## *MODULE 1 Assignments*

1. What are the main principles of Management?

***P-O-L-C Framework***

Principles of management have long been categorized into the four major functions of planning, organizing, leading, and controlling (the P-O-L-C framework) The four functions, summarized in the P-O-L-C figure are actually highly integrated when carried out in the day-to-day realities of running an organization.

**Planning**

is setting the objective and determining a course of action for achieving those objectives, it goes through some steps: environmental scanning, establish objectives, identify the alternatives, make decision about the best course of action to achieved the objectives, finally planers must evaluate the success of their plan and do correction.

**Organizing**

Means the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of the objectives.

**Leading**

Leading is understanding how, when, where to use to use more formal sources of authority and power, also leadership is mobilizing others to want to struggle towards common goals.

**Controlling**

Controlling ensuring that performance dose not deviate from standards, controlling consists of 3 steps 1) creating standards 2) comparing actual with standards 3) make correction if necessary.



***14 Principles of Management of Henri Fayol***

### **Division of Work**, In practice, employees are specialized in different areas and they have

### different skills. Different levels of expertise can be distinguished within the knowledge areas

1. **Authority and Responsibility**, Management has the authority to give orders to the employees.
2. **Discipline**, It is often a part of the core values of a [mission and vision](https://www.toolshero.com/strategy/strategic-planning/) in the form of good conduct and respectful interactions.
3. **Unity of Command**, means that an individual employee should receive orders from one manager and that the employee is answerable to that manager.
4. **Unity of Direction**, Means that employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team.
5. **Subordination of Individual Interest**, That personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual.
6. **Remuneration**, For Motivation and productivity, this management principle argues that the remuneration should be sufficient to keep employees motivated and productive.
7. **The Degree of Centralization**, Management and authority for decision-making process must be properly balanced in an organization. This indicated that an organization should strive for a good balance in Sharing of authorities for the decision-making process with lower levels (middle and lower management).
8. **Scalar Chain**, This management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels), Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy. Especially, when it concerns reports about calamities to the immediate managers/superiors
9. **Order,** Employees in an organization must have the right resources at their disposal so that they can function properly in an organization.
10. **Equity,** Employees in an organization must be treated kindly and equally. Employees must be in the right place in the organization to do things right.
11. **Stability of Tenure of Personnel,** Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.
12. **Initiative,** Employee initiatives are a source of strength for the organization according to Henri Fayol. This encourages the employees to be involved and interested.
13. **Esprit de Corps,** Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding. [1]
14. Explain what is meant by Coordination

 Means [organizing](https://www.collinsdictionary.com/dictionary/english/organize) and manage the activities of two or more groups so that they work together efficiently in [balanced](https://www.collinsdictionary.com/dictionary/english/balance) and [effective](https://www.collinsdictionary.com/dictionary/english/effective) [interaction](https://www.collinsdictionary.com/dictionary/english/interaction) of movement and actions.

Coordination is relevant in design, development, debugging, maintenance, and reuse of all concurrent systems. Coordination models and languages are meant to close the conceptual gap between the cooperation model of an application and the lower-level communication model used in its implementation. [2]

The main general definition of coordination is “managing dependencies between activities. So many other definitions for this term had been proposed. Malone and Crowston (1994) and Weigand, van der Poll & de Moor (2003) list several, including:

• Structuring and facilitating transactions between interdependent components (Chandler, 1962)

• The protocols, tasks and decision-making mechanisms designed to achieve concerted actions between interdependent units (Thompson, 1967)

• The integrative devices for interconnecting differentiated sub-units (Lawrence & Lorsch, 1967)

• Composing purposeful actions into larger purposeful wholes (Holt, 1988)

• The integration and harmonious adjustment of individual work efforts towards the accomplishment of a larger goal (Singh & Rein, 1992).

• Establishing attunement between tasks with the purpose of accomplishing that the execution of separate tasks is timely, in the right order and of the right quantity (Reezigt, 1995) [3]

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

Financial management is one of the most important aspects in business. In order to start up or even run a successful business. Financial management refers to the strategic planning, organising, directing, and controlling of financial undertakings in an organisation or an institute. It also includes applying management principles to the financial assets of an organisation, while also playing an important part in fiscal management.

Financial Management is important for various reasons, mainly:

1. **Helps organizations in financial planning.**

Calculating the amount of capital that is required by an organisation and then determining its allocation. A financial plan includes certain key objectives, which are:

* Determining the amount of capital required.
* Determining the capital organisation and structure.
* Framing of the organisation’s financial policies and regulations.
* Financial control: This is one of the key activities in financial management. Its main role is to assess whether an organisation is meeting its objectives or not.

1. **Assists organisations in the planning and acquisition & utilizing of funds.**

The good knowledge of financial management helps the organizations to discover new areas of acquisition funds. And Maintaining enough supply of funds for the organization. For example Giving regular financial reports to all those who have a right to know what your organization is doing with its funds (stakeholders). And Helps organizations in effectively utilizing and allocating the funds received or acquired

1. **Assists organizations in making critical financial decisions.**

Financial decisions is very important to keep the organization in good position, this involves investment and financing with regards to the organization. This department takes decisions about how the organization should raise finance, whether they should sell new shares, or how the profit should be distributed, Knowledge of financial tools is critical to making good decisions in both professional world and personal lives.

One area that has received little attention in the establishment of strategies, especially in the study of micro, small and medium-sized enterprises, is that of financial decisions, even though it is a determinant of business competitiveness. Financial analysis and planning, which represent basic features that support organizational strategy, are nonetheless virtually non-existent in micro and small enterprises, which impose a constraint on the kind of financial decisions businesspeople can take Financial strategy represents a path to achieve and maintain business competitiveness and position a company as a world- class organization. Financial strategies are goals, patterns or alternatives designed to improve and optimize financial management in order to achieve corporate results (López, 2006).

1. **Promoting Savings.**

Savings are possible only when the business concern earns higher profitability and maximizing wealth. Effective financial management helps to promoting and mobilizing individual and corporate savings.

 Now days financial management is also popularly known as business finance or corporate finances. The business concern or corporate sectors cannot function without the importance of the financial management.

1. **Increases the overall value of the firms or organizations**

Financial management is very important in the field of increasing the wealth of the investors and the business concern. Ultimate aim of any business concern will achieve the maximum profit and higher profitability leads to maximize the wealth of the investors as well as the nation. [4]

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

***Definitions***

Budgeting is the process of expressing the predicted costs and resources for a planned course of action over a specified time period. Budgets can be drawn up for business units, departments, products, teams or the entire organisation (see master budget below). Another term for a budget is a financial plan, but budgets can refer to non-cash resources, such as staff or time.

Budgeting helps all types of organisation to plan and control their operations, and to support their managerial strategies. A budget sets out the benchmark against which performance will be measured. For example, this might be the minimum profit and loss performance expected by senior management. Performance against budget may be part of the organisation’s appraisal system for individuals who are deemed accountable for such performance.

Therefore budgets are a management tool, expressed in quantitative terms because this is the easiest way to prioritise and co-ordinate complex competing decisions throughout the organisation.

The main purposes of budgeting relate to planning and control, and supporting the achievement of strategic, Translating the long-term plan into an annual work programme and Co-ordinating the various departments of the organisation to ensure they are working in harmony and Communicating plans to those who will be held accountable.[5]

“A quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows.”CIMA Official Terminology, 2005”

***Functions***

Budgets can take many forms and serve many functions. Budget can provide the basis detailed sales targets, staffing plans, inventory production, cash investment/borrowing, capital expenditures.

Budgets provide benchmarks against which to compare actual results and develop corrective measures. And also allow managers to provide forward guidance to investors and creditors. Budgets are necessary to convince bank and other lenders to extend credits. [6]

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](https://www.accountantnextdoor.com/qualified-accountant-who-is-a-qualified-accountant/) make better forecast.

Forecasting is a complex exercise that requires you to consider many variables in the light of; the action of competitors, government actions, economic outlook, relationship between price and demands, etc. This article will not delve into that but you can buy this [Amazon book](http://www.amazon.com/gp/product/0534409776?ie=UTF8&tag=homeofmoti03-20&linkCode=xm2&camp=1789&creativeASIN=0534409776) to get more insight on forecasting.

1. **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 health authorities use forecast from estimated population to plan on the number of health centres to open in a community and the number of beds and other health equipment that will be put in that hospital.

1. **Evaluation**

The budget represents that target performance 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.

1. **Controlling & Coordination**

One of the most important function is controlling, which means comparing the actuals with budgeted previously, which allow mangers for corrections in future.

Coordination important for an organization to grow. simply means ensuring that different parts of the business work in congruence. in fact, this is one of the functions of budgeting- to expose weakness so that plans can be made to cover for it.

1. **Authorization**

Budgeting helps to minimize misappropriation and embezzlement that would have characterize corporations if a system of authorization does not exist. Through authorization, managers are made more accountable for their spending. [7]

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

***Cash Flow Forecasts***

Preparing a cash flow forecast allows an entrepreneur to determine a business’s financing needs. If an entrepreneur finds that the business has a forecasted cash shortage as a result of rapid growth, then it might be necessary to raise external money to meet the company’s financial needs. A good cash flow forecast will allow the entrepreneur to determine the exact amount of cash needed and also when it is needed. In general, there are several reasons why businesses raise outside capital. First, seasonal needs, such as holiday sales, may require the purchase of additional materials and the payment of additional production expenses to meet this temporary increase in demand. Second, more capital may be needed to finance long-term sales growth. As a company’s sales grow, more inventories must be purchased and additional workers will be needed. All these activities will require additional cash, which may not be on hand. A good cash flow forecast will allow an entrepreneur to forecast financing needs for these activities. Third, an entrepreneur may have to purchase expensive capital equipment or make expensive repairs to existing equipment. Entrepreneurs must know that projected cash flow determines the amount of capital a company needs in the future.[8]

Cash flow forecasting is vital for every business. With the help of the cash flow forecast an organization gets an overall picture of incoming and outgoing cash flows and the advantage is to know when the expenses must be covered and there is no need for unexpected borrowing to cover the cash needs. [9]

If a business runs out of cash and is not able to obtain new finance, it will become insolvent. It is no excuse for management to claim that they didn’t see a cash flow crisis coming.

Cash flow is the life-blood of all businesses – particularly start-ups 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 enough to survive.

Here are the key reasons why a cash flow forecast is so important:

* Identify potential shortfalls in cash balances in advance think of the cash flow forecast as an “early warning system”.
* Make sure that the business can afford to pay suppliers and employees.  Suppliers who don’t get paid will soon stop supplying the business; it is even worse if employees are not paid on time.
* Preparing the forecast encourages the business to look at how quickly customers are paying their debts. .
* As an important discipline of financial planning.
* External stakeholders such as banks may require a regular forecast. [10]

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

***Balance Sheet***

A balance sheet is a statement of the financial position of a business which states the assets, liabilities and owner's equity at a particular point in time. In other words, the balance sheet illustrates your business's net worth.

The balance sheet may also have details from previous years so you can do a back-to-back comparison of two consecutive years. This data will help the organization track performance, and will identify ways in which can build up the finance and see where need to improve.[11]

***The Contents of the Balance Sheet***

1. **Assets**

* 1. Fixed assets

Fixed assets usually have a useful life of more than one year. Fixed assets can be 'tangible' assets which physically exist, such as buildings and equipment, or 'intangible' assets that have a subjective value, such as intellectual property or goodwill.

The cost of tangible fixed assets, such as equipment, is depreciated over their expected lifetimes. This allows for the loss in value of those assets over time and it is this depreciated value (the 'net book value') that appears in the balance sheet

* 1. Current assets

These are assets that can be turned into cash within one year and typically include:

• Stock and work in progress. Stock is usually valued at cost rather than its market value. However, old stock may be written down to its 'net realizable value'; that is, the price that it might attract if sold. Work in progress is the value of raw materials and components that are in the production process, but are not yet finished goods.

• Trade debtors. The value of trade debtors is the amount of money owed to a business by its customers. This figure includes value added tax (VAT) if a business is registered for VAT and charges VAT on its invoices.

• Cash at bank. This is the value of any money the business has that is deposited in bank accounts on the date the balance sheet is created. This figure may be adjusted for any cheques that have been issued to pay suppliers, but which are still waiting to be cashed

1. **Liabilities**

2.1 Current Liabilities

Current liabilities are the total value of any money owed by the business that is due to be repaid within a year. They typically include:

• Trade creditors. The total amount of money that is owed to suppliers. s.

• Other creditors. This is the value of any money that the business owes for taxes, including VAT, Pay As You Earn (PAYE) and corporation tax liabilities. It can also include provisions for costs that the business has incurred for products or services that have not yet been invoiced by suppliers.

• Loans. This is the value of any loan or hire purchase repayments that are due to be repaid within the next 12 months and will also include any overdraft balance (if the business has an overdraft).This figure is likely to be only a portion of the total loan or hire purchase repayments that are outstanding at the balance sheet date. Any repayments that are due after 12 months are included in the balance sheet as long-term liabilities.

2.2 Long-term liabilities

Long-term liabilities include the balance of any bank loans and hire purchase payments that fall due later than 12 months after the balance sheet date.

1. **Net worth**

The net worth of a business is the sum of any capital and reserves.

• Capital is any money invested by the business owner or shareholders.

• Reserves are the retained profits of the business.

The capital and reserves are sometimes referred to as the 'equity' in the business.

It is important to remember that reserves are not the same as cash: they simply show where the money in the business has come from. A business should seek to build up its reserves (profit) as this is the best source of working capital. The net worth of a business will always be equal to the net assets.[12]

***Deferent Between Trail Balance and Balance Sheet***

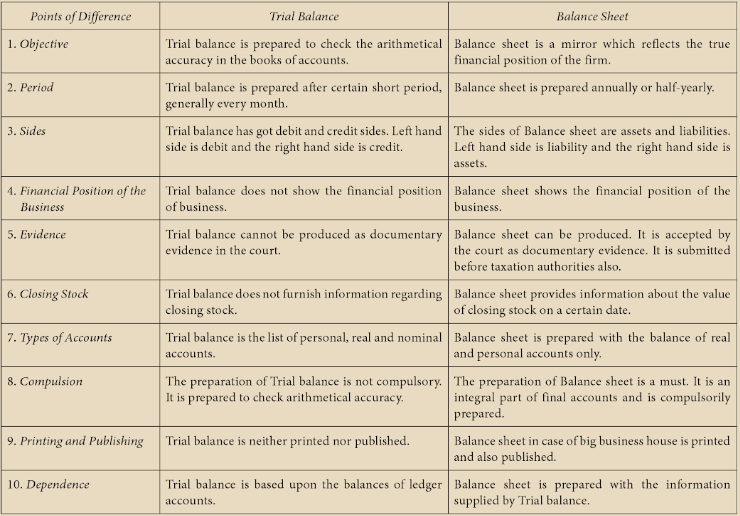
The [balance sheet](https://www.accountingtools.com/articles/2017/5/17/the-balance-sheet) is part of the core group of [financial statements](https://www.accountingtools.com/articles/2017/5/10/financial-statements). It may be issued only for internal use, or it may also be intended for such outsiders as [lenders](https://www.accountingtools.com/articles/2017/5/9/lender) and [investors](https://www.accountingtools.com/articles/2017/5/10/investor). The balance sheet summarizes the recorded amount of [assets](https://www.accountingtools.com/articles/what-is-an-asset.html), [liabilities](https://www.accountingtools.com/articles/what-are-liabilities.html), and [shareholders' equity](https://www.accountingtools.com/articles/2017/5/16/shareholders-equity) in a company's [accounting records](https://www.accountingtools.com/articles/2017/5/7/accounting-records) as of a specific point in time (usually as of the end of a month). It is constructed based on the [accounting standards](https://www.accountingtools.com/articles/2017/5/8/accounting-standard) described in one of the [accounting frameworks](https://www.accountingtools.com/articles/2017/5/7/accounting-framework), such as [Generally Accepted Accounting Principles](https://www.accountingtools.com/articles/what-is-gaap.html) or [International Financial Reporting Standards](https://www.accountingtools.com/articles/what-is-ifrs.html).

The [trial balance](https://www.accountingtools.com/articles/2017/5/16/the-trial-balance-example-format) is a standard report in most accounting software that lists the [ending balance](https://www.accountingtools.com/articles/2017/5/6/ending-balance) in every [account](https://www.accountingtools.com/articles/what-is-an-account.html) as of a specific point in time (again, usually as of month-end). The report is only used within the accounting department and as a source document by a company's [auditors](https://www.accountingtools.com/articles/2017/5/5/auditor). This report has multiple uses:

The differences between a trial balance and balance sheet are as follows:

* Aggregation. The balance sheet aggregates multiple accounts, while the trial balance presents information at the account level (and is therefore more detailed).
* Standards. The balance sheet is structured in accordance with specific accounting standards, while there is no mandated format for a trial balance.
* Usage. The balance sheet is intended for external use, while the trial balance is for use within the accounting department and by auditors.
* Reporting level. The balance sheet is a final report, while the trial balance is used to construct other reports.[13]

Both of trail balance and balance sheet are the statement of the firm. They are prepared preiodically. Trail balance and balance sheet is different from each other on the following grounds:

 [14]

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Anas Abu Aisha

Amman – Jordan