***Name: ADAW ALOR***

***Admission NO :Aipms 232/2019***

***Course: PGD in Grant Management***

***Assignment NO: TWO***

Q1

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

**Budget**: is a financial plan for a define period often one year. It also include planning sales volumes and revenues resource quantities, cost and expenses assets, liabilities and cash flow.

**Function of a budget.**

1. **Forecasting**: This entails making at calculated attempt into knowing what the future holds. Forecasting may not be perfect as evidence has shown but it is better to have a forecast to work with than not having any as this will help you get prepared. There are many statistical tools developed over the years to help managers and accountants make better forecast. Forecasting is a complex exercise that requires you to consider many variable in the light of the action of competitor’s government action economic outlook relationship between prices and demands etc.
2. **Planning**: generally speaking planning depends on forecast that has been made in the past to make decision about the future. The estimated data generated by forecasting are used to make plans. Government agencies, for example heath authorities use forecast from estimated population to plan on the number of health centers to open in a community and the number of beds and other health equipment that will be put in that hospital .Business also use forecast figure to estimate the use of materials and make plans to ensure that they can go on and on. Financial models on computers makes the mixture of variables on an “what if” scenario possible so that the best possible mix of variable are achieved. Spread sheet is one of the most popular financial models to use for planning and forecasting.
3. **Communication**: Budgeting in an organization acts as a communication tool in the following ways:

A**. Gathering information**: information about a company and the actives of its competitors are gathered during the process of making all kinds of budget. It is quite impossible for a single individual to gather all these information that are needed to make a function budget. Managers and other non-managers staff will to be consulted and information obtained from them. This information will then be analyzed, challenges and criticized in order to come up with flited information.

B. **Disseminating information**: budgets when not dissemination ability that ensures that responsible managers actually got the budget with them will work with. Budgeting committee is usually formed to act as a forum where representatives from different parts of the business will assemble to iron out issues that relates to resource planning of the business.

1. **Motivation**: motivation is the driving force that makes people to run towards their goals rather than trudge towards it. Motivation is a relative and subjective term, we are not here to discuss motivation but to see how factors needs to be considered here. How to make people follow a budgeting there are two main approaches that companies ca employ to make their staff heed towards a budget, each having its advantages and disadvantages they are authoritarian method and participatory method these two approaches represent two extremes. The ideal method that is actually used in practice is the one that strive to achieve balance between the two extremes. Again budgets can either to motivate staff its level of difficulty most be somewhere around the middle of difficulty and easiness.
2. **Evaluation**: evaluation means to judge something with a standard, the budget represent that target performant which will then be compared with actual performance and this will then lead to corrective action being taken. Evaluation in real life is not as easy as I have presented it here if not handled with evaluation can encourage actions that will harm the organization in the long run. Again there are some non-quantifiable aspects of a business that is hard to measure. Examples are customer services, staff morale, innovation environmental friendliness, etc. There are nonfinancial factors that have effects on investment appraisal that must be considered before judging a managed the investment under his or jurisdiction other business success factors equally needs to be considered.

***B- Highlight with examples the key challenges facing NGOs in preparing and implementing budgetary. Programme/ policies in African.***

* **Political will**: there are a number of basic precondition for the implementation of a participatory budget the first is a clear political will of the Mayor and the other municipal decision makers political will is necessary to sustain the entire process. The most visible manifestation of this will be in the implementation phase. When the commitments are concretized of the exercise.
* **Interest of civil society**: Second is the presence and interest of civil society organization and better still of the citizenry in general. This condition is decisive for the sustainability of the exercise.
* **Utilization of traditional structures or leaders**: It provided easy mechanism for mobilization of support and cooperation
* **Strategic plan**: The third is a clear and shared definition of the rules of the game these rules refer to the amounts to be discussed the stages and their respective time periods the rules for decision making (and in the case of disagreement the responsibility and the decision making authority of each actor) the method of distributing responsibility authority and resources among the different districts and neighborhoods of the city. And /or rural communities and the composition of the participatory budget council. These rules cannot be decided unilaterally they must be determined with full participation of the population and subsequently adjusted each year based on the result and functioning of the process.
* **Capacity building**: The fourth precondition is the will to build the capacity of the population and the municipal official of the public budget in the particular. This entails explaining the amount sources of finds and current of expenditure if it is also important to clarity which areas of public spending are the municipality’s responsibility and which rest beyond the local authority.

Q2

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

**Accounting Standards**: are authoritative standards for financial reporting and are the primary source of generally accepted accounting principle (GAAP) accounting standards specify how transactions and other events are to be recognized, measured, presented and disclosed in financial statement the objective of such statements is to provide financial information to investors lenders, creditors, contributors and other that is useful in making decisions about providing resources to the entity

**Their purposes in modern accounting practice**

You organization ledgers- how much you spent this week and how much you earned are important for you to manage your business. People outside your company are much more interested in your financial statement the balance sheet, cash flow statement and income statement. When people are thinking of investing in your business or lending you money the statement tell them key information

* Assets of your company
* The debt the company carries
* The income the business brings in

Without standards such as GAAP or FASB business could interpret financial information in what way makes them look best. Making you slightly less profitable.

Without GAAP you could ignore the possibility of nonpayment telling yourself it’s still possible everyone will pay up.

Without GAAP companies could fudge their figures in many other ways. For example you could shift your accounting methods to whatever presents your company in the best light. GAAP requires business to use consistent accounting methods over time Not-for-profit governments follow GAAP as many local government, which gives interested donors and citizens have an idea how well their money is being managed and spent. Private companies aren’t required to follow GAAP because they don’t sell stock to follow GAAP statement.

Q3

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

Cash management is important because if a business runs out of cash and is not able to obtain how finance, it will become insolvent. Cash flow is the life blood of all business particularly startups and small enterprises.

As a result it is essential that management forecast predict what is going to happen to cash flow to make sure the business has sufficient funds to survive. How often management should forecast cash flow it dependent on the finance security of the business. If the business is struggling or is keeping a watchful eye on its finance the business owner should be forecasting and revising his or her cash flow on a daily basis. However if the finance of the business are more stable and safe then forecast and revising cash flow weekly or monthly is enough here are the key reasons why cash flow forecast is so important:

* It will enable you to continue to fulfill your purpose- i.e. male that there’s enough money to provide services keep your initiative going… whatever it is your organization was founded to do.
* It will help to ensure that you get the most out of your money. Good money management will stretch your dollars by helping you use them as effectively as possible.
* It will make it possible to keep control of your finances, and particularly of your cash flow.
* It will help you maintain good relationship with your landlord, you suppliers, and anyone else whom you pay for goods and services. Life is much easier when people and organizations pay their bills on time. Landlord and others are much more likely to make repairs, fill special orders, and generally be friendly to those who make their lives easier.
* It will establish your credibility in the community. Your organization will get the reputation of one that takes care of business, and is serious about its financial commitments as well as its mission. This kind of reputation can add greatly to your fundraising success, since people want to put their money where they know it will be well-managed to do the most good.
* It will save you a great time in dealing with money. You’ll spend far less time trying to track down a missing receipt, or redoing something because you didn’t’ do it right the first time or engaging in other forms if waste motion.
* It will save you a great deal of worry, because you’ll know exactly how much money you have it’s being spent.
* It will give you time to devote to the actual purpose of your organization. Money is a measure for you to reach goals. The more effectively your money is managed, the more effectively you’ll be able to use it.

Q4

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

finance committee is among standing committee the purpose of the committee is to monitor the organization’s financial operation and catch inadequate or incompetent practice financial errors or unethical or illegal action, intentional or unintentional on the part of directors and financial staff the committee can also participate in and / or evaluate a financial audit and auditors and help to interpret financial

Q5

***What are the contents of Balance sheet? Differentiate between Balance sheet and Trial balance.***

**Contents of Balance Sheet**

1. **Assets**: are items owned by the business whether fully paid for or not these items can range from cash. The most liquid of all assets. To inventories equipment, patents, and deposits held by other business. Assets are further categorized into the following classification: current assets and fixed assets how assets are divided into these categories and how they match corresponding liability of a company’s health.

A**. Current assets**: include cash, government securities, marketable securities, notes receivable account receivable, inventories, prepaid expenses and any other item that could be converted to cash in the normal course of business within one year. Current assets should reasonable balance current liabilities produce one of the health indicators of company, the current ratio “if that is unfadable, the necessary resources to meet its cash obligation, since inventories are sometimes difficult to turn into cash, the acid test is another ratio used, it includes current liabilities. The company’s working capital” is determine by current liabilities from current assets rather than being a ration it is a dollar determinate indicator of company health.

B**. Fixed assets**: include real estate, physical plant, leasehold improvements, equipment, vehicles, and other assets that can reasonably be assumed to have a life expectancy of serval years. In practice most fixed assets excluding land. Fixed assets are reported net of depreciation in an attempt to claim only their current value. Fixed assets also include intangibles like the value of trademarks, copyrights, and a difficult category known as goodwill

1. **Liabilities:** liabilities on the other hand, are the business’s obligation to other entities as result of past transaction or event. These entities range from employees (who have provided work in exchange for salary) to investors (who have provided loans in exchange for value of that loan plus interest) to other companies (who have supplied goods or services in exchange for agreed upon compensation) liabilities are typically divided into two categories: short term liabilities or current liabilities and long term liabilities.

Liabilities that quality for inclusion under the short-term or current designation include all those that are due and payable within one year these include obligation in the areas of accounts payable, taxes payable, notes payable, accrued expenses (such as wages, salaries, withholding taxes) and other expenses that are supposed to be paid off over the next year such obligation include the portion of long-term debt that is scheduled to be paid off during the course of the coming year

1. **Owner’s Equity**: once a business has determined its assets and liabilities it can then determine owners’ equity, the book value of the business’s assets once all liabilities have been deducted. Owners’ equity, which is also sometimes called stockholders equity is in essence the net worth of the company

**Differentiate between Balance sheet and Trial Balance**

* Statement of debit and credit balance were taken from general ledgers is known as Trail balance. Statement of assets and equity and liabilities is known as balance sheet.
* Trail balance does not include closing stock while the Balance sheet does include opening stock.
* Trial balance checks the arithmetical accuracy in the recording and posting while balance sheet is prepared to determine the financial position of the company on a specific date.
* Trail balance is prepared after posting into ledger whereas balance sheet prepared after the preparation of Trading and profit and loss account.
* The balance sheet is the part of the financial statement while Trail balance is not part of the financial statement.
* Balance of all personal real and nominal account are shown in the Trial balance on the contrary, Balance sheet shows the balance of personal and real account only.
* The Trial balance of prepared at the end of each month, quarter, half year or the financial year. Conversely, the balance sheet is prepared at the end of each month.
* The Trial balance is prepared for internal use only, however the balance sheet is prepared for both internal and external use, i.e. inform outside parties about the financial condition of the entity.