**MODULE 2 ASSIGNMENTS:**

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

Funding and budget preparation of NGOs in Africa has become the most challenging in this current trend. These are as a result of many factors.

Many NGOs in Africa have limited capacity to prepare and implement budgetary programs/policies. When NGOs don’t invest in the technical capacity of the human resources, then their ability to prepare and budget for programs also goes down. In some instance many NGOs do budget in a rush, they don’t follow the required donor regulation or compliance. For instance, every donor has specific guidelines to their budgets and how the implementation is concerned. Often times, when an NGO is conversant with American funding guidelines, there will be limited room to learn the European guidelines which are completely different from the American guidelines. This limited capacity would definitely affect the proper budgetary preparation and implementation of programmes. Sometime limited capacity affects the internalization of the implementation procedures of fund, this may lead to audit queries, under spent of funds, and refunding of spent funds.

Many NGOs in Africa lack strategic focus and this is a key challenge in preparing and implementing budgetary programmes. Many NGOs are dragged left and right in their quest to fund raise. If they learn there is funding for a specific sector, they would rush for it even when it does not contribute to their strategy. For instance, An NGO might be good at Livelihoods Sector but when there is a call for application say in Health, this NGO may rush into submitting an application with an attempt to link up Livelihoods and Health and yet they don’t have the expertise and does not contribute to their strategy. When budgeting, there could be a lot of limitations and gaps which would affect their funding application because it’s not in their field. Jumping to implement Health programme when you are a livelihood expert affects the quality of your program. Therefore having a strategic focus would reduce the challenges.

Lack of organizational and financial stabilities always affect the preparation and implementing the budgetary programmes. For instance most NGOs depend of donor funding and they don’t have a strong resource base. Therefore once an application is being developed, there is a tendency of stuffing everything in the budget to include, human resources, equipments, travels, office support/running cost. According to Bornstein (2003), NGO managers that are not competent enough to incorporate core costs within project proposals usually have their key functions not being funded. of which some of these cost would go well beyond the funds that would intended to reach beneficiaries. For instance, these days big donors would like to see between 15% to 20% support cost and 80% should go to direct support cost. An organization that does not have a strong resource base would have a tendency of putting 30% support cost in order to cover some potential deficit in the support cost to run the program. This is a big challenge and would run the risk of losing out funding.

Inflexibility of NGOs is also another key challenge in preparing and implementing budgets. Some NGOs would like to focus so much on the hardware component like building schools, hospitals other than focusing on the soft component like capacity building. These at times are affected by leaders who don’t want changes. For example, Chambers (1997) points out that such NGO leaders can achieve many things through their “guts, vision and commitment,” but the way they use power is a “disability” that jeopardizes organizational effectiveness. He argues such charismatic leaders are “vulnerable to acquiescence, deference, flattery and placation” (Chambers, 1997). They are not easily contradicted or corrected. As a result they actively suffocate promising initiatives that may threaten their power base, relationships, or position of patronage.

Lastly, corruption among the NGOs in Africa is one key challenge in preparing and implementing budget. A number of NGOs in Africa are “briefcases”, their main role is to look for funding for personal gains. When preparing budget, they have to calculate how much this would into their pockets other than serve the intended purposes. This in essence affects the implementation. No objectives will be met because activities are not implemented the way they were planned.

***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 purpose of the modern accounting is to improve the efficiency and transparent in the NGO/private sectors and public/government sectors. This is also to ensure that the efficiency and accountability are within the democratic systems in the modern accounting standards.

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

Budgeting is detailed planning on how to spend money over a specified period of time. It’s a process of determining how much you need to undertake an action. Many scholars have come up with different definitions of budgeting, these include:-

According to Frederick A. Cleveland: Budgeting is "A plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive to a representative body (or other duly constituted agent) whose approval and authorization are necessary before the plan may be executed."

According to Sue Nugus, in [Financial Planning Using Excel (Second Edition)](https://www.sciencedirect.com/science/book/9781856175517), 2009, budgetary control is not limited to commercial and industrial firms attempting to produce a profit. The procedures involved are equally applicable to not-for-profit organizations such as government departments, universities and charities. All aspects of business or organization can be budgeted. There might be income and expenditure budgets, cash budgets, capital budgets, and research and development budgets to mention only a few examples. Budgets can be classified as master budgets, departmental budgets or functional budgets. Whatever level or degree of detail a budget is useless it it does not focus on a point of responsibility.

According to James D. Savage, in [International Encyclopedia of the Social & Behavioral Sciences (Second Edition)](https://www.sciencedirect.com/science/referenceworks/9780080970875), 2015, budgeting is a process by which governments allocate public resources to bureaucracies, other governmental units, and client groups. This process usually takes place on an annual basis, involves procedural rules and institutional arrangements, often invokes intense political conflict, and, together with taxation, forms the basis for fiscal and macroeconomic policy. Because it fundamentally determines political winners and losers through its allocative function, budgetary processes and outcomes serve as a distinct guide to a state's philosophy of government and public policy. The act of budgeting, therefore, lies at the heart of politics and government.

Five functions of a budget include:

* Budget helps in planning and making decision for the future. For instance, in an NGO work, budgeting helps to determine the sets of activities to be undertaken; it helps to plan for the correct numbers of human resources required to implement a project. Budget helps to forecast the figure to estimate the use of materials and make plans to ensure they are procured and delivered in time for use.
* Budgeting is making a calculation into knowing what the future holds. This may not be perfect but can provide a forecast to work within.
* Budgeting is used as a tool to gather information Finance staff and managers always work together to gather information which may help to determine whether the required amount of funds allocated in the budget are significant. For instance, in case there is inflation, will this affect the implementation of an action. So budget helps to guide you to make the right decision with the information got. Taking action is dissemination of the information and budgets when not acted upon are useless, so, the budgetary system has an inbuilt information dissemination ability that ensures that responsible managers and finance officers actually got the budget which they will work with.
* Budgets help in monitoring and evaluation of performance. This has to be done regularly, say on a monthly basis depending on the size of the budget. Managers need to know budget verses actual as a means to determine performance. Are you on the right track, is there over spent or under spent of fund, is there correlation between the budget and sets of activities planned? Are there issues that need management to pay attention to e.g. change of targets etc.
* Budget helps to prevent fraud in an organization. This minimizes misappropriation of fund and embezzlement of fund because of the authorization level that exists. Therefore, budget also helps in setting up an authorization level for managers and finance officers because they are made accountable to their sets of budgets and spending.

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

* 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.
* 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
* 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
* 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. 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 project runs smoother for everyone.

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

A dictionary definition, a balance sheet is a statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.

***The contents of balance sheet are Assets, Liabilities and equity/capital***

* Assets include liquid assets e.g. cash, those items that can easily be converted to cash, and non liquid assets such as land, building and machineries/equipments
* Liabilities are fund owned by the organization and can be broken in to current liabilities and long term liabilities. Current liabilities include utilities, short term loans, medical expenses while long term liabilities include those that are due in one year and above such as long term loan, differed tax etc.
* Equity/capital is what remains after subtracting liabilities from assets.

Example of Balance sheet

**Balance Sheet**

**As of Dec 31st 2018**

|  |  |
| --- | --- |
| Assets  Liquid assets  Petty Cash 1500$  Office supplies 300$  Accounts receivable 3000$  Prepaid insurance 500$  Total liquid asset 5300$  Non liquid assets  Land 30,000$  Buildings 150,000$  Less depreciation (10,000$)  Total 170,000$  Total assets 175,300$ | Liabilities  Current liabilities  Wages payable 15,000$  Taxes payable 5,000$  Medical expenses 500$  Short term loan payable 2,000$  Total 27,500$  Long term liabilities  Loan payable 25,000$  Taxes payable 10,000$  Total 35,000$  Total Liabilities 62,500$ |
| Capital/equity = TA-TL = 112,800$ |

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

Balance sheet is a statement of financial position that summarizes assets, liabilities and capital/equity for a particular period while train balance is an accounting process with debit and credit balances from all the ledger accounts prepared at the end of the month.

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

According to Elisabeth Hamilton Foley, the role of the finance committee is primarily to provide financial oversight for the organization. Typical tasks areas for the small and midsized groups include budgeting and financial planning, financial reporting and the creation and monitoring of internal controls and accountability policies.