**GRANTS MANAGEMENT TRAINING**

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**ASSIGNMENTS 2: MANAGING FINANCES**

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

According to Maxim pact blog (2017), The main challenges to the missions of most NGOs are as follows:

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

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

**Accounting standards** are rules and guidelines set up by governing bodies, like [FASB](https://www.myaccountingcourse.com/accounting-dictionary/financial-accounting-standards-board) and [IASB](https://www.myaccountingcourse.com/accounting-dictionary/iasb), to keep accounting practices consistent and understandable across all companies and industries. Accounting standards lay down the terms and conditions of accounting policies and practices by way of codes, guidelines and adjustments for making the interpretation of the items appearing in the financial statements easy and even their treatment in the books of account

**Purpose**

The following five are the main purpose of accounting standard in modern day accounting practices

1. **For bringing uniformity in accounting methods:**

Accounting standards are required to bring uniformity in accounting methods by proposing standard treatments to the accounting issue.

1. **For improving the reliability of the financial statements:**

Accounting is a language of business. There are many users of the information provided by accountants who take various decisions relating to their field just on the basis of information contained in financial statements. In this connection, it is necessary that the financial statements should show true and fair view of the business concern. Accounting standards when used give a sense of faith and reliability to various users.

1. **Simplify the accounting information:**

Accounting standards prevent the users from reaching any misleading conclusions and make the financial data simpler for everyone.

1. **Prevents frauds and manipulations:**

Accounting standards prevent manipulation of data by the management and others. By codifying the accounting methods, frauds and manipulations can be minimized.

1. **Helps auditors:**

Accounting standards lay down the terms and conditions for accounting policies and practices by way of codes, guidelines and adjustments for making and interpreting the items appearing in the financial statements. Thus, these terms, policies and guidelines etc. become the basis for auditing the books of accounts.

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

According to wallstreet mojo (2018), budget “is the plan which intends to figure out expected operations revenue and expenses of an organization for a future time period.” In other words, for a business entity budgeting is the process of preparing detailed statement of financial results that are projected for a certain period of time.  Budgeting is to estimate the future while taking the management inputs considering internal and external factors of the organization.

**Functions of budgeting**

An effective budgeting system is vital to the success of a business firm. Budgeting is needed in organizations to perform the following functions: -i) Planning ii) coordination iii) communication and iv) control and performance evaluation (wallstreet mojo, 2018).

1. **Planning**

The budget is a formal planning framework that provides specific deadlines to achieve departmental objectives and contributes towards the overall objectives of an organization. A budget incorporates expected performance and present managerial targets. Budgeting influences the formulation of all business strategies and subsequently assists business managers in executing such strategies.

1. **Coordination**

Coordination is a managerial function under which all factors of production and all departmental activities are balanced and integrated to achieve the objectives of the organization. Budget helps management to coordinate in the following ways:

1) The existence of a well laid plan is the major step towards achieving coordination. Executives are forced to think of the relationships among individual operations, and the company as a whole.

2) Budgets help to restrain the empire-building efforts of executives. Budgets broaden individual thinking by helping to remove unconscious biases on the part of engineers, sales and production officers.

3) Budgets help to search out weaknesses in the organizational structure. The Formulation and administration of budgets isolate problems of communication, of fixed responsibility, and of working relationships.

1. **Communication**

It is necessary in an efficient organization that all people be informed about the objectives, policies, programmes and performances. Budgets inform each manager of what others have agreed to do. They also inform managers of the resources available to achieve objectives and targets.

1. **Control and Performance Evaluation**

Budgeting enters into control at three points:

* When a budget is being formulated, departments analyze their plans for the future and submit estimates as per their requirements, justifying each of their demands by demonstrating a need.
* After budgets of different departments have been reviewed and approved they become targets that desirable limits on spending.
* At the end of the budget period, a comparison of actual expenditures with budget expenditure is made as a means of judging performance and fixing responsibility for deviations. Budgets are the basis of performance evaluation in an organization as they reflect realistic estimates of acceptable and expected performance.

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

Chakraborty, M. (n.d.) outline the following points indicating the importance of financial management for an NGO

* **Being accountable to the donors:** As a NGO you need to be accountable to the donor agencies and individuals who support your cause. With proper systems in place you can keep track of your expenditures and submit timely reports to them. This would lead to enhanced trust between you and the donor, thereby increasing the chances of your NGO getting a continuous support from them.
* **Securing future**: The present financial condition of any organization determines its future. In a similar manner, NGOs should also opt for sustainable use of finance. This simply means that NGOs should spend in their present ventures, keeping in mind the future.
* **Eliminating fraud and theft:** Malpractices and illegal deeds such as overuse of resources, fraud and theft have become prevalent among NGOs. Firm checks are mandatory, for minimizing such illicitness and preventing abuse of resources. With complete financial planning, coordination and control, these issues can be easily addressed.
* **Making productive decisions:** With sound financial management, NGOs can make more productive decisions concerning resource allocation, fund raising, fund mobilizing and other undertakings. Good decision making skill enables right amount of funds to be invested at the right place. Funds are therefore efficiently and optimally utilized.
* **Achieving objectives**: Every NGO is guided by certain policies and procedures, which are related to its overall objectives. Each decision that is undertaken by the authority is driven towards successful achievement of its set goals and objectives. Without organizing finance, it will be difficult for the organization and its employees to reach its aim and fulfill purpose of its existence.
* **Enhancing credibility**: Managing finance is a matter of skills and tactics that ideally changes from time to time. With excellent finance management, NGOs enhance their image that enhances its value and making them more credible. By framing well defined financial plans and policies NGOs also earn good reputation within its community. They can also improve their current position and look forward to gain trust, faith and reliability.
* **Strengthening fundraising efforts:** Most of the NGOs solely survive on its funds. Well organized financial resources help in strengthening fundraising efforts by giving an overall idea about available finance and the amount of finance that needs to be accumulated. Thus, employees get a fair idea regarding the expected amount and plan their fundraising ventures accordingly.

1. **What are the contents of Balance Sheet? Differentiate between a Balance sheet and Trial Balance.**
2. **Contents of the balance sheet includes:**
3. **Fixed assets** include **tangible**assets (e.g. buildings, land, machinery, computers) and **intangible** assets (e.g. goodwill, intellectual property rights (such as patents, trademarks and website domain names) and long-term investments.
4. **Current assets** are short-term assets whose value can fluctuate from day to day and can include: stock, work in progress, money owed by customers, cash in hand or at the bank, short-term investments, pre-payments - e.g. advance rents.
5. **Current liabilities** are amounts owing and due within one year. These include: money owed to suppliers, short-term loans, overdrafts or other finance, taxes due within the year - VAT, PAYE (Pay As You Earn) and National Insurance.
6. **Long-term liabilities** include: creditors due after one year - the amounts due to be repaid in loans or financing after one year, e.g. bank or directors' loans, finance agreements, capital and reserves - share capital and retained profits, after dividends (if your business is a limited company), or proprietors’ capital invested in business (if you are an unincorporated business).
7. **Differentiate between a Balance sheet and Trial Balance.**

**The balance sheet,** 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 an internal report that will remain in the accounting department. It is a listing of all of the accounts in the general ledger and their balances. However, the debit balances are entered in one column and the [credit balances](https://www.accountingcoach.com/blog/what-is-a-credit-balance) are entered in another column. Each column is then summed to prove that the total of the debit balances is equal to the total of the credit balances. it is a source document by a company's [auditors](https://www.accountingtools.com/articles/2017/5/5/auditor) and use in constructing a balance sheet and [income statement](https://www.accountingtools.com/articles/2017/5/17/the-income-statement) and For use by auditors to obtain the ending balances in accounts

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

**Rabinowitz, P. (2018)** stated that it is wise for a nonprofit board to include a finance committee among its standing committees to monitor the organization's financial operation and catch inadequate or incompetent practice, financial errors, or unethical or illegal actions - intentional or unintentional - on the part of the director or financial staff as well as participating in and/or evaluating a financial audit and auditors and help to interpret financial information to the board as a whole.

Other Specific reasons stated by **(Rabinowitz, P.)** for establishing a Finance Committee include

* To help a board fulfill its fiduciary responsibility
* To protect the organization from legal challenges and liability
* To help catch both intentional and unintentional mismanagement of funds
* To protect the organization from actual or apparent conflict of interest
* To act as the board's eyes and ears in the financial operation
* To act as an advisory panel to the financial operation
* To evaluate both the financial operation and the people in charge of it from a position of knowledge
* To help in the hiring of fiscal staff or a new director
* To make the audit easier
* To interpret the audit for the rest of the board
* To help recommend the hiring, retention, or firing of potential or current auditor

**Reference lists**

1. Maxim pact blog (2017), The main challenges to the missions of most NGOs are as follows:<http://maximpactblog.com/what-challenges-do-ngos-face-and-what-are-the-solutions/>
2. Chakraborty, M. (n.d.) Importance of Financial Management for NGOs**.** Accessed November 2018 <<https://www.fundsforngos.org/free-resources-for-ngos/manage-accounts-finances-ngos-manual-developing-ngo-financial-management-policy/>>
3. Rabinowitz, P. (2018) Creating a Financial and Audit Committee. < https://ctb.ku.edu/en/table-of-contents/finances/managing-finances/finance-committee/main>
4. Wallstreetmojo 2018 accessed November 2018, Budgeting Tutorials < https://www.wallstreetmojo.com /what-is-budgeting-types-examples-advantages-disadvantages/>