**SCHOOL OF BSUINESS AND MANAGEMENT**

**COURSE: AFRICA CENTRE FOR PROJECT MANAGEMENT**

**COURSE UNIT: GRANTS MANAGEMENT MODULE 2**

**ASSIGNMENT SUBMITTED**

**BY**

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**MODULE 2 ASSIGNMENTS:**

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

The main challenges to the missions of most NGOs are as follows:

Lack of Funds

Many NGOs find it difficult to garner sufficient and continuous funding for their work. Gaining access to appropriate donors is a major component of this challenge. They may have limited resource mobilization skills locally, so instead they wait for international donors to approach them. Current donors may shift priorities and withdraw funding. The NGO might suffer from a general lack of project, organizational and financial sustainability.

Absence 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.

Poor Governance and Networking

A lack of effective governance is all too common in NGOs. Many have a deficit of understanding as to why they must have a Board and how to set one up. A founder may be too focused on running the NGO for their own purposes; however, governance is foundational to transparency.

Poor or disorganized networking is another major challenge, as it can cause duplicated efforts, time inefficiencies, conflicting strategies and an inability to learn from experience. The more NGOs communicate with one another, with International Non-Governmental Organizations (INGOs) and with the community at large, the more effective all of them can be. However, many NGOs perceive INGOs as hindering or even threatening to their goals and missions.

Many NGOs do not maximize the use of current technologies that could facilitate better communication and networking. More effective use of technology can assist NGOs in staying abreast of important regional, national and global concerns.

Limited Capacity

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.

Development Approaches

Many NGOs favor a “hardware” approach to development through building infrastructure and providing services instead of empowering people and institutions locally. Overall, their development approaches are not as flexible, sustainable and relevant to the community as they could be.

Political Interference: In some regions, in particular South Rift and North Eastern, NGO leaders identified the interference of local politicians and civic leaders as a major hindrance to their work. Where NGOs are involved in sensitive issues, such as land disputes, local leaders can threaten NGOs with de-registration. NGOs are not aware that the Board - and potentially the Council - are there to protect them from such intimidation

NGO Board and NGO Council: Many participants were poorly informed of the difference between these two institutions, NGO Coordination Board and the National Council of NGOs; and unaware of their roles and responsibilities in relation to them. Most participants expressed the opinion that the NGO Code of Conduct is outdated and needed updating soon. This group of participants also complained that the NGO Council is poorly governed and doesn’t provide any services to the NGOs. They were aware that the NGO Board does not respect the Council and that there is mistrust between the Government and NGOs. Participants are well aware that the NGO sector has a very poor public profile which they see as mainly due to the leadership wrangles, politics and infighting at the Council and among NGOs. While most participants appreciated the positive role of the NGO Board in creating an enabling environment for NGOs, a few participants felt there was a lack of political good will towards NGOs in some parts of government. Some branches of government are thought to deliberately frustrate NGOs. A few participants felt that government bureaucracy holds back the NGO sector and its members.

Relationships with INGOs: There is considerable concern among local NGOs that the giants, mainly INGOs, occupy so much space that it is very difficult to find room for themselves. INGOs often intervene without any concern for the building of sustainable local CSOs. They pay government and community members to participate in their projects while local NGOs have no facility for doing so. INGOs are also perceived to be driven by short-term project approaches that are not locally sustainable. They pay high salaries and attract local NGO personnel. They are also responsible for creating the high cost image that undermines the credibility of the sector. It is difficult and inappropriate for local NGOs to compete with the international and national giants. Many external organizations are not working with local CSOs, they simply provide unfair competition and hold back the development of our sector and cost effective development interventions. International NGOs should not be allowed to work on the ground, they pay allowances and manipulate the people; cannot run this nation on the whims of international NGOs; they suppress local NGOs.

Poor Communications: NGOs also recognize that there is very poor communication within the sector. The majority of NGOs have little or no access to reliable email and internet connections, they receive almost no literature on development issues and are generally out of touch with issues of global, regional and national importance. Their lack of understanding of the difference between the Board and Council is just one example of the knowledge gaps that exist.

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

Accounting standard means a rule or guideline for how financial activities are recorded and reported to third parties.

Financial statements have incredible importance for both internal and external stakeholders. They basically are a report card for the company. So it is important that they are regulated and do not report misleading information. And the Accounting Standards (AS) provide us with a framework for this regulation. Let us take a look.

Accounting Standards (AS)

Accounting Standards (AS) are basic policy documents. Their main aim is to ensure transparency, reliability, consistency, and comparability of the financial statements. They do so by standardizing accounting policies and principles of a nation/economy. So the transactions of all companies will be recorded in a similar manner if they follow these accounting standards.

These Accounting Standards (AS) are issued by an accounting body or a regulatory board or sometimes by the government directly. In India, the Indian Accounting Standards are issued by the Institute of Chartered Accountants of India (ICAI).

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

Disclosure requirement of companies to ensure stakeholders are not misinformed

Objectives of Accounting Standards

Accounting is often considered the language of business, as it communicates to others the financial position of the company. And like every language has certain syntax and grammar rules the same is true here. These rules in the case of accounting are the Accounting Standards (AS). They are the framework of rules and regulations for accounting and reporting in a country. Let us see the main objectives of forming these standards.

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.

Accounting standards (AS)

Benefits of Accounting Standards

Accounting Standards are the ruling authority in the world of accounting. It makes sure that the information provided to potential investors is not misleading in any way. Let us take a look at the benefits of AS.

1] Attains Uniformity in Accounting

Accounting Standards provides rules for standard treatment and recording of transactions. They even have a standard format for financial statements. These are steps in achieving uniformity in accounting methods.

2] Improves Reliability of Financial Statements

There are many stakeholders of a company and they rely on the financial statements for their information. Many of these stakeholders base their decisions on the data provided by these financial statements. Then there are also potential investors who make their investment decisions based on such financial statements.

So it is essential these statements present a true and fair picture of the financial situation of the company. The Accounting Standards (AS) ensure this. They make sure the statements are reliable and trustworthy.

3] Prevents Frauds and Accounting Manipulation

Accounting Standards (AS) lay down the accounting principles and methodologies that all entities must follow. One outcome of this is that the management of an entity cannot manipulate with financial data. Following these standards is not optional, it is compulsory.

So these standards make it difficult for the management to misrepresent any financial information. It even makes it harder for them to commit any frauds.

4] Assists Auditors

Now the accounting standards lay down all the accounting policies, rules, regulations, etc in a written format. These policies have to be followed. So if an auditor checks that the policies have been correctly followed he can be assured that the financial statements are true and fair.

5] Comparability

This is another major objective of accounting standards. Since all entities of the country follow the same set of standards their financial accounts become comparable to some extent. The users of the financial statements can analyze and compare the financial performances of various companies before taking any decisions.

Also, two statements of the same company from different years can be compared. This will show the growth curve of the company to the users.

6] Determining Managerial Accountability

The accounting standards help measure the performance of the management of an entity. It can help measure the management’s ability to increase profitability, maintain the solvency of the firm, and other such important financial duties of the management.

Management also must wisely choose their accounting policies. Constant changes in the accounting policies lead to confusion for the user of these financial statements. Also, the principle of consistency and comparability are lost.

Limitations of Accounting Standards

There are a few limitations of Accounting Standards as well. The regulatory bodies keep updating the standards to restrict these limitations.

1] Difficulty between Choosing Alternatives

There are alternatives for certain accounting treatments or valuations. Like for example, stocks can be valued by LIFO, FIFO, weighted average method, etc. So choosing between these alternatives is a tough decision for the management. The AS does not provide guidelines for the appropriate choice.

2] Restricted Scope

Accounting Standards cannot override the laws or the statutes. They have to be framed within the confines of the laws prevailing at the time. That can limit their scope to provide the best policies for the situation.

The purpose of accounting standards can be answered by first looking at the purpose of accounting. The accounting profession is looked upon to provide analysis of assets, financial stability, financial performance, record-keeping and more. To provide accurate and reliable information, the accounting profession requires rules and guidelines on how to report information. That is the purpose of accounting standards – to provide guidance to the accounting profession.

3. Define Budgeting. Give five functions of a budget.

Budgeting is the process of preparing detailed projections of future amounts. Companies often engage in two types of budgeting: Operational budgeting, and Capital budgeting.

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

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

Instrument of Economic Development Budget serves as an instrument of economic development, which embodies a work programme for administration and government. It’s a source of information to stakeholders.

Instrument of budgetary control 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.

Instrument of accountability Budget is an instrument to make elected legislators accountable to people. It also upholds the economic, social and cultural of the people rights.

4. Discuss the importance of cash management (cash flow forecasts)

The corporate process of collecting, managing and (short-term) investing cash. A key component of ensuring a company’s financial stability and solvency. Frequently, corporate treasurers or a business manager is responsible for overall cash management.

Because it allows businesses to be solvent enough to keep the company in business even during slow activity or economic downturns. If your business cannot meet its monthly obligations for operations and liabilities you are not solvent. This means that a downturn in the economy or any loss of sales could be devastating.

Businesses that have poor cash management can fall behind in debt and monthly operational expenses, making it extremely hard to recoup stability. Sometimes when things are very rough lack of cash flow can prevent the processing of payroll. Employees will not work if they do not get paid. If your cash flow issues get to that point the business has little chance to recover.

Cash management benefits:

* Allows adequate cash for purchases and other purposes.
* Ability to meet cash flow.
* Allows planning for capital expenditure.
* Allows for financing at better terms.
* Enables you to make special purchases and take advantage of business opportunities.
* Facilitates invest.

Practicing good cash flow management

One of the first steps in cash flow management is measuring liquidity, this means having the amount of cash on hand to meet current financial obligations. Then, you need to develop a cash flow projection. This allows you to manage cash on a daily basis as well as long term. And utilize cash management planning for short and long term goals. Using historical cash flow statements helps keep track of how money was used.

Keeping track of how cash was used in the past and knowing your current liquidity, will allow you to make long strides in managing cash flow. Knowing where your cash comes from and goes to is vital to being able to manage your available cash.

Controlling cash

This is essential in managing cash flow both in the short and long term. Ensuring that outstanding debts are managed cuts down on cash shortages. Making wise investment decisions allows cash to be available when it is needed. If you tie up cash in long term stock it is not available to invest in something short term with a good ROI. Also, ensuring that you pay your payables on time keeps cash flow of suppliers moving, and prevents them from increasing your prices of necessary items. By managing your cash flow properly you help to ensure that the economy runs smoother for everyone.

Goals of good cash management for your business

The largest goal of good cash management systems is to reduce or eliminate any surprises when meeting cash requirements. Good cash management influences the efficiency of operations and reduces overall cost of doing business.

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

Balance.

A balance sheet is a financial report that provides a snapshot of a business's position at a given point in time, including its assets (economic resources), its liabilities (debts or obligations), and its total or net worth (assets less liabilities).

Contents of a balance sheet includes:

Assets, liabilities, and owner equity.

The balance sheet is so-called because there is a debit entry and a credit entry for everything (but one entry may be to the profit and loss account), so the total value of the assets is always the same value as the total of the liabilities

A trial balance is a bookkeeping or accounting report that lists the balances in each of an organization's general ledger accounts. (Often the accounts with zero balances will not be listed.) The debit balance amounts are listed in a column with the heading "Debit balances" and the credit balance amounts are listed in another column with the heading "Credit balances." The total of each of these two columns should be identical.

Trial Balance is a part of the accounting process, which is a schedule of debit and credit balances taken from all the ledger accounts. As every transaction affect two sides, i.e. every debit has a corresponding credit and the reverse is also true. The total of debit and credit balances are equal in the trial balance. In contrast, the Balance Sheet is the statement that exhibits the company’s financial position, by summarizing the assets, liabilities, and capital on a particular date.

6. Why is financial committee essential in Grant Management?

Role of the Committee

The role of the finance committee is primarily to provide financial oversight for the organization. Typical task areas for small and midsized groups include budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies. An outline of responsibilities appears below.

Budgeting and Financial Planning

Develop an annual operating budget with staff.

Approve the budget within the finance committee.

Monitor adherence to the budget.

Set long-range financial goals along with funding strategies to achieve them.

Develop multi-year operating budgets that integrate strategic plan objectives and initiatives.

Present all financial goals and proposals to the board of directors for approval.

Effective finance committees fully engage in an annualized budgeting process in cooperation with the staff administrative leader and senior staff. Unless an organization’s bylaws expressly forbid it, it may be advantageous to include non-board members with financial expertise on the committee.

In addition to developing an annual budget, the committee should also set long-term financial goals. These goals might include, for example, the creation of a working capital or cash reserve fund and the creation of a fund for maintaining or replacing equipment. If the organization has a strategic plan, the finance committee will 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.

Reporting

Develop useful and readable report formats with staff.

Work with staff to develop a list of desired reports noting the level of detail, frequency, deadlines, and recipients of these reports.

Work with staff to understand the implications of the reports.

Present the financial reports to the full board.

Effective finance committees require staff 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 Controls and Accountability Policies

Create, approve, and update (as necessary) policies that help ensure the assets of the organization are protected.

Ensure policies and procedures for financial transactions are documented in a manual, and the manual is reviewed annually, and updated as necessary.

Ensure approved financial policies and procedures are being followed.

Although the entire board carries fiduciary responsibility for the organization, the finance 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. The committee should 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 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. These include establishing policies surrounding:

Personnel policies

Executive compensation packages (in the absence of a separate human resources committee)

Long-term contracts or leases

Loans or lines of credit

Internet use and computer security

Capital purchases

Disposition of donated stock

Insurance requirements and reviews

Record retention

Gift acceptance

Covering Audits and Investments

Depending on many factors including – the size of the board, the size of the budget, the magnitude and complexity of existing financial assets – the finance committee may be called upon to perform the roles of two other committees that are usually separate in larger organizations: the audit committee and the investment committee. The basic audit and investment committee’s responsibilities include:

Audit Committee

Recruit and select the auditor.

Review the draft audit and 990 as presented by the auditor.

Present the audit report to the full board of directors (if the auditor does not do this).

Review the management recommendation letter from the auditor and ensure follow up on any issues mentioned.

Investment Committee

Draft an investment policy detailing the objectives of the investment portfolio, guidelines on the asset allocation of the portfolio based on a predetermined level of risk tolerance, authorizations for executing transactions, disposition of earned income, etc.

Ensure provisions of the policy are followed.

Review the policy at least annually and update if necessary.

Hire and evaluate the investment managers/advisors.

Even if an organization does not have enough cash to support a full blown investment portfolio, it should manage its cash to optimize earned revenue. If an organization has excess operating cash, the finance committee, with the staff administrative leader’s input, may consider drafting guidelines for putting the excess cash in low–risk, short-term vehicles. These should be designed to maximize earned revenue from existing cash without interfering with operating cash flow needs, i.e., purchasing short-term CDs with staggered maturity dates, or establishing a sweep account arrangement wherein excess cash is swept into a higher-yield vehicle each night.