0.59	0.51	0.24	0.35	0.24	101.53	175.56	131.89
3	0.26	-0.06	0.22	0.53	0.68	0.51	0.22	0.25	0.24	92.38	139.91	134.38
4	0.27	-0.02	0.21	0.53	0.63	0.56	0.23	0.22	0.25	78.52	132.34	95.60
5	0.16	0.12	0.17	0.48	0.68	0.55	0.26	0.28	0.24	79.66	88.03	92.73
6	0.15	0.20	0.15	0.50	0.56	0.55	0.29	0.30	0.29	70.73	91.93	114.56
7	0.17	0.20	0.15	0.49	0.56	0.54	0.29	0.30	0.33	57.02	91.93	68.18
8	0.12	0.09	0.28	0.49	0.52	0.53	0.28	0.27	0.37	79.48	85.12	84.96
9	0.11	0.06	0.9	0.52	0.56	0.53	0.30	0.31	0.38	68.47	88.21	62.68
10	0.08	0.08	0.5	0.57	0.54	0.59	0.31	0.31	0.45	63.99	84.54	79.00

Table 1: Comparison of Performance among the Selected Firms

Source: Author's Computation, 2018

Table 1 reveals the performance of the selected three firms in terms of return on assets, cost of sales control, operating cost control and inventory cost control. In terms of return on assets, the three companies did not perform very well as none of the company recorded return on asset of at least 30% and above throughout the period covered in this

study. Nigerian Brewery recorded return on asset ranging from 8% to 27%, International Brewery Plc recorded ROA ranging from -2% to 20% while Guinness Nigeria Ltd recorded ROA ranging from 6% to 28%. This therefore implies that the firms can only utilize their total assets to generate return below 30%. On cost of sales control, the table indicates Nigerian Brewery Plc was the most efficient firm as the firm obtained COSC ranging from 47% to 57% followed by Guinness Nigeria Ltd which recorded COSC ranging from 51% to 59%. International Brewery Plc was not efficient in controlling its cost of sales as the firm recorded COSC as high as 71% while the lowest value was 52%. The table indicates Nigerian Brewery Plc was the most efficient firm in controlling its operating costs as the firm recorded OPCC ranging from 22% to 30% followed by International Brewery Plc which recorded COSC ranging from 22% to 38%. Guinness Nigeria Ltd was the least efficient in controlling its operating costs as the firm recorded OPCC as high as 49% while the lowest value was 22%. Table 1 also reveals that Nigerian Brewery Plc was the most efficient firm in managing its inventory cost as the firm recorded INCC ranging from 112 to 57 days indicating the number of days it took the firm in converting its inventory to sales. Guinness Nigeria Ltd was the 2nd least efficient by recording INCC ranging from 135 to 59 days. International Brewery Plc was the least efficient in managing its inventory costs as the firm recorded INCC as high as 199 days while the lowest value was 84 days. However, the finding shows that the three firms are improving in managing their inventory as higher number of days recorded in 2007 started decreasing in the subsequent years.

Firms/Variables	ROA	COSC	OPCC	INCC
Nig. Brewery	0.29	0.51	0.27	80.40
Inter Brewery	0.09	0.60	0.30	117.70
Guinness Nig	0.12	0.54	0.30	100.00

Table 2: Comparison of Mean Values of Variables of Quoted Brewery Sector
Source: Author's Computation, 2018

Table 4.2 is an extension of Table 1 which confirms the performance analysis made above. The table shows the average performance of the three selected firms in respect of return on assets, cost of sales control, operating cost control and inventory cost control. The result of the analysis reveals that financial performance of the three firms measured by return on assets was not good enough. It was only Nigerian Brewery Plc that recorded an average return on assets of 29% while International Nigeria Plc and Guinness Nig Plc obtained 9% and 12%. This performance was poor as the three firms fail to judiciously utilize their assets in generating sufficient profit for the shareholders. The analysis also reveals that Nigerian Brewery Plc was the most efficient in controlling production costs which is consistent with the finding of **Table 1** above. This is evident as Nigerian Brewery Plc recorded on average production cost of only 78% (51% + 27%) being the lowest cost. The other two firms recorded an average production cost of 90% and 84% respectively which is not a good result in controlling cost. This level of inefficient management of production was responsible for their poor financial performance as they both recorded the worst performance. In conclusion, the analysis of Tables 4.1 and 4.2 show that there is high level of inefficiency in controlling their production costs some of the firms incurred production cost as high as 90% and 84% leaving only 10% and 16% as profit for the shareholders. However, the study reveals that Nigerian Brewery Plc had a better performance as the firm recorded only 78% leaving 22% as profit for the shareholders.

Variables	No of Observations	Mean	Standard Deviation	Minimum	Maximum
Return on Assets	30	.1667	.21831	-.06	0.24*
Cost of Sales Control	30	.5513	.05847	.47	.71
Operating Cost Control	30	.2897	.05505	.22	.45
Inventory Cost Control	30	99.3647	33.44807	57.02	199.42
Valid N (List wise)	30				

Table 3: Descriptive Statistics
Source: Author's Computation, 2018

As shown in Table 3, the average return on asset of the Brewery manufacturing sector in Nigeria is 17% with the minimum value of -6% and maximum value of 24% while standard deviation is 22% indicating that the return on assets deviates significantly from mean to both sides by 22% among Brewery firms operating in Nigeria. The descriptive statistics also reveal that budgetary control measured by cost of sales control, operating cost control and inventory turnover period have mean values ranging from 55% for cost of sales control to 99 days in inventory turnover period with their standard deviations of 5%, 5% and 33% respectively. This indicates that there is wide variation in the budgetary control in terms of cost of sales control, operating cost control and inventory turnover period among the selected manufacturing sector. The mean value of cost of sales control revealed that for every one unit of output produced, the sector expended 55% of sales proceed as direct cost producing the good. This implies that only 45% is left for indirect expenses and the profit element. Inventory turnover period with average value of 99 days also suggest the number of days it takes the sector to turn over its inventory during the year into sales. This implies that on average it takes the sector at least three months to convert its inventory. The period can however be reduced as conversion period of 99 days is on the high side which does not signify efficient budgetary control in inventory cost.

		ROA	COSC	OPCC	INCC
Pearson Correlation	ROA	1.000	-.339	-.181	-.129
	COSC	-.339	1.000	.205	.425
	OPCC	-.181	.205	1.000	-.068
	INCC	-.129	.425	-.068	1.000
Sig. (1-tailed)	ROA	.	.033	.169	.249
	COSC	.033	.	.139	.001
	OPCC	.169	.139	.	.360
	INCC	.249	.001	.360	.

Table 4: Correlations Matrix
Source: Author's Computation, 2018

The correlation matrix for the variables is reported in Table 4 in order to examine the correlation that exists among the variables. The results reveal that there is a negative association between return on assets and all the three explanatory variables. Correlation coefficients among the independent variables range from 6% to 42%. This correlation matrix reflects the relative strength of the linear relationship between these variables. According to Gujarati (2004), multicollinearity could only be a problem if the pair-wise correlation coefficient among regressors is above 0.80. It can also be seen from Table 4 that most cross-correlation terms for the independent variables are fairly small, thus, giving little cause for concern about the problem of multicollinearity among the independent variables. It is however important to point out that the descriptive statistics and correlation analysis only indicate the associate link between the variables. They do not necessarily establish a causal relationship even with high coefficients. Consequently, more rigorous and advanced econometric techniques are required to adequately capture definite significant relationship between the financial performance and the explanatory variables. These were addressed and the results were presented in Table 5 which indicated linear relationship between return on assets, cost of sales control, operating cost control and inventory turnover period in brewery firms with the use of regression analysis. In terms of the signs of the coefficients which signify the effect of cost of sales control, operating cost control and inventory turnover period on return on assets in brewery firms, the result shows that the three independent variables- cost of sales control, operating cost control and inventory turnover period in brewery firms concur with a priori expectation with negative sign with other independent variables except inventory turnover period, this means that there is an inverse relationship between return on assets, cost of sales control,

Model		Standardized Coefficients		t	Sig.
		Beta	Std. Error		
1	(Constant)	.963	.408	2.361	.006
	COSC	-.339	.837	-1.513	.012
	OPCC	-.109	.758	-.567	.035
	INCC	.042	.001	.191	.020
a. Predictors: (Constant), cost of sales control, operating cost control, Inventory Cost control					
Dependent Variable: Return on Asset					

Table 5: Regression of Return on Assets on Cost of Sales Control, Operating Cost Control and Inventory Cost Control
Dependent Variable: Return on Assets (ROA)
Source: Author's Computation, 2018

The first objective of this study was achieved with the magnitude and p-value of cost of sales control which clearly has a significant negative effect on return on assets (ROA) as indicated by marginal effect coefficient (-0.34) with P-value (0.012) at 5% level of significance. This implies that for every one naira increase in the cost of sales, this will lead to 34% reduction in return on assets and vice versa. In other words, the financial performance of the sector is reduced for every increase in cost of sales as a result of inefficient budgetary control in the area of direct costs. The second objective of this study was achieved with the magnitude and p-value of operating cost control (OPCC) which clearly has a significant effect on return on assets as indicated by marginal effect coefficient (-0.109) with P-value (0.035) at 5% level of significance. This indicated that if there is an increase in operating cost (OPCC), there is likelihood that it will induce 10.9% reduction in return on assets. In other words, financial performance of the sector is reduced for every increase in operating costs as a result of inefficient budgetary control in the area of indirect costs. Finally, objective three of this study was achieved with the magnitude and p-value of inventory cost control which clearly has a significant effect on return on assets (ROA) as indicated by marginal effect coefficient (0.042) with P-value (0.020) at 5% level of significance. This indicated that if there is an increase in inventory cost control (INCC), there is likelihood that it will induce 4% increase in return on assets. In other words, financial performance of the sector is increased for every increase in inventory turnover ratio as a result of efficient budgetary control in the area of inventory cost control.

4. Conclusion

The significance of efficient budgetary control is indisputable. An attempt has been made in this study to examine the relationship between budgetary control measures and financial performance of brewery firms in Nigeria for the period covering 2007 to 2016. Some viable investments with high rate of returns had turned out to be failures most especially during this period of economic recession. Many firms have been either temporarily or completely shut down, while many Nigerian workers have been forcefully thrown into unemployment market. Based on the empirical evidences and findings of the analyses, a number of logical conclusions were made. The study therefore concludes that budgetary control in terms of cost of sales control, operating cost control and inventory conversion period has a strong effect on the financial performance of manufacturing firms in Nigeria. This position was made apparent through the inferential statistics which confirmed the existence of significant effect where the p-value obtained is less than 1% level of significance. It is hereby recommended that firms in Nigeria should utilize their various forms of budgetary control measures in optimizing cost of in generating more income for the company that will lead to higher financial performance, efficient cost control of operating cost and adoption of optimal inventory management

5. References

- i. Adams, H. C. (2001). *The Theory of Public Expenditure*. American Economic Association.
- ii. Ajibolade, S. O. & Akinniyi, O. K. (2013). The influence of organizational culture and budgetary participation on propensity to create slack in public sector organizations. *British Journal of Arts and Sciences*, 13(1), 69-83.
- iii. Alesina, A. & Perotti, R. (1996). Reducing budget deficits. *Swedish Economic Policy Review*, 3(1), 56-63.
- iv. Ashok K. & Mishra, C. W. (2009). Factors affecting financial performance of new and beginning Farmers. *Financial Agricultural Review*, 160 -179.
- v. Atkinson, A., Banker R., Kaplan R. & Young S., (2001). *Management Accounting*, 3rd edition. Upper Saddle River: NJ: Prentice Hall.
- vi. Boquist, H. (2001). The Impact of human resource management practices on turnover, productivity and corporate financial performance. *Academy of Management Journal*, 635-672.
- vii. Brigham, E. F. & Ehrhardt, M. C. (2005). *Financial management, theory, and practice* (11thed.). Mason, OH: Thomson SouthWest.
- viii. Carr, J. (2000). Requirements engineering and management: The Key to designing quality complex systems: *The TQM Magazine*, 12 (6): 400-407.
- ix. Chenhall, R.H. & Langfield, S. K. (1998). Adoption and benefits of management accounting practices: An Australian perspective. *Management Accounting Research*, 9 (1), 120-126.
- x. Corcoran, Wayne, A. [1978], *Cost: Accounting analysis and control* [New York, A widey Hamilton publication.
- xi. Emekekwe, P.E. (2008). *Corporate finance management* (5thed); kinshasha: African Bureau of Educational Sciences.
- xii. Falk, S. (1994). When budgeting, focus on value: Nine strategies for value basing. *Public Management Journal of Management Accounting Research*. Research American Accounting Association.
- xiii. Gilber, M. K. (2015). Effect of budgetary controls on financial performance of manufacturing companies in Kenya, Unpublished M.Sc. Dissertation at School of Business, University of Nairobi.
- xiv. Hansen S., David T. Otley D. and Van der Stede W. (2003). Practice Developments in Budgeting: An Overview and Research Perspective. *Journal of Management Accounting Research*: December 2003, 15(1): 95-116.
- xv. Harper, W.M. [1982], *Cost and Management: Cost Accounting*. [Plymouth, Macdonald and Evans].
- xvi. Horngren, C.T. (2002). *Management and Cost Accounting*, Harlow (2nd ed): Financial Times, Prentice Hall.
- xvii. Hill, C. W. L., & Jones, T. M. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2): 131-154.
- xviii. Institute of Chartered Accountants of Nigeria, (2009). *Cost accounting*. Lagos, Nigeria: VI Publishing Ltd.
- xix. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3: 305-360.
- xx. Kenneth O. A. & Ambrose J. (2013). Budgetary control as a measure of financial performance of State Corporations in Kenya. *International Journal of Accounting and Taxation*, 1(1): December, 2013.
- xxi. Lucey, T. (1993). *Costing*, 4th ed. Braye Road: Guernsey co. Ltd. Needles, S. C. (2011). *Managerial Accounting*. Nason, USA: South Western: Cengage Learning.
- xxii. Mukhoma, H. K. (2014). Account receivable management and financial performance of manufacturing firms in Kenya. Unpublished M. Sc. Dissertation at University of Nairobi.
- xxiii. Mustafa H. M. A. (2014). Evaluating the financial performance of Banks using financial ratio. *European Journal of Accounting, Auditing and finance Research*. 2(6), 162-177.
- xxiv. Roberta, M. (2010). *Foundations of Corporate Law*. 2nd Edition, Foundation Press, USA.
- xxv. Seremi, S. K. (2013). Effect of budgetary controls on performance of non-governmental organizations in Kenya, Unpublished M.Sc. Dissertation at School of Business, University of Nairobi.