## *MODULE 1 Assignments*

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**DIPLOMA IN FINACIAL MANAGEMENT FOR NGOs**

1. **What are the main principles of Management?**

The main principle of management is:

* Division of work
* Discipline
* Centralization
* Stability

1. **Explain what is meant by Coordination**

Coordination is defined as implies synchronization of various efforts of different departments to reduce conflict. Multiple departments usually perform the work for which an organization exists.

1. **Why is Financial Management core to any business undertaking? Explain Five reasons.**

Financial management is one of the most important responsibilities of owners and business managers. They must consider the potential consequences of their management decisions on profits, cash flow and on the financial condition of the company. The activities of every aspect of a business have an impact on the company's financial performance and must be evaluated and controlled by the business owner.

**Five reasons**

**1: Asset purchase**

Growing your business and increasing sales often requires you to purchase assets such as new machinery or vehicles. While you may have enough cash to cover working capital expenses for your company, you may look for a loan to cover the purchase of new assets to enable your business to expand. An asset funding loan is a great way to spread the costs of acquiring an expensive new asset. Fixed monthly repayments and loan terms from 6 months to 5 years can help you plan your cash flow in advance so you can make the most of your opportunity to grow.

An asset purchase loan can be used to buy different things for your business, depending on what you need to fulfil your expansion plans. Funds can be used for business vehicles, whether you’re looking to buy your company’s first vehicle or want to increase capacity by adding to your existing fleet. You could also use a loan to buy office and IT equipment to make sure your staff have everything they need to grow the business, or new machinery to enable you to make new products or scale up production while spreading the cost instead of paying a large amount upfront.

**2: Start a business**

New businesses that are still in the startup stage will need funding to get off the ground. While most directors will use their own funds to start the business, very few manage to entirely self-fund the company to profitability, and will therefore have to seek external funding. There are a variety of options for external startup funding, including bank loans, borrowing from family and friends, equity investment from a business angel, crowdfunding, and funding grants. A loan to start a business can be used for everything from buying stock to marketing to hiring staff, but startup funding can be difficult to secure and many traditional finance providers will require lots of information, such as a detailed business plan.

**3: Growth funding**

If you’re looking to grow your business to take it to the next level, you may very well need funding that enables you to execute on your business plans. Whether you want to increase sales, expand your range of products or services, move into new premises, hire more staff, or expand internationally, a loan for growth finance can help. However, you are planning to expand your business, growth finance that’s right for your company can help you take advantage of new opportunities and make your ambitions a reality. If your business has its daily running costs covered, external funding may be the solution you need to grow. Many such loans will have fixed monthly repayments over the term of the loan, enabling you to more easily plan your business finances as you grow.

**4: Debt restructuring**

If you need to restructure your company’s debt, a loan that consolidates your borrowings and reduces costs can make your finances more manageable for your business. A loan to restructure your existing debt can make financial planning easier by reducing the number of monthly repayments you have to keep track of, and could potentially reduce your total monthly repayments. Refinancing your existing company debt can help your company grow by freeing up cash in your business for working capital and expansion.

**5: Working capital**

Sufficient working capital is a key aspect of any company’s financial health, and not having enough working capital can have a serious impact on the future of your business. Many businesses choose to apply for external funding to create enough working capital to enable them to fulfil their growth ambitions. A loan can cover short-term funding requirements while giving the business the money it needs to grow, or can bridge the gap between customer orders and supplier payments to help the company meet its funding obligations. Figures from the British Business Bank’s 2015 Business Funding Survey show that working capital is the most common reason for small businesses to seek funding.

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

Budget is defined: as an estimate of income and expenditure for a set period of time

Five function of budget are

* Provides a control tool to ensure that spending is in line with time plan and budget amount.
* Develops realistic financial plans that should facilitate allocation of resources according to organization activity.
* Can be used to compare and monitor accumulative expenditure by account code to the original budget allocation
* Provide periodic variance reports of actual and budget amount to form a basic for investigation and necessary decision making
* Effectively support the improvement of the annual comprehensive business plan and periodic review.

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

The most important task for business managers is to manage cash. Management needs to ensure that there is adequate cash to meet the current obligations while making sure that there are no idle funds. This is very important as businesses depend on the recovery of receivables

Allows adequate cash for purchases and other purposes. Enables you to make special purchases and take advantage of business opportunities. 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.

* YOU WON'T RUN OUT OF CASH. No doubt this is the biggest advantage of good cash flow management. ...
* YOU CAN PAY YOUR STAFF ON TIME. ...
* YOU CAN PURCHASE ALL THE RAW INGREDIENTS YOU NEED TO FULFILL YOUR ORDERS. ...
* YOU'LL HAVE PEACE OF MIND. ...
* YOU CAN AVOID OVERSPENDING. ...
* YOU CAN GROW YOUR BUSINESS.

1. **What are the contents of Balance Sheet?**

CONTENTS OF THE BALANCE SHEET. Most of the contents of a business's balance sheet are classified under one of three categories: assets, liabilities, and owner equity. Some balance sheets also include a "notes" section that holds relevant information that does not fit under any of the above accounting categories

**Differentiate between a Balance sheet and Trial Balance.**

Trial balance is created to record all the balances of ledger accounts. Balance sheet is created to see whether the assets equal liabilities plus equity. Trial balance is used to see whether the total of debit balances equal credit balances. Balance sheet is used to show the accuracy of financial affairs of a company.