

**CASH AND SALES BUDGETS AS DETERMINANTS OF FINANCIAL PERFORMANCE OF
MEDIUM-SIZED BUSINESSES IN AKWA IBOM NORTH EAST SENATORIAL DISTRICT**

By
UMOREN, Effefiong Effiong

And

Samuel David UDO, PhD
Department of Business Education,
University of Uyo, Akwa Ibom state.

ABSTRACT

The study analysed Cash and Sales Budgets as Determinants of Financial Performance of Medium-Sized Businesses in Akwa Ibom North East Senatorial District. A correlational research design was adopted for this study. The study was conducted in Akwa Ibom North-East Senatorial District. The population for this study comprised 497 managers of medium-sized businesses in Akwa Ibom North East Senatorial District. A total of 222 managers were selected as the sample size of the study. The instrument for data collection was self-designed questionnaires entitled: Functional Budgets and Financial Performance of Medium Size Businesses Questionnaire (FBFPMSBQ). The questionnaire will be face validated by three experts. The internal consistency of the instrument was determined using Cronbach Alpha statistical tool. The questionnaire was administered directly to respondents by the researcher Data gathered in the course of the study were analyzed using Pearson Product Moment Correlation (PPMC) analysis for the research question and hypotheses. The study showed that there is a significant relationship between cash and sales budget and financial performance of medium-sized business in Akwa Ibom North East Senatorial District. It was concluded that effective preparation and implementation of cash and sales budgets are critical determinants of financial performance in medium-sized businesses within Akwa Ibom North East Senatorial District. One of the recommendations made was that management of medium sized businesses should develop and implement cash budget as this would enable them forecast cash receipt and cash payment, determine cash needs and establish financial controls which could inter alia improve business financial performance and promote profit maximization.

KEYWORDS: Cash and Sales Budgets, Medium-Sized Businesses, Akwa Ibom North East Senatorial District

INTRODUCTION

Medium-sized businesses are defined by the Federal Ministry of Commerce and Industry as those that employ up to 50 people for pay and have a total investment of up to N750,000 (excluding land costs but including working capital) (Osazefua, 2019). Medium-sized enterprises are said to be the backbone of all developed and developing nations. Thus,

Nwanyanwu and Ogbonnaya (2018) admitted that the development of SMEs sector is of paramount importance for any country irrespective of their level of development, since this sector has great potential to generate maximum socio-economic benefits to the country with minimum level of investment. The viability of medium scale business enterprises is assessed through its financial performance.

Financial performance is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry, compare industries or sectors in aggregation. Nakatani (2019) defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. Musa et. al. (2019) explained that financial performance is a general measure of how well a business generates revenue from its capital employed. Measures such as revenue from operations, operating income, cash flow from operations and total unit sales can be used to measure the financial performance of a firm. Mills (2018) explained that financial performance is determined by the following indicators: profit or value added; sales, budget; costs or expenditure and stock market indicators (e.g. share price) and autonomy. It is important to stress that continuous improvement in business financial performance depends largely on the ability to plan, control and effectively utilise resources in a manner that is capable of maximising profit. Consequently, financial planning is considered of great importance for successful business operations. Shilpa and Rakesh (2018) posited that financial planning encompasses not only the raising of funds, but also the effective utilisation of such funds. Thus, one of the essential instruments for business organisations to have effective financial planning and control is budgeting.

Budget is a formal plan, expressed mainly in financial terms and covering all the activities of the entity. It is for a specific period of time, typically one year. When budgets are prepared annually, they are for the next financial year. Adeniji (2019) viewed a budget as a plan quantified in monetary terms, prepared and approved before a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period, and the capital to be employed to attain the given objectives. Budgets are short-term, medium-term term or long-term plans for the business, expressed in financial terms. Further more, ICAN (2021) maintained that budget have several purposes, some of which includes: to convert long-term plans (strategic plans) into more detailed shorter-term (annual) plans; to ensure that planning is linked to the long-term objectives and strategies of the organization; to co-ordinate the actions of all the different parts of the organization, so that they all work towards the same goals; to communicate the company's plans to the individuals (managers and other employees) who have to put the plans into action; to motivate managers and employees, by setting targets for achievement, and possibly motivating them with the incentive of bonuses or other rewards if the targets are met; to provide guidelines for authorising expenditure; to identify areas of responsibility for implementing the plans; to provide a benchmark against which actual performance can be measured; and to control costs.

Statement of Problem

Medium-sized businesses are pivotal for the economic growth and development of a nation. Through the aid of functional budgets, medium-sized businesses allocate resources efficiently across various departments, ensuring that each area has the necessary funding to meet its operational goals. More so, functional budgets help to align departmental goals with overall organisational objectives, which are essential in helping medium-sized businesses in controlling costs, forecasting revenues, and optimising their resources in an efficient and effective manner.

Research Objective

1. Cash budget and financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District;
2. Sales budget and financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District;

Research Question

1. What is the extent of the relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District?
2. What is the extent of the relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District?

Research Hypothesis

1. There is no significant relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.
2. There is no significant relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Conceptual Review

Medium-sized Businesses

The Companies and Allied Matters Act (CAMA) 2020 defined a medium-sized company in Nigeria as a business with an annual gross turnover of at least N25 million but less than N100 million. MSEs are organisations that can be registered under any part of CAMA to do business in Nigeria. However, it is generally recommended that MSEs be registered under Part B of the CAMA.

Furthermore, a medium-sized business is defined by the Small and Medium Industries Enterprise Investment Scheme (SMIESIS) as any business with an asset base of N50 to less than 500 million, excluding land and working capital, and with at least 10 or more than 300 employees (Opeyemi, 2019). Medium-sized businesses are defined by the Federal Ministry of Commerce and Industry as those that employ up to 50 people for pay and have a total investment of up to N 750,000 (excluding land costs but including working capital) (Osazefua, 2019).

Despite the plethora of definitions of medium-scale enterprise, the various perspectives are not sacrosanct. Periodically, there is always the need to review these conceptual viewpoints, bearing in mind locality differences, inherent conceptual defaults, and operational objectives. For instance, the Central Bank of Nigeria (CBN) defines a medium-scale enterprise as one with an annual turnover that does not exceed ₦500,000. Yet, as Adisa *et. al.*(2020) submit, a typical medium-sized business in Nigeria has less capital investment, leading to a conceptual mismatch between what a medium-sized business entails and its application. Altogether, medium size businesses are determined using the following parameters:

- i. **Employees:** Employees who are often referred to as human resources are one of the most important resources of a business organisation. The growth of a business may sometimes be measured using the number of employees. An increase in the number of personnel may be a signal for the growth and development of a business entity, and it might also be indicative of the level of success and how well the business is performing. An analysis of both the Nigerian and the international definitions of SMEs shows that there is now agreement as to what constitutes an SME in terms of the number of employees. The minimum number of employees is 50, and the maximum is approximately 500 for medium enterprises, depending on the industry or sector. Small enterprises have between 1 and 50 employees, and this largely depends on the industry, with the manufacturing sector employing the largest number of employees in both small and medium enterprises.
- ii. **Capital base:** An identified business opportunity requires resources, and capital is one of the essential resources for exploiting an opportunity. Without capital, entrepreneurship will not take place. The capital needs of businesses differ according to the type of industry or sector. As per the definition, there is no holistic or fixed amount of capital across borders, which may be attributed mainly to the different currencies in use and the different levels in terms of economic development. What is of great importance is that sufficient capital must be made available so that the SMEs will be successful, as they will be able to grow and develop.
- iii. **Assets:** For production to take place, a business must have assets. These assets are divided into two characteristics, namely non-current assets and current assets. Non-current assets include goodwill, land, buildings, equipment, machinery and motor vehicles. Current assets encompass cash, bank (cash or money in a business bank account), debtors and inventory. The assets being referred to in the definitions are non-current which are required in the production process. Current assets are required for meeting day-to-day business operating expenses. As per the definition, the asset base differs across borders, but it is essential that a company has a sufficient capital base for production purposes and also for everyday operations.
- iv. **Registration:** In the economy, there are both formal and informal business organisations. The formal businesses are registered for tax purposes, whilst the informal businesses are not registered and they do not usually pay taxes. Most governments, in calculating their Gross Domestic Product (GDP) and Gross National

Product (GNP), focus on the formal and registered business organisations. There seems to be an agreement in both the Nigerian and the international definitions of SMEs that an SME must be registered and be formal. This is essential as it enables governments to assess the contributions of SMEs to the economy if they are properly registered.

To achieve a fit between the concept and what is obtainable, in Nigeria, for instance, the National Council of Industry (NCI), under the federal Ministry of Industries, periodically revises the classification of SMEs. The need for such revision is to continually reflect the level of indigenous technology and technical skills available in the country, the overall development/national objectives of the economy, the cultural and social values of the society and the active and sincere involvement of development agencies and the entrepreneurs themselves. In the same vein, it is to provide a frame of reference for the various agencies that are responsible for policy formulation and implementation in respect of small and medium-scale industries.

Financial Performance

The concept of business performance holds a central position in the management of business enterprises. This is due to concerns for efficiency, productivity, excellence and total quality which have become increasingly important for business survival (Pimpong and Laryea, 2016). These concerns could also be premised on the perception of threats and the ever-greater international competition for market shares and resources (Bărbuță-Mișu *et. al.*, 2019).

In most business literature, the concept of business performance is too often restricted to its financial viewpoint. Conceiving business performance from a financial point of view, Osazefua (2019) submit that it entails a measure of the change of the financial state of an organisation, or the financial outcomes that result from management decisions and the execution of those decisions by members of the organisation. More so, financial performance is the degree to which financial goals are being or have been achieved (Osazefua, 2020). Financial performance is used as a measure of the overall financial capability of an institution over a given period of time or the degree to which the financial objectives of an institution are accomplished. Opeyemi (2019) maintained that financial performance is also measured by the extent to which a firm expends funds availed in accordance with approved budget estimates.

Financial performance in a broader sense refers to the degree to which financial objectives have been accomplished and is an important aspect of financial risk management (Okotchi, *et. al.*, 2020). It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors. Financial performance of a firm is said to be good if the management is independent or less dependent on business capital in the use of available funds. It is effective in achieving the realisation of targets that have been planned, meaning that the use of the budget is based on targets. It is only intended for the main programs or priorities of development directly, and is coupled with the increase in the sources of income.

Measuring corporate performance using this approach includes using the following parameters: return on assets (ROA), growth in sales, return on total capital, return on book equity, changes in sales, return to shareholders, market-to-book value, and stock price appreciation and profitability (Siyanbola *et al.*, 2020).

Cash Budget and Financial Performance of Medium-Sized Businesses

Cash budget is for cash planning and control. It shows how cash flows in and out of the business enterprise. Cash budgeting is concerned with planning and controlling cash flows in and out of the business entity, cash balances in the business entity and movement of cash within the business (Kaplan and Atkinson, 2015). Cash budgeting refers to an outlined plan of cash inflows as well as cash outflows expected in a given period of time. ACCA (2017) state that cash budget summarizes a firms expected cash inflows and out flow over a period of time. CIMA (2018) officially described cash budget as a detailed budget of estimated inflows and outflows incorporating both revenue and capital term. Cash budget is a tool that every financial manager should use in ensuring availability as well as effective utilization of cash. Kwame *et al.*(2018) averred that budgets have always played a key role in managing an institution, both private and public, being an important control system in many organizations.

The overall objective of the budget, according to the author, is to keep control of the activities done in the organisation by providing a roadmap for future activities and to set a series of goals to be achieved and the means by which to achieve those goals. According to NOUN (2019), a cash budget typically consists of four major sections. These are: receipts section, which is the beginning cash balance, cash collections from customers and other receipts; disbursement section, comprised of all cash payments made by purpose; cash surplus or deficit section, showing the difference between cash receipts and cash payments; financing section, providing a detailed account of the borrowings and repayments expected during the period. The author further stressed that the cash receipts section consists of listing all cash inflows during the budgeting period except for financing. Generally, the major source of receipts will be from sales. The disbursement section consists of all cash payments that are planned for the budgeted period. These payments will include raw materials purchases, direct labour payments, manufacturing overhead costs, and so on, as contained in their respective budgets.

In addition, other cash disbursements such as equipment purchase, dividends and other cash excess or deficiency. If there is a cash deficiency during any period, the company will need to borrow funds. If there is cash excess during any budgeted period, funds borrowed in previous periods can be repaid, or the excess funds can be invested. According to Mulani *et al.* (2015), the financing section deals with the borrowings and repayments projected to take place during the budget period. It also includes interest payments that will be due on money borrowed. It should be noted that the cash budget is cumulative in that the balance from one month is carried forward to the next month. The cash budget ignores non-cash items, such as depreciation, which is a loss of value of a non-current asset which does not cause a loss of cash.

From the discussion on cash budget stated above, it is obvious that the cash budget consolidates all the cash inflows and outflows for the business and is also a functional budget. The cash budget helps the business to plan the project purchases as well as to provide for the loan requirements. It also helps in defining the repayment plans for short and long-term loans of the business. Ahmad (2016) admitted that cash budget forecasts the loan requirements or short-term investments that are to be made with excess cash at any point in time. Ahmad further stressed that the cash budget is used in planning short-term credit needs. In today's financial world, NOUN (2019) posited that businesses are required by most financial institutions to prepare cash budgets before making capital expenditures for new assets, as well as for expenditures associated with any planned expansion. The cash budget determines the future ability to pay debts as well as expenses as they fall due. Consequently, less bank credit will be needed, and interest costs will be lower. Banks and other credit-granting institutions are more inclined to grant loans under favourable terms where the loan request is supported by a methodical cash plan.

However, once the cash budget has been carefully designed, it can be compared to the actual cash inflows and outflows of the business, and this will go a long way in assisting medium-scale businesses during future cash budget preparation. Thus, improving business financial performance. Also, a cash budget helps pinpoint estimated cash balances at the end of each month, which may foresee short-term cash shortfalls. It presents expected cash inflow and outflow for a designated time period. The cash budget helps management keep cash balances in a reasonable relationship to its needs and aids in avoiding idle cash and possible cash shortages. Cash budgeting is important since it enables companies to determine how much credit they can offer to their customers without fear of being faced with liquidity problems. Brooks and Mukherjee (2017) state that for a firm to be able to plan for its cash inflows and outflows, it requires a well-developed plan in the form of a cash budget. Kibor and Maina (2019) posited that the reason for the preparation of a cash budget is to establish whether the business has enough cash balance to meet its short-term cash requirements. According to Muthama (2016) cash budgets assist in making cash flow projections and ensure budgetary control. Budget provides a useful yardstick for evaluating employee performance and for rewarding good results to motivate employees.

A well-prepared cash budget ensures the use of funds for good returns and further ensures that an organisation keeps its expenditure in line with planned cash flows. Abhijit (2016) noted that the objective of the cash budget was to ensure a balance between liquidity and profitability. Cash budget enables an organisation to determine its short-term credit needs as well as its ability to meet short-term obligations as and when they fall due, and also it predicts likely cash excesses for which management can plan in advance as to how to employ such resources. Similarly, Kwame *et. al.* (2018) noted that cash budget preparations enable managers to identify possible future liquidity challenges and, at the same time, create a platform for addressing such challenges. Walther (2016) noted that by creating a cash budget, you can project your sources and applications of funds for the forthcoming periods. Eton *et. al.* (2018) maintained that a cash budget helps an institution to identify a head of time any cash deficit for the periods in question so as to take corrective actions to assuage

the deficit, thus a cash budget would constitute the core mandate for organisational performance.

Sales Budget and Financial Performance of Medium-Sized Businesses

The sales budget is an important part of the overall budget of the business enterprise. A sales budget gives details of the sales estimates of the business enterprise during a given period. The information given in the sales budget is usually based on test sales, forecast of market trends, salesmen's estimates and other business conditions during a given period. NOUN (2019) viewed the sales budget as a detailed schedule showing the expected sales for the budget period. Accordingly, Hansen and Mowen (2017) viewed the sales budget as consisting of estimates of the probable monetary value and unit sales and the expenses of obtaining them. Sales budget is a basic budget which influences the budgets of other departments also such as production budget, expenditure budget, cash budget and personnel budget, etc. The sales budget shows the estimates of sales during a given period, normally a year. The sales budget indicates both quantities to be sold as well as the receipts anticipated from such sales. Thus, it is a statement of projected sales revenue and selling expenses.

From this sales budget, the management can determine not only the sales receipts both in quantity as well as in monetary terms, but with the help of other budgets, it can even ascertain its own earnings. Sales performance can be judged by fixing a district-wise quota for each salesman. This sales budget, therefore, acts as a powerful means of controlling the sales force. Abhijit (2016) noted that the sales budget generally has two parts, the revenue part and the expense part. Sales revenue is prepared with the help of sales forecast figures. For the expense part, there are two types of practices: operating budget and specific budget. The operating expenditure budget contains all expenditure, including selling expenses where as the specific expenditure budget considers only the selling expenses.

The sales budget is closely related to the sales plan and the planning process, but it is not a sales plan. Budget constitutes the package for future action, which is closely linked to plans and supplementary documents. The sales budget may be termed as an operating budget. In case it is an expense budget, the field sales manager would be concerned with cost control and more efficient sales operations. Actually, the budget sets the standard for actual performance and actual performance is measured against these standards at the end of a given specific period. Sales budget plays a significant role in business enterprises. Robinson (2017) asserted that a sales budget helps in future planning, controlling expenses, controlling sales operations and measuring performance.

Sales budget serves as a planning tool for businesses. Sales budget is to plan so as to collect the resources of the business enterprise on the basis of sales forecast in order to achieve sales targets. Thus, it is an instrument of sales planning. Sales budget s as observed by Robinson, (2017) controls the selling expenses so that the desired net profit can be achieved and unnecessary expenses may be discouraged. Sales budget is an effective control device in the hands of sales managers. Thus, it facilitates full control over sales operations. Also, it controls the activities of sales force, sales volumes, selling expenses and net profit, etc. On the roles of sales budget as a measure of performance, the author stated that the

major objectives of sales budget is to measure and evaluate the performance of sales personnel, sales units, sales regions, products and marketing channels, etc. In the measurement and evaluation process, certain weak points can be identified and necessary remedial measures can be initiated to overcome such weaknesses. There are number of factors which influence the preparing of sales budget.

These factors affecting the preparation of sales budget can be classified into internal and external factors. Internal factors as the name implies, involve factors within the organisation which relate to the internal situation of the business enterprise and are usually within the control of the sales management. According to Hansen and Mowen (2017), internal factors consist of: (i) past sales trend including total sales done during the last year; (ii) sales promotion measures including advertising; (iii) efficiency of the sales force; (iv) selling and distribution system including channel of distribution; (v) marketing research including sales research; (vi) price policy of the business enterprise, (vii) production capacity including future expansion plans if any of the business enterprise; (viii) types of customers i.e. manufactures, Middlemen or the direct consumer; (ix) total marketing area i.e. regional, national and even international; (x) plant development programme.

External factors are just the opposite of the internal factors. As such, external factors are those which relate to the external situation of the business enterprise and are to a great extent uncontrollable. The important external factors as observed by Hansen and Mowen (2017) are as follow: (1) Government (both central and the State) policy towards the industry, such industry policy, taxation policy, import and export policy, subsidies and other concessions etc; (2) Extent of regional, national and international competitions; (3) standard of living of the masses – way of living, habits, fashion etc; (4) General trend of the industrial activities in the country; (5) Present population and growth rate; (6) Economic condition of the country, developed, developing or undeveloped; (7) General fluctuations in the prices, demand and supply of the product or products; (8) Role of channels of distributions and (9) Purchasing power of the general public. Sales budget is the most important budget, and hence it is prepared mostly by the top management. A sales budget influences the budget of all other departments. It is the basis on which the sales objectives are established. It guides the sales department in determining the ways and means of widening the sales objectives during a given period of time. It is the effective implementation of the sales budget which enables management to compute the budgetary profits.

Methodology

A correlational research design was adopted for this study. The study was conducted in Akwa Ibom North-East Senatorial District. The population for this study comprised 497 managers of medium size businesses in Akwa Ibom North East Senatorial District. A total of 222 managers was selected as the sample size of the study. The instrument for data collection was self-designed questionnaires entitled: Functional Budgets and Financial Performance of Medium Size Businesses Questionnaire (FBFPMQBQ). The questionnaire will be face validated by three experts. The internal consistency of the instrument was determined using Cronbach's Alpha statistical tool. The questionnaire was administered directly to respondents by the researcher. Data gathered in the course of the study was

analysed using Pearson Product Moment Correlation (PPMC) analysis for the research question and hypotheses.

Results and Discussion

Research Question One: What is the extent of the relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District?

Table 1: Pearson’s Product Moment Correlation of the relationship between cash budget and financial performance of a medium-sized business

Variable	$\sum X$	$\sum X^2$	$\sum xy$	Cal.-r	Remark
	$\sum Y$	$\sum Y^2$			
Cash Budget	4612	100272	143831	0.75	Very high relationship
Financial performance of medium Size Business	6624	207378			

The result in Table 1 reveals the type and strength of the relationship between cash budget and the financial performance of a medium-sized business. The result shows that the calculated r-value of .75 is very high, which implies that there is a very high relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Research Question Two: What is the extent of the relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District?

Table 2: Pearson’s Product Moment Correlation of the relationship between sale budget and financial performance of medium size business

Variable	$\sum X$	$\sum X^2$	$\sum xy$	r -value	Remark
	$\sum Y$	$\sum Y^2$			
Sale Budget	4465	94127	139577	0.91	Very high relationship
Financial performance of medium Size Business	6624	207378			

The result in Table 2 reveals the type and strength of the relationship between sales budget strategies and the financial performance of medium-sized businesses. The result shows that the calculated r-value is .91 is very high, which implies that there is a very high

relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Hypothesis Testing

Hypothesis One: There is no significant relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Table 3: Pearson’s Product Moment Correlation of the relationship between cash budget and financial performance of a medium-sized business

N=214					
Variable	$\sum X$	$\sum X^2$	$\sum xy$	r-cal	Decision at P < 0.05
	$\sum Y$	$\sum Y^2$			
Cash Budget	4612	100272			
			143831	0.75	000
Financial performance of medium Size Business	6624	207378			

*significant at P < .05 level, df = 214

The result in Table 3 reveals that the r-value of .750 with its corresponding P-value of .000 is less than 0.05 level of significance with 214 degree of freedom. The result is significant. Therefore, the null hypothesis, which claims that there is no significant relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District, is rejected. This result indicates that there is a significant relationship between cash budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Hypothesis Two: There is no significant relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District.

Table 4: Pearson’s Product Moment Correlation of the relationship between sales budget and financial performance of a medium-sized business

N=214					
Variable	$\sum X$	$\sum X^2$	$\sum xy$	r-cal	Decision at P < 0.05
	$\sum Y$	$\sum Y^2$			
Sale Budget	4465	94127			
			139577	0.91	000
Financial performance of medium Size Business	6624	207378			

*significant at P < .05 level, df = 214

The result in Table 4 shows the r-value of .910 with its corresponding P-value of .000 is less than 0.05 level of significance with 214 degree of freedom. The result is significant. Therefore, the null hypothesis, which claims that there is no significant relationship between sales budget and the financial performance of medium-sized businesses in Akwa Ibom North East Senatorial District, is rejected. This result implies that there is a significant relationship between sales budget and the financial performance of medium size businesses in Akwa Ibom North East Senatorial District.

CONCLUSION

The study concludes that effective preparation and implementation of cash and sales budgets are critical determinants of financial performance in medium-sized businesses within Akwa Ibom North East Senatorial District. Cash budgets enhance liquidity management, ensuring firms meet obligations without financial strain. Similarly, sales budgets provide a roadmap for revenue generation, guiding pricing, marketing, and resource allocation. Evidence shows that businesses with robust budgeting practices record higher profitability and stability. Budgeting also fosters accountability and reduces financial risks. Therefore, adopting efficient cash and sales budget strategies remains essential for sustainable growth and competitiveness. The study showed that there is a significant relationship between cash and sales budget and the financial performance of medium size businesses in Akwa Ibom North East Senatorial District.

RECOMMENDATIONS

1. Management of medium-sized businesses should develop and implement a cash budget as this would enable them to forecast cash receipts and cash payments, determine cash needs and establish financial controls which could inter alia improve business financial performance and promote profit maximisation.
2. Managers of medium-sized businesses should endeavour to prepare, implement and regularly review a sales budget that accurately forecasts sales revenue and expenses, so as to serve as a tool for assessing business performance and determining the value added to owners' wealth as a result of sales. Also, since sales is a major revenue-generating avenue for an entity, managers of medium-sized businesses should ensure proper preparation of the sales budget in order to enable the entity to determine its estimated sales revenue and expenses as well as their expected profit for the period concerned.

REFERENCES

- Abhijit, P. (2016). Budgets and budgetary control. *Journal of Business Management and Social Sciences Research*, 5(6), 2319-5614.
- ACCA (Association of chartered Certified Accountants) (2017). Cash Budget. Retrived from http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012s/sa_f2fma_cash_budget.pdf.
- Abhijit, P. (2016). Budgets and budgetary control. *Journal of Business Management and Social Sciences Research*, 5(6), 2319-5614.
- Adisa, T., Abdulraheem, I. and Mordi (2020). The Characteristics and Challenges of Small Business in Africa: An Exploratory Study of Nigerian Small Business Owners. *Economic Insights-Trends and Challenges*,3(4),1-4.
- Ahmad, N. N. (2016). Cash Management Practices in Micro and Small Businesses in Malaysia. Department of Accounting. *Journal of Education and Social Sciences*, 4(2), 331-335. jesoc.com
- Bărbuță-Mișu, N., Madaleno, M. and Ilie, V. (2019). Analysis of Risk Factors Affecting Firms' Financial Performance-Support for Managerial Decision-Making. *Sustainability*, 11(18), 38-53
- Brooks, R., and Mukherjee, A. K. (2017). *Financial management: core concepts*. Pearson. 98p.
- CIMA (2018)
- Eton, M., Mwosi, F. And Ogwel, P. B. (2018). Cash budgeting and organizational performance of private firms in Uganda: a case of Kabale District, Western Uganda. *International Journal of Management and Commerce Innovations*, 6(1), 1904-1910. DOI: www.researchpublish.com
- Hansen, D. R. and Mowen, M. M. (2017). *Management Accounting*. USA: Thomson South-Western, 67p.
- Kaplan, R. S. and Atkinson, A. A. (2015). *Advanced management accounting*. PHI Learning, 45p.
- Kibor, J. K. and Maina, K. E. (2019). Effect of cash budgeting on financial performance of micro and small enterprises at Eldoret town in Uasin Gishu county, Kenya. *International Journal of Economics, Commerce and Management*, 6 (10), 147-159.
- Kwame, O. A, Emmanuel. O. M, Kelvin, E. G. And Felix, O. A. (2018). Cash Budget an Imperative Element of effective financial management. *Canadian Social Science Journal*, 9(5), 88-191. Doi: www.cscanda.net.
- Mills, A. (2018). *Essential Strategies for Financial Services Compliance*. Port Harcourt: John Wiley and Sons, Ltd., 45p.
- Mulani, J., Chi. G. and Yang, J. (2015). Effects of the budgetary process on SME's performance: An exploratory study based on selected SME's in India. *Research Journal of Finance and Accounting*. 6 (14),135-153.
- Musah, M., Kong, Y., and Osei, A. A. (2019). The nexus between asset tangibility and firms' financial performance: A panel study of non-financial firms listed on the Ghana Stock Exchange (GSE). *European Academic Research*, 12(1), 450-474.

- Muthama, R. A. (2016). Effects of cash management practices on operational performance of selected Public Hospitals in Kisii County, Kenya. *International Journal of Emerging Markets*, 7(3), 245-262.
- Nakatani, R. (2019). Firm performance and corporate finance in New Zealand. *Applied Economics Letters*, 26(13), 1118-1124.
- NOUN (National Open University of Nigeria) (2019). PSM 829. Budgeting and budgetary procedure. Wuse II, Abuja.
- Nwanyanwu, L. A. and Ogbonnaya, A. N. (2018). Budgetary Control and Financial Performance of Small and Medium Sized Enterprises in Rivers State. *International Journal of Economics and Financial Management*, 3(1), 66-73.
- Okotchi, C. J., Makokha, E. N. and Namusonge, G. (2020). Effect of budgetary process on performance of county governments In Kenya. *International Journal of Recent Research in Social Sciences and Humanities*, 7(2), 11-21.
- Opeyemi, A. (2019). The impact of firm size on firm's performance in Nigeria: A comparative study of selected firms in the building industry in Nigeria. *Asian Development Policy Review*, 7(1), 1-1.
- Osazefua, I. (2019). Operational efficiency and financial performance of listed manufacturing companies in Nigeria. *Journal of Accounting and Taxation*, 11(1), 17- 31.
- Osazefua I. (2020). Managers' financial practices and financial performance of Nigerian manufacturing companies: Which ratios matter most? *Cogent Economics and Finance*, 8(1), 1-23.
- Pimpong, S. and Laryea, H. (2016). Budgeting and its impact on financial performance: The case of non-bank financial institutions in Ghana. *International Journal of Academic Research and Reflection*, 4(5), 12-22.
- Robinson, M. (2017). *Performance Budgeting Linking Funding and Results*. USA.
- Shilpa, R. and Rakesh, H. M. (2018). Analysis of effective utilization of funds. *International Journal of Business and Management Invention*, 2(1), 42-46.
- Siyabola, T. Sanyaolu, W., Ogbemor, P. and Adegbe, F. F. (2020). Firms' performance and auditors' reporting lag in Nigerian deposit money banks. *Academy of Accounting and Financial Studies Journal*, 24(3), 1-11
- Walther, L. M (2016). Managerial accounting. Retrieved from [http:// www.principles of accounting.com/chapter 21/ chapter 21.html#Importance](http://www.principlesofaccounting.com/chapter21/chapter21.html#Importance).