**HAMIDA MAUTO**

**MODULE 2 ASSIGNMENTS**

1. Highlight with examples the key challenges facing NGOs in preparing and

implementing budgetary programmes/policies in Africa

1. Define accounting standards and explain their purpose in the modern accounting practice
2. Define Budgeting. Give five functions of a budget
3. Discuss the importance of cash management (cash flow forecasts)
4. What are the contents of Balance Sheet? Differentiate between a Balance sheet and Trial Balance
5. Why is financial committee essential in Grant Management?
6. **Highlight with examples the key challenges facing NGOs in preparing and implementing budgetary programs/policies in Africa**

There are several factors that affect NGOs in preparing and implementing budgetary programs in Africa. Different challenges are faced by these organizations depending on the NGOs status, however some of the problems highlighted below are experiences by a majority of them.

1. Poor governance

Governance has increasingly become a major instrument for successful growth performance and development purposes. Professor Appollo Nsibambi (1998) defines good governance as the establishment of a meaningful relationship between civil society and the state with the aim of promoting efficient delivery of public services. Professor Suleiman Ngware (2000) goes on to elaborate that whatever the form the definition takes, good governance is about creating space for sharing of ideas and information, power, authority, responsibility, and in the process create a culture of ownership, accountability, transparency, rule of law and respect for human rights.

Skilled board members with understanding of good governance is fundamental for NGOs accountability and transparency. However, NGOs face challenges in recruiting skilled board members due to lack of financial resources to pay allowances. Therefore, NGOs have difficulty in implementing budgetary programs due to poor governance capacity and is therefore not able to initiate and implement budgetary programs or policies. Thus, good governance implies efficient NGOs. Consequently, weak institutions acts as a barriers to sustainable growth in Africa. (Amoako 2003).

1. Absence of a strategic plan

This affects ownership over NGOs vision and mission. This leaves them vulnerable as they unable to measure the impact over time. Lack of a strategy negatively impacts the attitude of organizational staff, as employees who see aimlessness within and NGO have no sense of greater purpose and this affects program implementation.

1. Lack of transparency and unity

NGOs leading to negative competition for resources, this undermines the reputation of the NGO sectors effectiveness at both community and national level. Due to lack of unity NGOs are seen to be duplicating efforts.

1. Corruption

This is a sensitive issue in the NGO world, and due to lack of capacity in governing structures NGOs are faced with administrative corruption, nepotism and diversion of funds. Jerome Larche (1999) states that humanitarian actors need to understand what corruption is, recognize the forms it can take in the humanitarian response. NGOs need to identify what mechanisms need to be put in place or strengthened to guard against corruption. Mitigating against corruption is necessary if NGOs are to operate effectively and achieve operational efficiency in preparing and implementing budgetary programs.

1. Political interference, experienced by human rights organizations has hindered implementation. The lack of political will towards NGOs is a barrier for the NGO sector to implement programs.

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

Accounting standards are rules and guidelines that are set up by governing bodies such as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). Internationally there are the Generally Accepted Accounting Principles (GAAP) which aims at bringing uniformity and comparability in the financial statements. Therefore, an accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards are meant to improve the transparency in preparation of financial reports, they lay down the terms and conditions of accounting policies and practices by way of codes, guidelines and adjustments for making interpretation of the items appearing in the financial statements easy. The accounting standards apply to the full breadth of an entity’s financial picture, including assets, liabilities, revenue, expenses and shareholders’ equity.

In modern accounting practice these accounting standards are used to serve in many areas of an entity. For example these standards act as a dictator and accountants have no choice of their own but to follow practices in the accounting standards. These standards also serve as a service provider, meaning they comprise the scope of accounting by defining certain terms and presenting the accounting issues. Therefore, accounting standards develop and provide solutions to specific accounting issues. When there is conflict on accounting issues, accounting standards act as a harmonizer and facilitate solutions for accountants. These standards are needed and used in modern accounting practices to:

1. Bring uniformity in accounting methods which makes the financial statements of different business units, for different years comparable and again facilitate decision making;
2. Improve the reliability of the financial statements, it is necessary that financial statements show a true and fair view of the business concern;
3. Simplify the accounting information, such that users are prevented from reaching any misleading conclusions;
4. Prevent frauds and manipulations of data by management and others. By codifying the accounting methods frauds and manipulations can be minimized;
5. Help auditors as these accounting standards lay down the terms and conditions for accounting policies and practices.

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

Budgeting is a process of creating a plan that estimates revenue and expenses over a specified period of time. It is therefore the act of quantifying objectives in financial terms. The functions of a budget:

1. Forecasting: For example, this involves making a good calculated guestimate of what resources are required for a specified period.
2. Authorization: Budget helps to minimize fraud and red flags any embezzlement
3. Communication: It is necessary that all people in an organisation be informed about the objectives, policies, programmes and performances. This is attained by staff participating in the budgeting process.
4. Coordination: This function helps an organisation to grow and ensures that the different departments work in congruence.
5. Evaluation: the budget represents the target performance which will be compared with actual performance and support future planning.

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

The importance of cash management is to trade-off between liquidity and profitability in order to maximise long term profit (Shivangi Arora). A cash flow forecast will help you identify possible occasion during the coming months when you bank balance may come under some pressure, therefore identifying potential shortfalls in cash balances in advance. For example organisations who have only received the 1st disbursement of their grant will use the cash flow forecast to plan and communicate to donors the need for additional funding to cover remaining agreed project activities. A cash flow is an important discipline of financial planning that gives organisations control as they are able to visualise the future and make informed management decisions. Cash management ensures:

1. That the organisation has sufficient cash to cover operations
2. Helps to meet obligatory cash out flows when they are due
3. Helps in planning capital expenditure projects
4. Helps to invest surplus cash for short or long-term periods to keep any idle funds fully employed.

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

The contents of a Balance Sheet include:

1. Fixed assets, which are the long-term possessions. These are assets which are purchased for long-term use and not intended to be converted into cash in the short-term, for example equipment.
2. Current assets, which are the short-term possessions. These are assets which are expected to be converted into cash in the short-term.
3. Current liabilities, what the organisation is owing that needs to be repaid in the short term, usually within 12 months.
4. Long-term liabilities are an organizations obligation that extends beyond the fiscal year or 12 months, for example owner’s or shareholders’ capital.

**The difference between a Balance Sheet and a Trial Balance is that the** total of debit and credit balances are equal in the trial balance. In contrast, the Balance Sheet is the statement that exhibits an organizations financial position, by summarizing the assets, liabilities, and capital on a particular date.

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| **Balance Sheet** | **Trial Balance** |
| Prepared to determine the financial position of the company on a specific date | Checks the arithmetical accuracy in the recording and posting, statement of credit and debit balances extracted from ledger accounts to ascertain accuracy of the books of accounts |
| Cannot be prepared without making the necessary adjustments | Can be prepared without making any adjustments |
| Prepared every month | Prepared monthly, quarterly or bi-annually |
| part of the Financial Statement | Not part of the Financial Statement |
| Prepared for internal and external use | Prepared for internal use |
| Mandatory to be prepared by law | Not mandatory to be prepared by law |

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

In order for any organisation to thrive and be sustainable there is need for good governance. Good governance involves many factors, with the most important being a finance committee of the governing body. The finance committee serves a leadership role, making sure appropriate organisational policies and internal control procedures for all financial transactions are documented and adhered to by all staff (Elizabeth Foley, 2009). In Grants Management organisations need to prove that they have the capacity to manage grants and have financial systems that safeguard the organisations resources and assets. Therefore, the finance committee is essential in grants management as it ensures compliance and develops the necessary policies that further serve to protect the organisation and manage its exposure to risk. In grants management the finance committee is responsible for monitoring the organisational budget, income and expenditure and make corrective actions to address issues such as over and under spending; to ensure that the organisation adheres to funders obligations in order for the organisation to remain financially viable at all times; and it ensures that organisations maintains proper control of its fixed assets owned by the organisation.

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