

**ST.MARY'S UNIVERSITY COLLEGE**

**BUSINESS FACULTY**

**DEPARTMENT OF ACCOUNTING**

**APPLICATION OF FUND ACCOUNTING FOR NOT-FOR-PROFIT**

**ORGANIZATION IN A CASE STUDY ON CHRISTIAN AID**

**ETHIOPIA**

**BY**

**SAMUEL DAGNE**

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**MULUKEN TEKA**

**DECEMBER 2011**

**SMUC**

**ADDIS ABABA**

**APPLICATION OF FUND ACCOUNTING ON NOT-FOR-PROFIT  
ORGANIZATION a CASE STUDY ON  
CHRISTIAN AID ETHIOPIA**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTEMENT OF  
ACCOUNTING  
BUSINESS FACULTY**

**ST.MARY'S UNIVERSITY COLLEGE  
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF BACHELOR OF ARTS IN ACCOUNTING**

**BY  
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## **DECLARATION**

We, the under signed, declare that this senior essay/project is our original work, prepared under the guidance of Instructor Biruk G/Michael. All sources of material used of the manuscript have been duly acknowledged.

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## **ADVISOR APPROVAL**

This paper has been submitted for examination with my approval as the university college advisor.

Name Instructor Biruk G/Michael

Signature \_\_\_\_\_

Date of submission \_\_\_\_\_



**St Mary's university college**

**Department of Accounting**

**Questioner**

**To be filled by Christian Aid Employees**

**Dear respondent:**

The main purpose of this questionnaire is gathering relevant information in order to conduct a research on topic of "Fund accounting" in an effort to fulfill the requirement of bachelor degree in accounting.

Therefore, we kindly request all the respondents honestly to respond each question. Be sure that all the information provided by you shall be treated with at most confidentially and used for the research purpose only.

**Instruction:**

1. You are not required to write your name.
2. Make "√" mark in the appropriate box.

**Part I. Personal information**

1 sex -                      male                          female   

2. Your account section- \_\_\_\_\_

3. Your position- \_\_\_\_\_

4. What is your level of education?

Below Diploma     Diploma        Degree        Master and above   

5. How many years do you have in your profession?

Less than 5 years        6-10 years        More than 10 years

## Part II. Basic information on the topic

6. Number of employees in Christian Aid

Excess  Sufficient  Insufficient

7. Is the organization have qualified or trained employees to implement the fund accounting system?

Yes  no  I don't know

8. How is segregation of duties & responsibility?

Very good  Good  fair  poor

9. Are the organization fully performs their activity in accordance with the financial manual?

Yes Fully  Yes Partially  I don't know

10. Does the necessary financial document maintained according to employee's responsibility?

Adequately  inadequately  I don't know

11. How resource providers and the organization meet (communicate) most of the time?

Through internet  by telephone  by face to face  Fax

12. How do you communicate with donors of the fund?

Monthly

Quarterly

Half a year

Yearly

Other \_\_\_\_\_

13. How resource providers satisfied on the organization activity?

Very highly  Highly  Sufficiently  Low sufficiently

14. Is there any gap or problem between the organization and resource providers?

Yes  No  I don't know

15. If so, what is the main problem?

Delaying of fund  reducing fund

Any other \_\_\_\_\_

16. How control mechanism uses to protect deficit or over utilization of budget?

Very good  Good  fair  poor  Not good at all

17. What measure the organization takes when there is deficit of fund?

Transfer-in from other fund  waiting the fund

18. Does the organization prepare two financial statement, one for comply with legal requirement, one for in conformity with GAAP?

Yes  No  I don't know

19. How resource providers evaluate the organization performance?

By observing  By organization's report  communicate with society

20. Does your organization use historical cost preparation of financial report?

Yes  no  I don't know

21. Does the financial report are prepared based on necessary document that have been obtained?

Always  sometimes  rarely  not at all

22. How the organization a guideline helps to take measure on failing a project?

Very good Good fair poor Not good at all

23. How the organization improve record keeping and processed its data?

By training by sharing of experience  other method

24. What is your opinion about prioritization of donors?

Strongly Agree  Agree  Disagree  Very disagree

25. In what area donors prioritize?

Education  health  children care  others

26. In which parts of the country that your organization focused?

Rural  urban  both

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Governmental and other nonprofit organizations experienced dramatic growth in recent year and have emerged individually and collectively as major economic, social and political forces in our society of rather minor consequence 30 or 40 years ago. The nonprofit sector now generates over 1/3 of all expenditures with our economy and many “growth industries” may be found with in the total value of source devoted to this sector is gigantic both absolutely and relatively (Lynn & Freeman 1983, 2).

The role of nonprofit organization is increasingly becoming more perceived in the day to day activities of society and providing the largest proportion of the employment opportunity. Nonprofit organization is an organization whose objective is not to get profit but to provide services to the society. They are usually owned collectively (Mutual fund) by their constituents. Those contributing financial resource to the organization do not necessarily receive a direct or proportionate share of its good or services (Letenah. 2004, 31).

In our country context there are so many nonprofit Organizations are spread all over Ethiopia, example Christian Aid Ethiopia, Action for development, World vision Ethiopia, Ethiopian Red Cross association, etc. These are Governmental Educational, Health and Welfare, Religious, Charitable and Foundation. For Nonprofit organization source of revenue are donation income from trust fund and in universities tuition fees, in hospital user charges etc .Nonprofit organization are controlled by legal and administrative controls not be the market. Thus the managers of nonprofit organization have limited description as compared to managers of ‘For profit organization” means that Nonprofit Organizations managers become “A man of principle, policy, procedure or rule”. Between Nonprofit Organization and for profit organization there is no different in the accounting system both used double entry method

but, Nonprofit Organization is not targeted for profit. They use accounting, how budget is allocated properly and so on. According in Non Profit Organization affected by two types of legal and administrative provision this are: - use of fund and the role of budget (Letenah 2001, 31).

At early days, fund is considered to be money set aside for a specific purpose only. But now, fund has broadly meaning than used to be. A fund is a fiscal and accounting entity with self balancing set of accounts recording cash and other financial resource together with all related liabilities and residual equities or balance and change their in which is segregated for the purpose of carrying or specific activity or attaining certain objective in accordance with specific regulation, restriction or limitation (Lynn & Freeman, 1983, 2).

Christian Aid (CA) is a Non Government Organization of 40 British and Irish Churches that operate in the field of emergency, development and human rights (good governance and advocacy) in about 60 countries worldwide. Ethiopia field office was opened in 1999 with a view of providing support to partners including fund raising from various sources.

The main purpose of this study is to assess the application of fund accounting system for nonprofit organization in case study on Christian Aid/ Ethiopia Addis Ababa.

## **1.2 Statement of the problem**

A nonprofit organization is a legal and accounting entity that is operated for the benefit of society as a whole rather than for the benefit of individual proprietor or a group of partners or stockholder. Christian Aid also one of the nonprofit organization that existed in Ethiopia, A. A. But this organization has many problems that affect on its determined objectives. From these problem let see some of them:

Based on researchers investigation on some published materials in the company, many cases the Christian Aid fail to use fund accounting concept, as a result they fail to perform one specific activity by its own fund because they



transferred the fund to another unit of work with out a proper authorizations and there is a problem in allocation and resource, not only improper allocation of resources but also the accumulation of idle resource are a lot, as a result, they fail to reach their target. And the intended projects that design to attain the activities are prepared by not the well known expertise, sound knowledge of staffs etc. This is also made the organization to fail address their target efficiently & effectively.

In addition the above problem although Christian Aid establish to improve the life of poor people without any different in the world wide, sometimes they differentiate this poor people by race, color, specially by religious manner.

Moreover most of the time Christian Aid do not processed its activities on time. This is because sometimes resources providers don't release the fund when it needed, this also make to late the Christian Aid's activities. Meanwhile in most cases donors (resources providers) focus and follows only on children and prioritize on their learning process as a result other part of people who need the Christian Aid's support are ignored. Generally delaying of Christian Aid's contribution make poor people who are under them hard to live. Most people faced challenges because of unable to follow and unable to give continuous support at the right time by them. As a result children quite learning, some people who are supported by Christian Aid, don't work, and others are starving again.

Finally these papers assessed and overcome these problems in more appropriate manner.

### **1.3 Research Questions**

The research have analyzed and answered the following research questions:

1. How the organization does process its data and transaction?

2. What measures the organization uses for deficit or excess of resource?
3. How the organizations do prioritize its activity in allocation of fund?
4. What are the mechanisms by which the organizations communicate with the resource providers and the community?

## **1.4 Objective of the study**

### **1.4.1 General objective:**

The overall objective of the study is to assess the application of fund accounting for NFPO's in case study of Christian Aid Ethiopia.

### **1.4.2 Specific objective**

The specific objectives are:-

- To evaluate the application of fund accounting in processing of transaction.
- To identify measure taken for deficit or excess of resource form some project on completion.
- To specify and identify activities from each fund allocation prioritize in the organization.
- To find and mention the ways that Christian Aid could communicate with those who provide resources and related community.

## **1.5 Significance of the study**

This study has much significance for the organization and further related studies. For the organization to know internal and external sources of fund, that means financially or non- financially for example cash, equipment and any donation. The study had very important to know how the organization allocate or distribute its resources to its branch or itself. Finally to know how that resource (appropriation to the branch) is used properly to achieve their main objectives (goals). Another purpose (Significance) of this paper may be for further study just like as a reference.

## **1.6 Delimitation of the study**

This research can delaminate by narrowing into geography, project and time. Due to inconvenience of geographical and much cost, this study is focused on more specific in the city in Addis Ababa only.

It could impossible to access application of fund accounting at all level and cite of Christian Aid. As a result the study was delaminating on project and site based.

As this study should go through the past 3 years and current year, as it is difficult to study all this operations of each project done by Christian Aid since it is established, 1999.

## **1.7 Definition of term**

**Fund-** is physical and accounting entity with a self balance set of account recording cash and other financial resources together with all related liabilities and residual equities or balance and charges there in, which are the segregated for the purpose of coming on specific activities or attaining certain objective in accordance with special regulation, restriction and limitation.(Leon E, Hay 1989, 362)

## **1.8 Research Design & Methodology**

### **1.8.1 Research Design**

Descriptive research method is used in the study. It used to describe how to do application of fund accounting challenge of the organization and enable to describe all phenomenon.

### **1.8.2 Population and sampling technique**

Based on this study it shall conduct all accountants in the Christian Aid Organization who are in different position and department such as payroll preparation, payment voucher preparation, check preparation etc. and those

employees whom their work are related to the department of finance in general. There is no selection population, instead this study has taken the population as it is because it is easy to get the needed information as the important employees in the organization for the study where are only where worked in Addis Ababa head office. Then after contacted these workers, we can get necessary data's by giving questions and interview for each of them.

### **1.8.3 Types of Data Used**

To obtain relevant data and to achieve the stated research objective, our study uses primary data by directly from the Christian Aid accountants and secondary data.

### **1.8.4 Method of Data Collection**

This study used questioners and interviews for primary data collection and secondary data collected from manual and other published documents.

### **1.8.5 Data Analysis Method**

After the data are collected, the student researchers turn its hub and concentrate on its processing and analysis. Furthermore, the collected data will be edited, presented in a tabular. Consequently; percentage is used. Furthermore, qualitative data that obtained through interview and open and close ended questions described in the questionnaire narrated.

## **1.9 Limitation of the Study**

One of the major problems that faced the researchers while doing the paper was lack of data, factual information and shortage of time to investigate each and every activity. In addition to this some employees who are working specially in finance department are not willing to give us the needed

information. Considering all these drawbacks the researchers cannot claim to make a complete study of the organization.

### **1.10 Organization of the study**

This proposal contains four chapters. The first chapter presents introduction, statement of the problem, research question, general & specific objective, research design & methodology, significance of the study, limitation of the study. The second chapter presents the related literatures review during the research phase of the study. The third chapter presents data analysis & interpretation about sample taken. The fourth chapter contains summery, conclusion and recommendation of the study.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Nature of not for profit organization**

In its broadest sense, the term nonprofit refers to all entities that are not in business to make a profit. Thus, the term encompasses both governmental and all other not for profit entities. Frequently, the term is used in a narrow sense to refer to all nongovernmental not for profit, such as colleges and universities, hospitals, voluntary and welfare organizations and health care organizations, (Douglas, 1995, 58)

A nonprofit organization is a legal and accounting entity that is operated for the benefit of society as a whole rather than for the benefit of an individual proprietor or a group of partners, or stockholders. Thus the concept of net income is not meaningful for a not for profit organization, (Larson 2000, 723)

In its statement of financial accounting concept No. 4, the finance accounting standard board noted some characteristics. The board felt distinguished governmental and not for profit business organizations are receipt of significant amounts of resources from resource provides, who do not expect to receive either repayment or economic benefits proportionate to the resources provided, operating purposes that are other than to provide goods or services at a profit or profit equivalent and the other one is the absence of defined ownership interests that can be sold, transferred or redeemed or that convey entitlement to a share a residual distribution of resources in the event of liquidation of the organization, (Leon 1989 , 2)

There are many types of nonprofit entities in addition to hospitals and voluntary health and welfare organizations. Our society depends heavily on such organizations for religious, educational, social and recreational needs. (Richard; 1999, 201)

In general nonprofit entities divided in to three different groups depend on the objective and mission of the organizations.

Firstly, hospital that has a major operating activities take place in general fund. They serve the communities currently by taking the risk of increasing cost of new techno color, cost of medical care and so on.

Secondly, Voluntary Health Welfare Organizations (VHWO), they provide a Varsity of social services and these organizations solicit funds from the community at large and typically provide their service for no fee just like red cross organization in Ethiopia, American heart Association (AHA), the American cancer society (ACS) and soon.

Thirdly other Nonprofit Organization's are different from hospital and Voluntary Health welfare Organization according to its service providing for the society. Some example of these type of Not For Profit Organization's are professional associations (PA), public Broad casting stations (PBCS), religious organization (RO), research and scientific organizations, social and country clubs, trade associations, civil organizations, labor unions, political parties etc.

The common accounting features of these not for profit entities are the use of accrual basis of accounting and the use of funds to account for their activities.

They commonly serve the society depend on their own major mission without any return or profit from the service giving except Voluntary Health Welfare (VHWO) that collect funds from the community. Not for profit organizations are in certain respects hybrid because they have some characteristics similar to those of governmental entities. This includes service to society, no profit motive, financing by the citizenry, stewardship for resources and importance of budget. The service to society shows that not for profit organizations often render services to society as a whole. The members of this society may range from a limited number of citizens in a community to almost the entire population of a city, state or nation. Similar to the service rendered by governmental entities. The services of not for profit expirations, or expenses rather than expenditures, are reported in the statement of organizations are of the many rather than the few, (Larson 2000, 732)

In case of no profit motive, not for profit organizations do not operate with the objective of earning a profit. Consequently, not for profit organizations generally are exempt from federal and state income taxes.

When we come to financing by the citizens with governmental entities, most not for profit organizations depend on the general population for a substantial portion their support because revenues from charges their services are not intended to cover all their operating costs, (Larson 2000, 723)

Exceptions established by wealthy individual or families whereas the citizen's contribution to governmental revenues is mostly in voluntary taxes, their contributions for not for profit organizations are voluntary contributions.

The other characteristics are stewardship for resources. This because a substantial portion of the resources of a not for profit organization is donated, the organization must account for the resources

on stewardship basis similar to that of governmental entities. The stewardship requirement makes fund accounting appropriate for many not for profit organizations, as it is for governmental entities.

The last characteristics of NFPO is importance of budget cause their annual budget to be as for governmental entities that resemble those of business enterprises are governance by board of directors, measurement of cost expirations and use of accrual basis of accounting.

Governance by board of directors is a business corporation. This not for profit organizations is governed by elected or appointed directors, trust fees or governors. In contrast the legislative and executive branches of a governmental entity share the responsibilities for its governance.

Measurement of cost expirations are governed by a board of directors means that a not for profit organization does not answer to a law making body, as does a governmental entity. One consequence is that cost activities. Allocation of expenses including depreciation and revenues to the appropriate accounting period thus is a common characteristic of non for profit organizations and business enterprise, use of accrual basis of accounting for not for profit organizations employ. The same accrual basis of accounting used by business



accounting and reporting for governmental and not for profit organization differ markedly from that of profit organizations in a profit making organizations, management decisions are made, theoretically at least, to increase owners' welfare, which is usually measured in terms of profitability because both investor and managers are interested.., in maximizing profits, there is a single purpose and everyone associated with the business acts to contribute to the attainment of an agreed up on objective. The same criterion can be used to evaluate decisions.

Judging the performance of entities whose goal is not for profit maximization is more difficult and subjective. For most governmental and nonprofit organizations, the goal is to provide the best and highest level of service possible with the available resources. (Douglas 1995, 501).

These basic distinctions between for profit and not for profit entities result in a number of reporting and managerial differences, in for

Profit organizations, the unit as a whole is evaluated, for example, consolidated financial statements are prepared for companies with subsidiaries. In governmental and not of profit entities, certain activities or functions tend to be examined separately, combining those activities in only the most superficial way,(Larson 2000; 723)

## **2.2 Accounting system in Not-For-Profit Organization's**

The main objective of having a financial statement in NGO's is in order to make the whole situation known to the public as well as the donors. Especially detail on how the organizations acquire the resources and the way they utilized the material in order to accomplish the goal of the entity will be mentioned briefly. In addition, the report, which is forwarded to the user, must be able to reflect the whole available resources, which are used in the organization in order to run the activity smoothly an to know what extent the resources are used in fulfilling their duty.

In general, there are some interested bodies that need to see the financial report of the NGO's like donors, director of the company executive of the organization and government bodies that have an authority to control those nonprofit making firms. All these bodies are normally need to see reports of NGO's because the accounting system including fund (money) on average, organization like NGO's perform their activity by means of fund and fund raising campaign to assure the continuity of the organization. So, logically having fund resources will lead the organization to apply fund accounting system in their structure. Due to that the resources that are available for NFP organization are restricted to a specific activity by the donors. Because of all the external restrictions, NFP organizations carry significant accountability and obligations in utilizing the donated amount of money in fair manner. (Larson 2000; 735)

### **2.3 Definition of fund**

Fund is considered to be money set aside for a specific purpose only. But now, fund has broader meaning than used to be. . . "a fiscal and accounting entry with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objective in accordance with special regulation restrictions or limitations." (Leon 1989, 362)

Fund by itself is a separate set of books. Also fund is explained as a set of book that is established for a specific purpose, each project must have its own set of book and financial statements in order to report the whole situations to the donors and the public. Funds are established by NFP organizations to control resources, which are reserved for a specific purpose, and to make sure that there is a compliance with legal administrative. By any means, it is a must to utilize the resources similar with the stated. This is an important part of the

job. And reporting on its compliance is another vital duty of obligation. (Joseph etal 2000, 145)

Fund in the NFP sense is a self contained accounting entity its own asset, liability, revenue, expenditure or expense and fund balance or other equity accounts and with its own ledger . It is agreeable that the existence of fund device in NFP making organization is very essential for Sound financial management. The present situation of the enterprise will

be shown in the statement of fund accounting too. The accrual basis of accounting is deemed essential to develop and report cost of services data, and is required for NGO's financial statements to be prepared in conformity with generally accepted accounting principles (GAAP) the financial statement of not for profit organization must be produced in fulfillment of GAAP specifications At early days, fund is Considered to be money set aside for a specific purpose only. But now, fund has broader meaning than used to be. "a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation restrictions or limitations." (Joseph etal, 2000, 145) Fund by itself is a separate set of books. Also fund is explained as a set of book that is established for a specific purpose, each project must have its Own set of book and financial statements in order to report the whole situations to the donors and the public. Funds are established by NFP organization to control resources, which are reserved for a specific purpose, and to make sure that there is a compliance with legal administrative. By any means, it is a must to utilize the resources similar with the stated. This is an important part of the job. And reporting on its compliance is another vital duty of obligation. Fund in the NFP sense is a self contained accounting entity its own asset, liability, revenue, expenditure or expense and fund balance or other equity accounts and with its Own ledger . It is agreeable that the existence of fund device in NFP making organization is veer essential for sound financial

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## **2.4 Type of funds**

Even though there are different kinds of funds available in different organizations; this paper concentrates on those funds that are common in NGO's

### **2.4.1. Current unrestricted fund**

A fund to account for all unrestricted resources which the government body may as it sees fit consistent with the organization charter and by laws, except for unrestricted amount invested in land, building and equipment that are accounted for in the land, buildings and equipment fund." (Fischer, 1999, 501) This fund is similar like that of govern entity of general fund. it includes all those assets of not for profit organization which are ready for use as authorized by the board of directors and which are not restricted for a specific purpose. It is residual in nature. The major means of generating revenues and gains of an unrestricted fund is different number of sources like contributions, membership dues, dividends and gains or disposal of investments.

A non for profit organization revenue for services are accrued at full rates, even through part or all of the revenue is to be waived or reduced on some occasion, NGO's receives not only cash but also Contributions in the form of materials, facilities and services After that the recording of contributed material would be done in the inventor ledger account at its current fair value with a credit to a revenues account in an unrestricted fund. If skilled individual renders the service to the company as a form of contribution, it would be recorded in unrestricted fund, as a salaries expense.

Pledge also another source of revenue for unrestricted fund. A pledge is a commitment by a prospective donor to contribute a specific amount of cash or Property to a non for profit organization on a future date or in installment. It is an enforceable contract. Since it is signaled and written by pledge, it is consider as a promissory used in business under the accrual basis of accounting, un conditional pledges are recognized as receivable and revenue in the unrestricted fund, with appropriate provision (Fischer 1999, 501)

Revenues from pooled investment are another means of generating unrestricted current fund. Mostly NFP organizations save some money in securities for the sake of investment. When there is a need for investment, the resources that are putted a side will be pooled out and applied to the specified investment sector by a single portfolio manager in order to have great efficiency and flexibility in the program of investment.

But having a pooling technique need a very systematize way of material allocation in order to have a revenue including loss or gain. Every pooled investment must be recorded as investment at a debit section and credit gains on sales of investment or investment income.

In nonprofit organization unrestricted fund serves for covering all the expenditures of the organization even if expenditures may also be recognized by other funds as well. Expenditures of not for profit organization, indicates that the program service, those activities provide by the organization in order to result distribution of good and services to beneficiaries customers or members that fulfill the purpose or mission of the organization (Fischer, 1999) and also the supporting service are all activities that organization provide other than programming service such as fund raising, membership development and management activities. (Fischer, 1999, 501)

Most assets and liabilities of a non for profit organization's unrestricted funds are similar to the current assets and liabilities of a business enterprise cash investments, account receivable, receivables from other funds, inventories and short term prepayments are typical assets of an unrestricted fund.

Nonprofit organizations that use fund accounting generalize account for plant assets in plant fund. The liabilities of an unrestricted fund include payable accruals and deferred revenue as well as amounts payable to other funds. Normally NFPO does not have an Owner or proprietor Because of that the net asset of the organization will be represented by fund balance. If there is a need for using these assets for special purpose, a board of directors will designate some part of the unrestricted fund, (Larson 2000; 732)

#### **2.4.2 Current restricted funds**

“... Is to accounts for restricted resources that are expendable and are available for use, but may be expended only for operation purposes specified by the donor or grantor, (Fischer 1999, 502)

These funds are prepared by non for profit government organization in order to be applied for those assets, which are available for current use. But the extent to use those assets are specifically authorized and limited by the donor of the assets.

Since this type of fund is expendable for a specific purpose and according to donor's specification it has resemblance with special revenue fund of the government bodies.

Restricted fund assets are gained from restricted gifts or grants from individuals or government entities, revenues from restricted fund investments, gains on sales of investments of the restricted funds and restricted income from endowment funds. These assets are transferred to the unrestricted fund at the time the designated expenditure is made, with a credit to an account with a title such as net assets released form restrictions. (Larson 2000, 732)

### **2.4.3 Plant Fund**

Different none for profit organizations have different components that are included in plant fund. But mostly fund land, building, and equipment that are used by the entity in conducting their operation, are considered to an under plant fund.

Again liabilities exerted in acquisition on improving plant assets, and cash, investments or receivables contributed specifically for acquiring replacing or improving plant are all accounted for plant fund (land , building and equipment fund),(Larson 2000, 735)

### **2.4.4 Custodial fund**

“... Are established to account for assets received by an organization to be held or disbursed only on the instructions of the person or organization from whom they were received.” (Leon, 1995)

Assets accounted for by a custodian fund as assets of the donor, not assets of the organization, income generated from the assets is added to the appropriate liability account. For these reason, neither the receipt of assets to be held in custody nor the receipt of income from those assets should be reported by the organization as revenue.

Assets of custodian funds and the offsetting liabilities should be reported in the organization balance sheet but they should in no event be combined with assets and liabilities of other fund, (Larson 2000, 733)

### **2.4.5 Endowment fund**

“... is the principal amount of gifts and bequests that must under the term of agreements with donors be maintained in fact as propriety, or until the occurrence of a specific event or for a specified period of time” (Leon 1989 ,401)

The revenue or endowment fund is accounted for in accordance with the instructions of donor or the board of directors. If there are no restrictions on the use of endowment fund income, it is transferred to the non profit

organization's unrestricted fund. Otherwise, the endowment funds revenues re transferred to an appropriate restricted fund, (Larson; 2000 733)

## **2.5 Financial Statements of not for profit organization**

The wide variety of nonprofit organization various inconsistent among pronouncements of the AICPA on accounting for non for profit or the , contributed in the past to an assortment of form, content, display and terminology technique for financial statements of such organization. To lend uniformity to financial reporting by non for profit organization without imposing inflexible standards, the FASB, insured FASB statement no 117 “financial statement of nonprofit organization” among its provisions were the following.

1. Financial statement of nonprofit organization shall be consistent of financial position a statement of activities
2. The statement of financial position reports the amount of the organization total net assets, (Larson 2000, 735).

## **2.6 Accounting and Reporting for Not-For-Profit Organization**

### **2.6.1 Accounting for Not-For-Profit Organization**

“... In addition to the two FASB statements No 116 and 117, the AICPA audit guide for NFPOS, also provide guidance for accounting and financial reporting standards for NFPOS.

NFPOS vary significantly in size and scope of operations while accrual accounting is required for all NFPOS, some small organizations operating on cash basis during the year and convert to all accrual basis at year end ...“ (Baker, Richard E, 1999 285)

About accounting uses in the NFPO there is no difference between business entity and NFPO specifically. Both are use the accrual basis and double entry systems.



### **2.6.2 Financial reporting**

“... many individuals (Especially current and potential contributors) are interested in how the NFPO spends the money it receives and also they want to know which of these organization should receive money and how much? The next question will be is contributing to a particular charting a wise allocating resources? And also will do noted funds be used effectively by an organization to accomplish its specified purpose or will the money be wasted? Such questions are faced by every not for profit entity relying voluntary contributions from the general public (public support)” (Hoyle, 2001, 241)

Financial statements are vital for the donors for the future gifts and grants are based on the organizajo5 ability to convince donors that resources are being used wisely to accomplish stated goals.

We know that FASB’s has an authority over all Non for profit organization so, the financial statement should be focus on the entity a whole reporting requirements for the NFPO should be similar to business entities unless there are some difference during information needed of financial statement users.

The following statements required for non profit organization are

1. Balance sheet
2. Statement of support, revenue, expenditure and change in fund balances.
3. Statement of functional expenses (Leon 1989, 362)

### **2.6.3 Report requirements for Non For profit Organization’s**

It should be similar to business entities and it is significant because it allows the utilization of many of the same accrual basis techniques used by business entities for recording and reporting most transactions.” (Hoyle, 200, 241)

All principle of FASB standards for business entities do not have to be repeated for the Non for profit organization. But NFPO have much in common (Similar) to business entities such as accrual based measurement of assets and liabilities.

Generally, information that is normally found in balance sheet, operating statements and statement of changes in financial position should in the financial statement of the organization. FASB statement of Non for profit organization

Financial statement of Non for profit organization shall include a statement of financial position, a statement of activities, a statement of cash flows and notes to financial statement. The statement of financial position shall report the amount of the organizations total assets, total liabilities and net assets.

The statement of financial position show report the amount for each of the three classes of the organizations net asset permanently restricted, temporarily restricted and unrestricted funds. The statement of activities shall report gross amount of each of the class of the organizations net assets, permanently restricted, temporarily restricted and unrestricted funds. The statement of activities shall report the amount of the change in the organizations net asset for the period with caption such as change in net asset or change in equity.

The statement of activities shall report gross amount of revenues and expenses of the organization, except that investment revenues may be reported net of expenses and gains or losses on disposal of plant assets may be reported to net income. The statement of cash flows shall be similar informal direct method or indirect method to one that is issued for a business enterprise

“... A unique feature of not for profit organization is that they receive significant resources through contributions FASB statement no 116 requires not for profit organization to recognize contributions as revenue in the period the contribution is made.” (Hoyle Joe Ben, 2001, 242).

## **2.7 Financial statement Position**

Actually in the portion of assets and liability there is no difference those of business enterprises except the concept of owner equity does not apply to Non for profit organization. In place of paid in capital and retained earning, net assets and excess of assets over liabilities are presented in financial statement Position of Non for profit organization.

The net asset sections have three main categories that are created by FA's Unrestricted — it is an assets the appropriate for the internal purpose of the organization and it s imposed by the donors. Some times it is called board designate fund (BDF). Temporal restricted it is restricted (limited) for specific purpose by the donors or for Use in a future time period. Example- the amount received from grants are temporary restricted.

Permanent restricted in the Opposite of the temporary restricted, it is remain restricted for long period of time may as long as organization life. Example endowments on which he principal must remain intact such as land, work of art etc. (Hoyle, 2001, 244).

## **2.8 Statements of activities**

Statement of activities and change of net asset is the statement of the Non for profit organization that Use for the report of all the organizations assets, liabilities, expenses, any support of revenue additions of investment and change in fund balance and so on.

“... FASB statement No 124, “Accounting for certain investments hold by NFPO” requires that investments in equity securities with readily determinable market values and all debt investments be reported fair market value. The resulting unrealized gains and losses are reported in the statement of activities gains and losses on investments, along with dividend and interest income, are reported as increases or decreases in un restricted net assets, unless the income is explicitly restricted by the donor; by a law...”(Hoyle, 2001, 242)

“...J 1999, the FASB issued statement No 136, “Transfers of assets to Non for profit or charitable trust that raises or holds contributions for other” to provide authoritative guidance for such donations...” (Hoyle, 2001, 242)

“... Both membership due and admissions provide a greater source of revenue than Voluntary health welfare organization setting ... other type organization (Non profit organization) may have different Source of funds and major expense categories (Baker 1999, 401)

A statement of activities presents for information Users to report and set any support, revenue, expense, transfer and changes in fund balance during the fiscal period. Revenue, gain and other Support portion pf statement of activities are contain contribution, donated services membership dues, admissions, investment income, gain on investments and also a net ass from restriction. Program use restrictions, equipment acquisition and endowment transfers and so on.

The total revenue gain and other support are the sum of unrestricted, temporarily restricted and permanent restricted assets. In the second portion of the statement of activities are record the total amount of expenses. These are from unrestricted assets like for program service and Support community education, research, activities general and administrative, fund rising and Soon.

Then finally the net assets of the organization at the end of the year is presented by deducting the total expense from total revenue, gains and other support and add the amount of net assets at the beginning of year and change in net assets. (Baker 1999, 401)

## **2.9 Statement of cash flow**

Is a statement that mostly used by Non for profit in order to state the situation about the organization support, revenue, expense an also the investing activities and financing activities to get the net cash flows.

The net cash flow for the period is added to the beginning cash balance in unrestricted assets to arrive at the balance at the end of the period.

As a summa about financial statement for Non for profit organization, "... due to differences in types and Scope of activities of the narrow organization the statements may have differences in account titles and items included, however, many of the prior differences in financial presentation between Non for profit Organization was eliminated by the requirements of FASB 116 and 117". (Baker 1999, 401)

## **CHAPTER THREE**

### **3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

In the previous chapter we have seen the introductory and literature review part of the research. In this chapter we are going to discuss results of the study. In order to evaluate the fund accounting system of Christian Aid organization, the data collected through primary and secondary source and the analysis is made based on the data. Survey questioner is designed and distribute to employees of Christian Aid. And all of 10 distributed questioners are collected.

In depth interview were made also conducted with finance and related department. The researchers take 10 respondents from these departments .Accordingly; the investigators explain the result of the study in the following section. The major points included in data presentation and analyses are:-

- Financial Manual
- Segregation of duties and responsibilities
- Qualification and experiences
- Reporting and recording processes
- Fund Accounting System
- Basis of accounting
- Financial documentation
- Prioritizations of fund and others

#### **3.1 Characteristic and Background of the Respondents**

Table below shows the general characteristics of the respondents that include age, sex, educational background and year of service in the organization.

Table 1: Characteristics of respondents

Sex	No of Respondents	Department	Position	Education level
Male	1	Public and finance	Director	MA
	1	Finance	Finance Manager	MA
	3	Finance	Accountants	1st Degree
	2	Controlling Department	Auditors	1st Degree and CPA
	1	Finance	Main Cashier	1st Degree
Female	1	Finance	Cashier	Diploma
	1	Finance	Accountant	1st Degree

As shown in table1, 80% of the respondents are male and the remaining 20% are female. This data shows that the most respondents are male the table further shows that there is no workers having below diploma and 90% of the respondents are above diploma, 20% of them are awarded an AM degree and 30% of the respondents are 1<sup>st</sup> degree holders. In addition to this one of the respondents (10%) is CPA in addition to his 1<sup>st</sup> degree.

Finally, concerning services year of the respondents all (100%) of the respondents are worked above 5 years in the organization.

### 3.1.1 Having Sufficient Number of Employees

Having sufficient number of employees in a given organization has many benefits. For example the work can be done within the exact time and also can create division of labor among the employees.

Table 2: Response on having sufficient number of Employees

Item	Response	Frequency	
		No	%
What do you say about number of employees in Christian Aid?	Excess	-	-
	Sufficient	10	100
	Insufficient	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

According to the response the entire (100%) agreed that the organization has sufficient number of employees.

Therefore according to the result of the respondent and the researcher observation, the organization has sufficient number of employees in each and every activity.

### 3.1.2 Availability of Qualified and Trained Employees

The existence of qualified and trained employees in an organization is very important for controlling and implementing proper activity of the organization system.

Table 3: Response on availability of qualified and trained Employees

Item	Response	Frequency	
		No	%
Is the organization has qualified and trained employees in accounting system?	Yes	8	80
	No	2	20
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

Most of the respondents agreed that the organization has qualified and trained employees in each position and profession that are capable of implementing the accounting system and other organization's activities. On the other hand 20% of the respondents said that the organization doesn't has qualified and trained employees.

As the researchers view, in terms of academic background and work experiences the Christian Aid has qualified and trained employees that gives more strength for the organization. This implicates, the organization has got an efficient employees who can implement the fund accounting system and other activities, so the organization is better to use these qualified and trained employees effectively to improve the overall activity of the organization

### 3.1.3 Segregation of Duty and Responsibilities

Segregation of duties enables the employees to be efficient and capable on their specific area. It also provided them with enough knowledge about what they are doing.

Table 4: Responses on segregation of duties and responsibilities

Item	Response	Frequency	
		No	%
How is segregation of duties and responsibilities?	Very Good	7	70
	Good	-	-
	Fair	-	-
	Poor	3	30
	Not good at all	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

As of Table 4, 70% of the responses indicated that there is segregation of duties and responsibilities in the organization. But some of the respondents do not agreed this. As the researcher observation each employees has its own duties and responsibilities by looking their department and position or activities.

### 3.2 Performing activities in accordance with financial manual

Financial manual is complied documents which enable an organization to under go its actual function in accordance with the procedure which are stated on the document.



Table 5: Response on recording in accordance with financial manual

Item	Response	Frequency	
		No	%
Is the office fully performs its activities in accordance with Financial Manual?	Yes fully	7	70
	yes partially	-	-
	Not at all	3	30
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

It indicates 70% of the respondents respond that the organization fully performs its activities in accordance with the financial manual. The other 30% of the respondents deny this; the organization doesn't perform its activity in accordance with the financial manual. By looking their and comparing their activities with financial manual the researchers the organization perform its activities accordance with the financial manual.

### 3.3 Document and Employees' Responsibilities

A successful operation of accounting and other activities in a given organization acquires people who are able to perform the duties to which they are assigned.

Table 6: Response on document and employees responsibility

Item	Response	Frequency	
		No	%
Does the necessary documents maintained according to employees' responsibilities?	Adequately	9	90
	Inadequately	1	10
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

Almost all respondents agreed that the necessary documents are maintained according to employee's responsibility. As per the answer to the questioner and interview different document maintained based on employees responsibility.

To see some of these documentations:-

- ❖ Accountant maintained payment voucher,
- ❖ Cashiers maintained suspense payment voucher and petty cash book,
- ❖ Managers maintained different copies of letters,
- ❖ Auditors maintained different accounting documents, etc.

### 3.4 Budget and Budgetary Control

Budget is a plan of financial operation embodying on estimate of proposed expenditures for a given period and the proposed means of financing. It is used without any modifier, usually indicates a financial plan for a single fiscal year.

Table 7: Response on controlling mechanism

Item	Response	Frequency	
		No	%
How control mechanisms use to protect deficit or over utilization of budget?	Very Good		
	Good		
	Fair	9	90
	Poor	1	10
	Not Good at all	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

As per the answer to questioner and interview, the Christian Aid's control mechanisms use to protect such phenomenon in the organization. Following are some of controlling mechanism to protect over or under utilization of budget:-

- By comparison budget against actual consumption
- By registering day today expenditure
- By deducting expenditure from approval budget and reports remaining balance.

### 3.5 Preparing Two Financial Statement

Some times the legal requirement might be in contrary to GAAP; in this case Christian Aid prepares two sets of financial statement, complains with legal requirement and conformity with GAAP. It is important to their financial management and to provide minimum standard and guidelines to financial reporting.

Table 8: Response on preparing two financial statements

Item	Response	Frequency	
		No	%
Does the organization prepares two financial statement, one for comply with legal requirement one for inconformity with GAAP?	Yes	10	100
	No	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

All the respondents (100%) respond that the organization prepare two financial statement one for compliance with legal requirement, one for in conformity with GAAP.

### 3.6 Applying Fund Accounting System

Not- for -profit organization must apply fund accounting system. Since not-for-profit organization's activities are vast having the characteristics of complexity and summarizing all the organization financial transaction and balances in a single accounting entity. So such organization's accounting system should be organized and operated on a fund basis.

Table 9: Response on applying fund accounting system

Item	Response	Frequency	
		No	%
Does the Office Apply Fund Accounting System?	Yes	5	50
	No	3	30
	I don't know	2	20
<b>Total</b>		<b>10</b>	<b>100</b>

Half of the respondents respond that the organization use the fund accounting system and the other 30% of the respondents are denying this, the organization do not practice the concept at all, and the remaining respondents do not know whether the organization uses the fund accounting. This implies that the organization apply the system of fund accounting in some cases in a rare transaction they are not use the fund accounting at all.

### 3.7 Data and transaction Process

Table 10: Response on improve records and processes data

Item	Response	Frequency	
		No	%
How the organization improve record keeping and processes its data?	By training	5	50
	By sharing of experiences	3	30
	Both method	2	20
	Other methods	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

According to the response from our respondents, the office give training for some times for new hired employees and experienced workers or those employees specialized in some specific function shared their experience to others ;by this the organization record and data processed is improve.

### 3.8 Capital Assets

Our respondents answer the following for the question that whether the Christian Aid uses historical cost in order to record capital asset or not.

Table 11: Response on capital assets

Item	Response	Frequency	
		No	%
Does the Office use historical cost in recording capital assets?	Yes	10	100
	No	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

It shows that 100% of the respondents respond that the office recorded capital assets at historical cost. According to the reply the office recorded capital assets at historical cost as the principle stated.

### 3.9 Financial report

Table 12: Response on Financial Report

Item	Response	Frequency	
		No	%
Do the financial reports are prepared based on necessary documents that have been obtained?	Yes	10	100
	No	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

It indicate that 100% of respondents respond that financial reports are always prepared based on necessary documents that have been recorded or obtained. According to the reply from interview the office use the following document to prepare monthly financial report.

- Journal Voucher
- Payment Voucher and
- Different sources

### 3.10 Donors/Source of Fund

Donors are the main and the only resource providers for the organization. These bodies do not expect any reward from the organization transaction/activity. They intend to play a great role in citizens' economic development of in a given country and improve their life style of poor and needy people.

#### 3.10.1 Communication of Donors and the Organization

Table 13: Response on interval of communication with Donors

Item	Response	Frequency	
		No	%
How do you (the office) communicate with resources providers?	Monthly	10	100
	Quarterly		
	Half a year	-	-
	Yearly	-	-
	<b>Total</b>	<b>10</b>	<b>100</b>

As per the respondents resources providers in order to follow up the activities of the organization they communicate monthly interval. As the researchers view the organization Christian Aid is investigated by the resources providers in monthly interval. This data shows all respondents respond the same that the organization meets with the resources provider monthly. So the researchers believe that the two parties communicate in monthly intervals.

#### 3.10.2 Methods of communication

There are many ways that the resources providers to communicate with the organization such as Internet, Telephone, Fax...etc. Donors want much information to propose the project that needs fund.

Table 14: Response on methods of communication

Item	Response	Frequency	
		No	%
How do you (the office) communicate with resources providers?	Through internet	10	100
	By telephone		
	Using Fax	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

All respondents (100%) agreed that the resources providers use internet/email most of the time when they want to get information about the organization which they release the fund. This implies that in most of the time the two parties use internet as the medium of the communication.

### 3.10.3 Feedback of resources' providers

The resources providers /Donors need up to date report about the organization in order to adjust the fund that they release.

Table 15: Response on Satisfaction of donors on the organization

Item	Response	Frequency	
		No	%
How resources providers satisfied on the organization activities	Very highly	10	100
	Highly		
	sufficiently	-	-
	Low sufficiently	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

According to the respondents donors are satisfied fully by the organization Performances so as they release the fund. The implication refers that all the respondents agree that resources providers' satisfaction is very high in the organization's activities. So we researchers believed that donors are satisfying by all the organization transaction.

### 3.10.4 Prioritizations of Donors

Recourses providers as the main sources of the fund that the organization expended, they want to wish the organization perform what they want. The respondents' responses whether they agree or not the Donors prioritization;

Table 16: Response on opinion on prioritization of Donors

Item	Response	Frequency	
		No	%
What is your opinion about prioritization of donors?	Strongly agree	6	60
	Agree	2	20
	Disagree	-	-
	Very disagree	2	20
<b>Total</b>		<b>10</b>	<b>100</b>

As shown in table 16 for the question what is your opinion about the prioritization of donors? 60% of the respondents replied that they agree on donors' prioritization of the activities that they released to it, 20% Of them are agreed and the remaining 20% are very disagree the donors' prioritization. This indicated that all respondents do not agree prioritization of donors, and some of them are do not accept it at all.

Table 17: Response on prioritization of Donors

Item	Response	Frequency	
		No	%
In which area resources providers prioritize in most cases?	Education	-	-
	Health	-	-
	Children Care	10	100
	In Others projects	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

As per of the response all respondents (100%) agree that donors mostly released the fund on Children Care and usually the projects laid on children and their infrastructures, like school etc.



### 3.10.5 Problem between donors and the office

Table 18: Response on the problem on Donors

Item	Response	Frequency	
		No	%
Is there any gap/problem between Recourses' providers and the organization?	Yes	10	100
	No	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

As the table 18, 100% of the respondents in rare cases there is a problem between the resources providers and the organization. Implies that there is a problem(gap) between the office and resource providers.

The question that forwarded to the respondents to identified the main problem that arises in most of the time,

Table 19: Response on identification of the problem

Item	Response	Frequency	
		No	%
What is the main problem between donors and the office?	Delaying releasing of fund	5	50
	Reducing of amount of fund	5	50
	Any other problem	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

As per the respondents 50% of them are response that the main problem of the donors is delay to release the fund in appropriate time whereas the remaining 50% of the respondents respond that reducing of fund by the donors that the organization do not expect is the main problem of the office.

Accordingly the researcher view the problem is not always happened but both reducing the fund and delaying of releasing the fund is make difficult to organization performances.

### 3.10.6 Donors' financial statement

Table 20: Response on donors' financial statements

Item	Response	Frequency	
		No	%
Does the organization prepare financial statements for each project?	Yes	10	100
	No	-	-
	I don't know	-	-
<b>Total</b>		<b>10</b>	<b>100</b>

The research shows that all respondents respond the office prepares financial statement for each of the projects financed by donors. As we observe the office prepares different financial statements for each donors. In this case the donors of each project will receive a financial statement (report)for the project they financed only rather than the statement of the whole donors and each project have separate and distinct fund.

### 3.11 Analysis on Interview

Interview is conducted with the finance manager of the office and the Director of the office. Accordingly; the result of the interview is shown as below.

The office improve the accounting record improve its data by training their employees and the office also used the latest equipment in order modernization all records and data.

Christian Aid spread its projects at both rural and urban area in order improves the life style of the poor people by road construction, building construction, sanitation services etc...

### 3.12 Analysis on Secondary data

As the researchers, we used the office manual, published documents and internet as the secondary data. According to the finding on these secondary data we observed the following.

### **3.13 Recording Revenue, Expenditure and Encumbrance**

According to the secondary data on the recorded documents of the office records the revenue when the fund release and it records the expenditures when the liabilities are incurred. And the organization record encumbrance when they are making an order. But as of our observation, the office does not record encumbrance instead they simply include in the actual expenditure process.

### **3.14 Measurement Focused and Basis of Accounting**

The manual that prepared by the office as we get as a secondary data shows the office uses financial measurement focus and their basis of accounting is accrual basis. As they explained the organization stand for needy people and fulfill their infrastructure rather than a profit motive.

## **CHAPTER FOUR**

### **4 SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **4.1 SUMMARY**

To evaluate the accounting system practice in Christian Aid the data collected through primary and secondary sources and analysis is made based on the data collected.

The researchers have taken 10 respondents from accounting and related department that help to get the needed information about what they want to know.

#### **4.2 The Major Findings of the Study**

- Some documents are maintained based on employee's responsibilities, for instance accountants maintained payment voucher . . . cashier maintained petty cash books and suspense voucher, etc.
- Regarding of employment history, the study shows that the majority of respondents i.e. 100% are senior and professionals.
- In Christian Aid and again there is sufficient number of employees that run the activities and each transaction.
- 100% of the respondents agree that Christian Aid prepares two financial statements, one for conformity with GAAP and the other for complying with legal requirement.
- The finding shows, i.e. 100% of the respondents believe that Capital Assets are recorded at historical cost which is as the principle stated.

- According to the respondents 20% of the respondents regarding of the donors (resources providers) do not agree on what they prioritized of the projects.
- All the respondents (100%) there is a problem between donors and the office) related on the fund they released.
- The finding shows that half of the respondents said that the main problem that the office faced is delaying of fund that released by the donors, on the other hand the remaining half of the respondents agreed that reducing the amount of fund is the main problem related to donors.
- As of the response the office use different methods to improve record and processed its data, such as giving training and sharing of experiences.
- According to the findings 100% of the respondents agreed that the office prepares different financial statements for each project and donors.
- The findings show that 100% of the respondents respond that donors need to finance their fund on children and their infrastructure in most cases.

## **4.2 CONCLUTION**

The research finally comes with the following conclusion on the basis of findings regarding on application of fund accounting for not-for-profit organization in a case study on Christian Aid Ethiopia :-

- There is a proper separation of duties and responsibilities. No one person has a complete control over one transaction and there is sufficient number of employees in Christian Aid Organization. Having sufficient number of employees and segregation of duties help the organization to perform its activities effectively and efficiently. Christian

Aid also has qualified and trained employees in each position this also make enable the organization to perform its activity in a sound manner.

- According to the finding Christian Aid do not apply fund accounting system as the not-for-profit organization should apply this fund accounting system as the principle stated.
- Financial manual is important to perform their activities according to the principle with the legal requirement .There is a financial manual in the organization and the company uses it properly, which enable the office to undergo its actual function in accordance with the procedure which is stated on the document.
- Documents are maintained according to employees' responsibilities. This help for proper documentation and for identification of the accountability of each employee.
- Budget is most important and mandatory for such kind of organization, Christian Aid also use budgeting and has the responsibility of fiscal accountability which demonstration in the use of resources in budgetary context.
- We concluded that Christian Aid almost fully exercise the GAAP to implementing the Non-for –profit accounting system.
- According to the findings Control mechanisms don't help strongly to protect the office to protect deficit or over utilization of budget.
- The office prepares two financial statements, one for comply with legal requirement and one for inconformity with GAAP.
- The findings show that the office prepares financial reports based on the necessary documents that have been obtained.

- As of the response, Christian Aid recorded Capital assets at historical cost.
- Children Care is the primary function of the office as the resources providers want to project to do so most of the time.

### **4.3 RECOMMENDATIONS**

Based on the above conclusion the researcher recommended the following to improve the Christian Aid accounting practice.

- The existence of separation of duties and responsibility is good practice that the organization undergoing and this should be kept for the future. And the organization also has qualified and trained employees that are capable of implementing the accounting system. The organization should keep use of these well trained and qualified employees effectively and efficiently.
- We, the researchers recommended Christian Aid exercises its activity according to the existing financial manual in order to comply with the legal requirement.
- There is a problem that Christian Aid does not use a proper fund transfer. Thus, the researchers recommended the use of inter-fund transfer by complying with the legal and financial requirement like getting approval from concerned bodies.
- The researcher recommended the organization to fully exercise its activity based on the stated principles because it helps them to implement a sound accounting system .GAAP included in its concepts about the Not-for-profit organization. Therefore the Christian Aid improves the system by modifying their previous accounting system and by exercising the stated GAAP.

- Christian Aid as a not-for-profit organization, it should apply the fund accounting system on its implement the accounting system.
- The office should perform its activities in accordance with the financial manual fully.
- Control mechanism that established by the office should protect the excess or under utilization of budget.
- Christian Aid should be applying fund accounting as the principle stated.
- Donors of the office should not only focused on children care they should see other projects.