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ABSTRACT
The main objective of this study was to investigate the contribution of budgeting function to the profitability of Bralirwa Breweries Ltd. The study was based on the hypothesis that budgeting makes a significant contribution to the profitability of a business firm. It was found that the effectiveness of budgeting results from multiple determinants, which included the level of employee participation, the level of IT integration in the day to day of the business, the flexibility of the budget and clarity of the objectives of the firm. A sample size of 50 respondents was involved in this study. A cross-sectional survey design was adopted to capture information in relation with the specific objectives of the study. A self administered questionnaire was designed; it involved both open and closed questions which were used for effective data collection among 50 participants. With respect to the significance of budgeting function, it was revealed that 92.0% of the respondents recognized that budgeting enhances financial coherence for the enterprise and that it provides a focus for an organization respectively. Thus, budgeting is part and parcel of strategic management used to set an organization on an appropriate path to success and guide its managers’ decisions and activities. On the determinants of an effective budgeting, the study found that 88.0% of the respondents acknowledged that budgets must be aligned with the organization’s strategies and this is the prime determinant of quality budgeting. On the link between budgeting function and profitability, it was found that (94.0%) of the respondents agreed that budgeting results into employee commitment; for instance where subordinates are not aware of the results of their efforts, they are not able to feel success or failure and consequently do not feel motivated and are indifferent to improving their performance. Further still, 88.0% of those participating in the survey stated that budgeting results into clear goal and targets and priorities for allocation of resources. Overall, it was established that there was a significant effect of budgeting function on profitability; hence budgets are more than just an instrument that helps management to plan and control firm activities. The study therefore, concluded that, flexibility, IT integration activity based budgeting enhances the profitability of the business firm.