

# BUDGET SYSTEM OF IMPERIAL HOMES CORPORATION

## *Case Study*

ALYSSA RELLINE G. ASTUDILLO

College of Economics, Management  
and Development Studies

**CAVITE STATE UNIVERSITY**

*Indang, Cavite*

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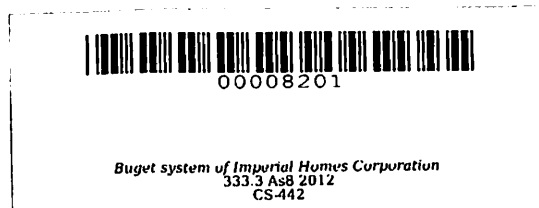
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**BUDGET SYSTEM OF IMPERIAL HOMES CORPORATION**

A Case Study  
Submitted to the Faculty  
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In partial fulfillment  
of the requirements for the degree  
Bachelor of Science in Business Management  
major in Financial Management



**ALYSSA RELLINE G. ASTUDILLO**  
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## **ABSTRACT**

**ASTUDILLO, ALYSSA RELLINE G. “Budget System of Imperial Homes Corporation”.** Undergraduate Case Study. Bachelor of Science in Business Management, major in Financial Management. Cavite State University, Indang, Cavite. November 2012. Adviser: Prof. Estrellita D. Corpuz.

A case study was conducted at the head office of Imperial Homes Corporation located at Unit 1201 – 1202, Alabang Business Tower, Acacia Avenue, Madrigal Business Park, Alabang 1780. The case study aimed to identify the existing policies related to the preparation of budget; describe the company’s budgeting system; identify the budgeting techniques used in preparing the budget; analyze the budget system of the company; analyze the financial performance of the company in terms of its liquidity ratios; compare the budget and actual financial performance; and identify problems encountered in the budgeting process and recommend feasible solutions to the various problems identified.

Data were obtained through personal interviews with the supervisor/general accountant and other accounting officers. Other relevant information was obtained from office records and files. Additional information was obtained from online sources.

Imperial Homes Corporation (IHC) is a closely held corporation engaged primarily in the development of modern leisure villages, middle-market and affordable housing projects. IHC’s goal is to be the leader in new concept of community development for affordable homes and leisure projects.

Both descriptive research and quantitative methods were used in the study. Interviews were done in order to gather the information needed for the study. Liquidity

ratios such as: current ratio, acid test ratio, and net working capital ratio were used to measure the company's liquidity. It was found out that IHC has a problem with liquidity. In 2010, it had a Php1.40 current ratio, an acid test ratio of 0.29, and a net working capital of 0.089. These are indicators of the liquidity status of IHC.

Actual sales of the company does not meet the projected sales. The reason is that the brokers/agents that were hired by IHC were not enough to sell the target number of units that should be sold. The adoption of incremental budgeting by IHC shows that actual sales does not meet the projected sales.

IHC's problem with budget is due to lack of monitoring and it may be inferred that there might also be some miscalculation in the projection of budget.

## TABLE OF CONTENTS

	Page
BIOGRAPHICAL DATA .....	iii
ACKNOWLEDGMENT .....	iv
ABSTRACT .....	vi
LIST OF TABLES.....	x
LIST OF FIGURES .....	xi
LIST OF APPENDICES .....	xii
INTRODUCTION .....	1
Importance of the Study .....	2
Objectives of the Study .....	3
Time and Place of the Study .....	3
Scope and Limitation of the Study .....	4
Operational Definition of Terms.....	4
METHODOLOGY.....	7
Collection of Data.....	7
Methods of Analysis.....	7
DESCRIPTION OF THE FIRM.....	8
Historical Background.....	8
Organization and Management.....	12
Management Policies .....	14
Motivation and Incentives .....	14

## LIST OF TABLES

Table		Page
1	Actual sales versus projected sales of IHC (2006 – 2010).....	21
2	Liquidity ratios of IHC.....	22

## LIST OF FIGURES

Figure		Page
1	Location map of Imperial Homes Corporation.....	9
2	Floor plan of Unit 1201.....	10
3	Floor plan of Unit 1202.....	11
4	Organizational chart of Imperial Homes Corporation.....	13
5	Budget process flow of Imperial Homes Corporation.....	15



## LIST OF APPENDICES

Appendix		Page
1	Endorsement letter.....	35
2	Memorandum of Agreement between CvSU and IHC.....	37
3	Time card.....	40
4	Certificate of completion.....	52
5	Evaluation sheet.....	54
6	Audited financial statements of IHC.....	56
7	Request for payment form.....	66
8	Computations of liquidity ratios.....	68
9	Time table of activities.....	72
10	Certificate of English critic.....	75
11	Routing Slip.....	78



# **BUDGET SYSTEM OF IMPERIAL HOMES CORPORATION**

**Alyssa Relline G. Astudillo**

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A case study submitted to the faculty of the Department of Management, College of Economics, Management, and Development Studies, Cavite State University, Indang, Cavite, in partial fulfillment of the requirements for graduation with the degree of Bachelor of Science in Business Management, major in Financial Management with Contribution No. C-2012-BM-04-006. Prepared under the supervision of Prof. Estrellita D. Corpuz.

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## **INTRODUCTION**

The Philippine real estate industry is in the grip of a frenetic swirl as widespread construction transforms the capital Metro Manila into a burgeoning world-class metropolis. The outlying provinces and major cities are likewise developing into vibrant economic growth areas that complement the main engine that is Metro Manila. (<http://www.philippine-real-estate.info/>) The National Statistical Coordination Board (NSCB) reported that in the first quarter of 2012, the real estate sector posted growth of 28.1 percent, outpacing major Philippine industries. The sector also topped the employment index growing at 8.1 percent, the fastest since the fourth quarter of 2007. ([http://www.tempo.com.ph/2012/09/growth-in-real-estate-sector/#.UIV82W\\_A-So](http://www.tempo.com.ph/2012/09/growth-in-real-estate-sector/#.UIV82W_A-So))

Marianne T. Escanilla who is a special features writer of Business Mirror wrote on January 29, 2012 in [www.businessmirror.com.ph](http://www.businessmirror.com.ph):

The residential and commercial/office and segments of the Philippine real-estate industry have shown remarkable year-on-year growth in terms of the number of development projects, as well as sales. These developments indicate that it is now on a growth trajectory expected to be sustained in the short to medium term.