Module 2 Assignment

PGD in Grant Management Module 2 Assignment

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1. **Defining Budgeting**

Budgeting is the process of creating **a plan to spend your money**. This spending plan is called **a budget**. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.

Budget also serves as an instrument of financial control by legislative over executive. It also serves as instrument of accountability and financial control. Further, it is a management tool for achieving efficiency, productivity, improvements and for determining the degree to which policy goals have been accomplished.

The most important function of budget is redistribution of wealth. However, that needs proper integration of revenue and expenditure side

The budget serves as a public policy document expressed in money and is an embodiment of implied policy objective in monetary terms.

Budget serves as an instrument of economic development, which embodies a work programme for administration and government. It's a source of information for all stakeholders.

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

Limited Capacity: NGOs recognize that many of them have limited technical and organizational capacity. Few NGOs are able or willing to pay for such capacity building. Weak capacity was identified in fundraising, governance, technical areas of development, and leadership and management. Some NGOs felt that the existence of quality standards would assist them to develop the required capacities. The speed of technology changes is also a challenge particularly in areas of IT capacity

Absence of Strategic Planning: Few NGOs have strategic plans which would enable them to have ownership over their mission, values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time

Lack of Funds: NGOs are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. They find accessing donors as challenging as dealing with their funding conditions. They perceive there to be certain cartels of individuals and NGOs that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them. There is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is a lack of financial, project and organizational sustainability.

Involvement in the budget process is not an intuitive priority for many NGOs. Many of the Strategy Center's budget experts noted an initial lack of appreciation for budget issues among NGO leaders. To overcome this problem, the Center gave careful consideration to the organizations it targeted for outreach, as well as the way in which the message about budget analysis was delivered. Two types of motivation for budget analysis work were particularly effective: advancing the organization's efforts to learn about opportunities to secure budget funds for its activities, and capitalizing on the organization's desire to check whether budget revenues are properly spent in the field it views as important. Education is critical. A large number of NGO leaders have an insufficient understanding

Target training efforts at both the NGO community and government officials. Training NGOs to engage in budget work is typically deemed important because of the role NGOs can play in increasing transparency and government accountability to the electorate. However, when the budget is developed through a closed process in the executive branch of the government, it is equally important to train local-level public representatives in A Taste of Success the International Budget Project 12 budget process and analysis to prepare them to participate meaningfully in the budget debate and to counter potential corruption among high-level government officials

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

An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. The system for keeping financial records and documentation must observe internally accepted accounting system.
Accounting standards improve the transparency of financial reporting in all countries.
Modern accounting and financial reporting standards are in place to enhance efficiency and public accountability within set system. Adherence to modern accounting standards is a requirement of NGOs, Government. The implementation of modern accounting standards improves efficiency and transparency in both the private and public sectors.

An accounting standard is a common set of principles, standards, and procedures that define the basis of financial accounting policies and practices. 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 companies to ensure stakeholders are not misinformed (Toppr.com, 2019).
The Generally Accepted Accounting Principles-GAAPs are a common set of accounting rules, standards and procedures. They are used to prepare, present and report financial statements for publicly traded and privately held companies, nonprofit entities and federal and state governments in the United States (John Freedman, 2019). They comprised of the following sets of principles of; regularity, consistency, sincerity,

Permanence of methods, Non-compensation, prudence, continuity, periodicity, materiality and utmost good faith (Kenton, 2019).

The main purpose of the Accounting Standard is to ensure; transparency, reliability, consistency and comparability of financial statements. The above is achieved by standardizing accounting policies and principles.

The main aim is to improve the reliability of financial statements. Now because the financial statements have to be made following the standards the users can rely on them. They know that not conforming to these standards can have serious consequences for the companies.

Then there is comparability. Following these standards will allow for inter-firm and intra-firm comparisons. This allows us to check the progress of the firm and its position in the market.

It also looks to provide one set of accounting policies that include the necessary disclosure requirements and the valuation methods of various financial transactions.

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

- Providing a leading indicator of financial stability or instability.
- Ensures that there is enough cash available to operate efficiently
- Enabling an organization to maintain good credit by paying obligations in a timely manner.
- Allowing the organization to take advantage of long term investment earnings.

4. Why is financial committee essential in Grant Management?

Budgeting and planning

Finance committee plays an oversight, monitoring and advisory role in financial planning. They review and approves grant budget for short term and long-term plan. They also present this budget to Board of directors for further approval.

Reporting

The committee also develop useful and readable grants reporting format that support multi-donor reporting requirements. Effective financial committees require staff or grantees to provide highly contextual reports clearly communicating the organization’s financial and cash position, its adherence to the budget, its allocation of resources toward the accomplishment of its mission, and its support of any donor-imposed restrictions on contributions. Having a predetermined list of reporting expectations permits staff to allocate enough time to produce accurate, high quality reports and not be caught off guard by ad hoc requests. In addition, these reports should help to focus the board’s discussion about expected outcomes and potential strategies for overcoming setbacks or changes in the financial environment.

Internal control and accountability policies

Although the entire board carries fiduciary responsibility for the organization, the financial committee serves a leadership role in this area, making sure appropriate internal control procedures for all financial transactions are documented in a manual and followed by staff or grantees. The committee also play a role in determining and updating bank account signatories as well as overseeing all legal and governmental filing deadlines are met.

Finance committees also helps with ensuring compliance and, or developing other policies that further serve to protect the organization and manage its exposure to risk. These include establishing policies surrounding: Grant management, Human Resource, Procurement, Anti Bribery, Anti-Fraud policy.

Monitoring and evaluation
The financial committee also plays a vital role in monitoring and evaluation of grants performance, through on-site visits to grantees, participation in stakeholders review meetings.

Grantees award procurement
The financial committee forms part of the selection committee in grantees award procurement or selection of new grantees. They give technical financial analysis of the prospect grantees to ensure that grants are awarded to less risky grantees, and if they must then it should be a manageable risk with clear mitigation and monitoring strategy well communicated and adhered to by all parties.

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

A Balance Sheet is a statement contains two major heads in which it is classified:
One is assets, which is divided into Current and Non-Current Assets. Current Assets are those assets which are readily converted into cash while the Non-Current Assets are those assets with the help of which the company runs the business.
Another part is Equity and Liabilities, where Equity contains the amount invested by the Equity Shareholders and Reserves & Surplus. Liabilities are divided into two sections Current and Non-Current Liabilities. Current Liabilities are the debt, which is to be paid off within one year while the Non-Current Liabilities means the debt, the repayment of which can be done after a certain time, in most cases in more than one year.
Working capital- These are the funds organization has available as a cushion or safety net for running the organization's operations in short term
Accumulated funds- Are funds that represent the true worth of the organization in form of capital or cash reserves which have been built up from surpluses in previous year.

Important to note also is that balance sheet MUST have a heading as part of its component, this depict the entity name and the statement reporting date as at that specific time it is drawn.

The key difference between a balance sheet and a trial balance are detailed below;

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Meaning

A Trial Balance is the list of all the balances of General Ledger Account while a ***Balance Sheet*** is the statement which shows the assets, equity and liabilities of an entity.

Division

A trial balance consists of a description, debit and credit column whereas a balance is divided broadly into Assets and Equity & Liabilities heads.

Stock/Inventories

Opening inventories are considered under a trial balance while the balance sheet considers the closing inventories or stock only.

The balance sheet is part of a financial statement whereas a trial balance is not part of a financial statement.

Objective

The main objective of trial balance is to check the arithmetical accuracy in recording and posting accounting transactions while the balance sheet main objective is to ascertain the financial position of the company on a particular date.

Balances

A trial balance comprises of balances of personal, real and nominal account while in a balance sheet the balances of only personal and real account are shown.

Preparation

A trial balance is prepared at the end of each month, quarter, half year or financial year whereas a balance sheet is prepared only at the end of the financial year.

Use

A balance sheet is used externally whereas a trial balance is used internally.

Reference:

1. John Freedman,September, 2019: what is GAAP Accounting, https://bizfluent.com/about-5213000-gaap-accounting-.html, accessed on 30th October, 2019.
2. Will Kenton (October, 2019); Corporate finance & Accounting: https://www.investopedia.com/terms/g/gaap.asp, accessed on 25th October, 2019.
3. Toppr.com, 2019; Accounting Standards- Objectives, Benefits, Limitations, https://www.toppr.com/guides/principles-and-practice-of-accounting/accounting-standards/accounting-standards-objectives-benefits-limitations/, accessed in October, 2019.