11/21/2019

TABITHA NANDERA

AIPMS/293/2019

PGD IN GRANTS MANAGEMENT

MODULE TWO ASSIGNMENT

1. **Define Budgeting. Give five functions of a budget.**

Budgeting is the process which organizations or individuals use to detail the projections of revenues and the expenses for a specific period of time. It outlines the expected operations revenues and expenses of an organization for a specified future time period, usually done annually or for a financial year, although some organizations with projects already streamlined, budget for the entire project period, for example 5 years, and they keep on adjusting annually, after implementing each year. In organizations, this process involves all the departments in the organization to provide their inputs to come with a concrete and consolidated document to guide the organization during implementation. A budget is referred for the health check of the organization. It is prepared to carry out various functions like planning activities, developing projects, testing and implementing programs etc. Budgeting in its general sense is the act of quantifying an organizations' objectives in financial terms for a specified period of time.

In every organization, the finance department plays a key role in preparation of budget in consultation with higher management and other departments. There are various functions for which an entity prepares a budget, among which include:

- ✓ A budget helps in financial planning of the organization. Quantification of plans of the organization, by translating the activities into funds to guide the organization in implementation. Organizations usually have pre-determined activities that they wish to implement, so the budget helps to translate these activities into monetary terms to come up with a financial planning.
- ✓ A budget in an organization acts as a communication tool. It provides information on what the organization does. At the glimpse of the budget of an organization, you will be able to know what the organization does.
- ✓ A budget is an authorization and accountability tool. Authorizations for spending money are done through budget. Through authorization, managers are made more accountable for their spending.
- ✓ A budget helps in controlling and co-ordination of activities of the organization in order to achieve the objectives stated by the organization. For efficient use of resources of the organization, there should be mechanisms of controlling the

resources for efficient use, and the budget does this since already there is pre-determined revenues and expenditures.

- ✓ Monitoring and controlling scarce resources through performance measurement, evaluation is means used to measure the target performance compared with actual performance. And this help the organization to take up corrective actions in case the performance is not good.
- ✓ Budgeting assists managers in decision making process in an organization. It is the function of the finance department to provide information needed in budgeting process.

b. Highlight with examples the key challenges facing NGOs in preparing and implementing budgetary programmes/policies in Africa

Non-governmental organizations (NGOs) are private organizations engaged in a wide range of voluntary non-profit activities, including health, education, humanitarian and rural development to assist improve the livelihood of the communities. The goals of NGOs vary widely depending upon the specific focus, objective and mission of the organization. Implementing these interventions requires a lot of resources which most NGOs don’t have, hence some constraints faced during implementation as highlighted below;

- ✓ Lack of Funds. Many NGOs find it difficult to get sufficient and continuous funding for their work. Gaining access to appropriate donors is a major component of this challenge. In my country, and specifically the international agency I work with, provide grants to NGOs to implement the agencies interventions, however during the selection process, many application proposals are received from both local and international NGOs, meaning that most of them are grappling with finances. They may have limited resource mobilization skills locally, so instead they wait for international donors to approach them.
- ✓ Lack of Strategic Planning. Many NGOs suffer from the lack of a cohesive, strategic plan that would facilitate success in their activities and mission. This renders them unable to effectively raise and capitalize on financial support. Still during the grant applications, most NGOs have no long term strategic plan, all their proposals are only targeting the grant

funds available. This limits their implementations in case they fail to get fund from donors, they cannot continue.

- ✓ Poor Governance. Lack of effective governance is common in NGOs. Many NGOs don't understand why they must have a Board and how to set one up. They are focused on running the NGO for their own purposes using donor funds, hence impeding transparency. When they happen to get funds they will divert from the proposal objectives because they don't have any controls in place, and they fail to meet the objectives of the proposal for which they received the funds.
- ✓ Limited Capacity. Most NGOs often lack the technical and organizational capacity to implement and fulfill their mission, and few are willing or able to invest in training for capacity building. Weak capacity affects fundraising ability, governance, leadership and technical areas. Technical capacity is in three areas, the support in fundraising for finances, the real implementation and management of the project. If the capacity is lacking, then the NGO will not survive the completion on the market.
- ✓ Most NGOs also suffer from lack of project, organizational and financial sustainability. They don't have long term strategic plans and financing strategies to implement their strategies, they depend on getting funds from donors that is not sustainable.
- ✓ The political environment also affects the implementation of NGOs. In my country, if the NGO does not support the interventions of the government in power, it will be run down by the government. Or is the NGO gets involved, or supports the opposition political powers to the ruling government, then it will not survive the wrath of the ruling government.

.

2. **Define accounting standards and explain their purpose in the modern accounting practice.**

Accounting standards are rules or guidelines that define how financial activities are recorded and reported to third parties, examples of such standards are; Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS). These rules and guidelines are set up by governing bodies, like Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB), to keep accounting practices consistent and understandable across all companies and industries. These rules have an impact both on a national economy and on the economic and fiscal policy. With the implementation of accounting guidelines on a national scale, countries are able to implement a common terminology in the economic world and perform a precise, uniform, objective and correct calculation of data on the financial position and results of business units. The standardization of the accounting procedures helps businesses to record and monitor their business activity and achieve comparability of accounting information between companies that operate in the same industry. By applying the same accounting principles and methods, businesses ensure homogeneous, reliable and accurate data and information about their assets, liabilities, financial position, and overall activities.

The main objective of accounting standards is to ensure transparency, reliability, consistency, and comparability of the financial statements. Accounting Standards mainly deal with four major issues of accounting, namely; Recognition of financial events, Measurement of financial transactions, Presentation of financial statements in a fair manner, and Disclosure requirement of financial information to stakeholders.

However in modern accounting practice, accounting standards are adopted to ensure the smooth running and sustainability of businesses through the following:

- ✓ Compliance to ethics. Uniform code of accounting standards, allows business owners in different parts of the world to adhere to the same guidelines. This facilitates the inclusion of suggestions from accounting professionals throughout the world thus standardizing the practices across the world and thus helps to ensure that these standards are favorable to all countries or cultures, hence promoting competitions in business.

- ✓ Accounting standards improve International Investments. Investors and other stakeholders find it more convenient to compare their business performance with other international companies. This makes it easier and cheaper for them to raise business capital from investors across the globe. The IASB allows you to review financial documents from foreign companies that you may want to invest in or at least establish relations with because you are all working under the same set of accounting principles. That means that regardless of where the foreign company is based, you will have reliable accounting information that was prepared using uniform methods. This eliminates a great deal of uncertainty when it comes to making a final decision about whether or not that company's financial status is solid enough to merit your investment.
- ✓ Accounting standards promote consistency in the market. This enables investors to gauge their company's performance by comparing it to a generalized set of benchmarks that are universally applicable.
- ✓ Accounting standards facilitate fair/reasonable representation of financial information of a business through inventory valuation methods and recording procedures that gives the company a comparative advantage, thus preventing manipulations.
- ✓ Accounting standards facilitate accurate reporting by recording transactions at the actual amount and proper timing. This prevents over-estimating revenues or delaying to record expenses for that particular period that could benefit the company's current-year financial statements.

3. **Discuss the importance of cash management (cash flow forecasts)**

A cash flow forecast is an estimate of the amount of money that will move in and out of your business in a specific period of time, as per organizations planning. Cash flow forecasts are primarily used to help the business owners plan how much cash they will need in the future. It details the cash and cash equivalents available to finance the expenses of the organization that includes; Operating, Investing and Financing activities of the organization. A cash flow statement is one of the standard accounting documents used in financial reporting.

Cash management is vital for any business and cash forecasting plays an important role in finances of every business, among which include;

- ✓ Provides information to show whether your business is meeting expectations. By comparing your actual income and expenses with your forecast, you can see which areas of your business are over or under performing and act accordingly.
- ✓ Help managers to plan and budget well for the financing needs of the organization including; operating, investing and financing activities of the organization.
- ✓ Accurate and timely cash flow forecasting ensures that suppliers and employees are paid on time, hence avoiding nasty situations like losing a supplier, and having to work through an employee's notice period or even incurring fines and penalties for late payment which will affect the profits of a business.
- ✓ By calculating how much cash the business will have at the start of the month, cash flow forecasts can act as an early warning for future issues. This can help identify the need for a loan or overdraft far in advance before the situation runs out of hand.
- ✓ Banks and investors usually examine a business's cash flow forecast, among other documents before investing in them or providing a loan. Hence a professional and thorough cash flow forecast is a great way to win over external stakeholders.

4. **Why is financial committee essential in Grant Management?**

A Finance committee is a subcommittee under the board of directors that is given the responsibility to oversee and monitor the finances of an organization. The committee provides financial oversight for the organization. In arrears of budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies. The finance committee works together with management and finance staff to implement financial controls in an organization. It usually comprises part of the board members, and non-board members who are stakeholders in the organization, preferably certified accountant, lawyer, banker, investment analyst to guide the organization in these professional areas. The finance committee has various responsibilities in ensuring that the organization meets the set objectives, and to be specific in grant management, below are some of the responsibilities;

- ✓ The finance committee forms part of the selection committee approves grants proposals. They review the technical and finance proposals before making on the decision of approval and present to the board of directors for approval. This therefore justifies the composition of the professions on the finance committee.
- ✓ The finance committee is responsible for setting long-term financial goals along with funding strategies to achieve them. In grants management, the committee sets the overall objectives to achieve in the long run through implementation of the grants. They also lay strategies for getting funds to finance these grants, they do the fundraising to get funds to finance the projects.
- ✓ The finance committee works with the directors to develop multi-year operating budgets that integrate strategic plan objectives and initiatives. In addition to developing an annual budget, the committee should also set long-term financial goals. They work with the staff to determine the financial implications of the plan and will plot them into a multi-year organizational budget that will financially support the implementation of the strategies of the organization.
- ✓ The finance committee puts in place the internal controls and accountability policies that monitors the implementation of grants to ensure the achievement of the set objectives through implementation of grants. Finance committees are also often charged with

ensuring compliance and/or developing other policies that further serve to protect the organization and manage its exposure to risk.

- ✓ Finance committee work with management of an organization to provide high level financial reports to the board on the organization's financial and cash position, its adherence to the budget, its allocation of resources toward the implementations of approved grants, and its support of any donor-imposed restrictions on contributions/ funds provided.
- ✓ The finance committee also takes roles of the audit of the organization. They recruit, and select the auditors, review the draft report of the auditor, take lead in responding to audit queries raised by the auditor, and present the final audit report to the board of directors.

5. **What are the contents of Balance Sheet? Differentiate between a Balance sheet and Trial Balance.**

A balance sheet is the statement of account that represents the financial position of the business for a specific period of time, usually a year. It details the assets, liabilities and owner's equity of a business. It lists all of the assets that a company owns as well as the debts owed by the company and the owner's interest or ownership shares in the company. It is one of four basic accounting financial statements, the other three being the income statement, statement of owner's equity, and statement of cash flows. A balance sheet illustrates the accounting equation; Assets = Liabilities + Owner's equity. Assets have to balance with the sum or liabilities and owner's equity. This is where the word "balance" in balance sheet comes from. From the definition above, a balance sheet consists of the following;

- ✓ Assets of a business or individuals. These are resources owned and controlled by the enterprise that are used to generate future economic benefits for the business, examples of assets include: cash and cash equivalents, inventory/stock, investments, Property, Plant, and Equipment, Vehicles, Furniture.
- ✓ Liabilities of a business or individuals. These are obligations of the company, they are amounts owed to creditors for a past transaction Liabilities also include amounts received in advance for future services. Examples of liabilities include; creditors, salaries payable, interest payable, taxes payable, loans payable etc.
- ✓ Owner's equity is the net assets, or net worth of an organization of and individual. It is the owners' claim to company assets after all of the liabilities have been paid off. If the business assets were liquidated to pay off creditors, the excess money left over is the owner's equity. In accounting equation, owner's equity equals total company assets minus total company liabilities. The capital invested in the business contributes to owner's equity.

A Trial Balance is a statement that details the closing balances of ledger accounts, segregated into debit balances and credit balances on a specific date. It details asset and expense accounts on the debit side of the trial balance and liabilities, capital and income accounts on the credit side. When all accounting entries are recorded correctly and all the ledger balances are accurately extracted, the total of all debit balances appearing in the trial balance must equal to the sum of all credit balances. It is prepared at the end of an accounting period to assist in the drafting of financial statements.

A Trial Balance is the first step in the preparation of financial statements. It is a working paper that accountants use as a basis while preparing financial statements, by ensuring that for every debit entry recorded, a corresponding credit entry has been recorded in the books in accordance with the double entry concept of accounting.

The differences between a balance sheet and a trial balance, are:

- ✓ A balance sheet forms part of the final financial reporting statements of an entity, whereas, a trial balance is an extract of balances from ledgers that are used to prepare financial statements. The trial balance is a primary source of information used to extract a balance sheet.
- ✓ A balance sheet shows the entities financial position in terms of assets, liabilities and owners' equity, whereas, a trial balance, is used to record balances of ledgers accounts.