

**UNIVERSITY OF CAPE COAST**

**FUND MANAGEMENT PRACTICES OF PUBLIC SECOND CYCLE EDUCATIONAL  
INSTITUTIONS IN THE CENTRAL REGION OF GHANA**

**BY**

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**DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND  
FINANCE OF THE SCHOOL OF BUSINESS, UNIVERSITY OF CAPE COAST IN PART  
FULFILMENT OF THE REQUIREMENTS FOR AWARD OF MASTER OF BUSINESS  
ADMINISTRATION DEGREE IN FINANCE**

**MAY 2009**

## DECLARATION

### Candidate's declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate Signature: ..... Date.....

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### Supervisor's declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on the supervision of supervision laid down by the University of Cape Coast.

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## ABSTRACT

The main ambition of most organizations today is to present good financial results that may have the impetus of propelling the organization into the realization of its grand objectives. One important part of this is to ensure an effective way of managing liquid capital or in other words fund management. The thrust of this document is to help improve the public sector financial management practices, with a particular reference to the second cycle institutions of Ghana Education Service. This is basically in consideration of the chunk of the national resources usually directed into the operations of the sector.

Three different sources were used to extract the data. These included the use of questionnaire, personal interviews and official documentations. Questionnaires were sent to thirty second cycle schools and colleges, specifically to the key spending officers (headmaster/headmistress and the bursar). To make it possible for the respondents to express their thoughts beyond the asked questions, semi structured interviews were used. In addition to the questionnaire and the interviews, accessible official documents were utilized.

One major conclusion from the analysis is that, the service has a great potential with fund management when adequate value is added to its fund managers and relevant staff and appropriate organizational environment is created.

## ACKNOWLEDGEMENTS

I take this opportunity to express my profound gratitude to all and sundry who in diverse ways contributed immensely during the process of writing this dissertation and the entire period of the MBA Program.

My heart felt thanks go to my supervisor, Mr. Frimpong Siaw of the Department of Finance and Accounting of the School of Business, University of Cape Coast, for his counseling, guidance, inspiration and encouragement. It was his constructive criticisms and corrections that made the final write up of this dissertation fruitful. I appreciate dearly also other contributions made by the entire staff of the School of Business.

I am very much thankful to my wife, Nana Yaa Quainoo and my children, for their immense moral support accorded me in the course of the entire program.

## **DEDICATION**

To my children, Sandra Fosuwa Arhin, Kelvin Joojo Arhin, Rhoda Nana Ama Arhin and Nana Kojo Bannerman Arhin, I dedicate this work.

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## CHAPTER ONE

### INTRODUCTION

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

Education at the present time sits squarely in the centre of the development agenda in the country. We now understand that an educated and skilled workforce is one of the pillars for a dynamic knowledge-based economy, and we see correlation between general levels of educational attainment, gender parity in education and democratic governance.

The government increased the percentage of national discretionary budget spent on education from 20% in 1999 to 23.1% in 2005. Actual education expenditure as a percentage of GDP increased from 5 percent in 1999 to 5.6 percent in 2005. Actual educational expenditure as a percentage of total discretionary budgets increased from 27 percent in 1999 to 29.5 percent in 2005. These increases are in line with the UNESCO and Africa Union suggestion for member states of expenditure on education 6% of GDP.

There had been a lot of interventions in education delivery in the country in the form of Partnership Programmes, Community Support Programmes, Schools Improvement Funds and Scholarship Schemes. Governments over the past few years have been committed to the Millennium Development Goal of Education for All. It is in the light of this and many more that it has become imperative to adopt

the most pragmatic and efficient standards and financial practices to secure the optimum utilisation of the available resources that will be allocated to the education sector.

### **Statement of the problem**

It has been a topical issue in both political and social arenas over the years concerning the adequacy or otherwise of the finances of the second cycle institutions in the country. The Conference of Heads of Assisted Second Cycle Schools (CHASS) in the country whose members are apparently in support of the claim for upward adjustments of allocation and mobilisation of financial resources in order for them to be able to run their respective schools and colleges effectively and efficiently, have ritually been agitating for such increases every other year. Indeed, such claims have at the same time not been readily welcomed by some parents and sometimes government, following the difficulties some parents are made to face in their bid to meet this obligation, which occasionally throw some students out of school. Some students, to this end, are even asked to stay away from examination until certain fees are paid. For example, in 2006, E. Bonney captioned it in the Daily Graphic page 48 “Pay Fees 28 days before or lose exams right”, and according to him in accordance with the Revised Guidelines on the Payment of Fees approved by Ghana Education Service (GES) Council, students who refused to pay their fees twenty eight (28) days before the final examinations were not allowed to sit for their examinations and for that matter lost their

examinations right. This occasionally triggers off further agitations that possibly translate into issues bordering on organised labour and wage levels.

Various complaints and embezzlements had been levelled against some officials in GES which sufficiently point to the fact that not all things are working well in terms of the financial management and practices of the service. For example, in January 2006, H. Nyarko in his write-up in page 1 of the Ghanaian Times titled “323 GES officials to refund stolen cash” said among others that the Ghana Education Service Council ordered three hundred and twenty three (323) GES officials to refund stolen cash totalling between two hundred (200) and five hundred (500) million Cedis each (i.e. old Ghana Cedis). Again, in February that same year, in page 10 of the Ghanaian Times A. Kush also wrote that some school heads were demoted following illegal collection of levies. The story also alleged that most of the schools and the colleges under the Ghana Education Service were operating unauthorised budgets, as their budgets were not approved by their respective boards of governors as prescribed by law.

These and many more make it necessary to investigate the nature of Fund Management of the Service and suggest possible ways of improving the status quo.

One is, therefore tempted to find answers to these questions:

1. What are the profile of the managers of the financial resources of the schools and colleges?
2. How efficiently and effectively are funds managed in the various schools and colleges?

3. What controls are put in place to facilitate efficient and effective fund management?
4. Are there effective measures in place to discourage personnel who mismanage funds?
5. Why does the control of cash management have its present design?
6. What are the differences and the similarities that exist between management's intention and the outcome of the laid-down controls?
7. What is the potential effect of efficient fund management in the context of receivables and payables of the Ghana Education Service?

The main ambition of most organisations today is to present good financial results as an effective tool to enhance a blend of efforts that tend to emanate from the sections of the organisation, to help achieve the corporate objective. One part of an organisation's financial routines with great potential, but which is often neglected is the organisation's liquid or fund management.

Even though managing liquid capital always has been done, the term fund management has brought new light to managing liquid capital with focus on the time-dimension of fund flow. Larsson (2000) holds that many organisations neglect their work in the area of fund management. This neglect basically arises from the shortcoming of, for example, efficient payment routines and receivables. Receivables are a part of the work with cash management that ties up a considerable part of an organisation's working capital. By improving and making receivables and payment routines more efficient, organisations tend to free working capital from trade receivables and interest on overdue payments.

Large establishments with more than five hundred (500) employees that also consist of several branches require a greater focus on management control. Organisations such as GES need a more comprehensive management control, which control the various institutions that fall under the umbrella of GES as an entity. To this end, therefore, goal congruence is of the essence (Anthony & Govindarajan, 2000). Here, as much as possible, the goals of the organisation's individual members should be consistent with the goals of the organisation itself. Without a comprehensive management control, the goals of the schools and colleges may differ from the goals of GES as a corporate concern; and this will eventually lead to sub optimisation that will subsequently have a significant toll on the effort to achieve set objectives. Burns (1999) notes that it is important in this situation that the Heads of the schools and colleges for that matter cope with the controlling of their employees so that they work in the direction decided by Ghana Education Service. Fund management is a tool for controlling the schools and colleges.

### **Objectives of the study**

Flowing from the above, the study is intended to find out the extent to which management of GES has been able to utilise the concept of Fund Management to the realisation of its overall purpose. To this end four main important objectives are outlined below:

1. To ascertain the financial management practices and controls of the selected schools

2. To assess the adequacy of the financial management practices taking into consideration their respective levels of operations
3. To identify different kinds of financial records maintained and the level of usage of such records to generate accounting information
4. To find out what constraints public second cycle institutions may have with their fund management practices and to suggest ways and means to improve on the existing practices

### **Significance of the study**

Considering the backdrop issues that had come up in the recent past, particularly bordering on financial malfeasance, this research became important in dealing with the relevant nagging issues culminating the subject matter.

This exploratory study will highlight the fund management practices of the selected schools and draw attention to some elements of short-term fund management which is often ignored by finance managers

The study will also serve as a framework for further studies.

### **Chapter organisation**

The dissertation starts out with an introduction to the subject area in Chapter One and then the methodology in Chapter Two describes how the study was conducted. The frame of reference in Chapter Three conceptualises the theory. The result and analyses are presented in Chapter Four. In Chapter Five the summary, conclusions and final recommendations are presented.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **Introduction**

In order to answer the research purpose stated in chapter one, the literature review presents a theoretical description of the problem area. The review will constitute a base when analyzing the collected data connected to the relevant variable of each part of the purpose.

#### **Fund management**

Fund management generally seeks to describe both the money resources available to government, firms or individuals, and the management of these resources. It is also described as the body of facts, principles and theories relating to raising and using money by individuals, business and government. It is indeed a decision making process concerned with planning, acquisition and utilization of funds in a way that it achieves an organization's desired goals.

According to Larsson (2000) fund management is about handling liquid capital and includes managing cash and cash flow in an organization. Since an efficient work with cash management can generate free capital it is of great importance for organizations to control their managers into working more efficiently with cash or fund management. This control of cash management can be

concentrated into different parts of an organization. Larsson holds that stock that restricts a large part of the moving capital is not normally managed by financial departments. This is one explanation to the fact that stock, normally, is not assigned to cash management. The goal of fund management is to maximize free capital in order to maximize stock holders' return on invested capital without decreasing other factors, such as customer satisfaction. Trade receivables restrict a large part of the moving capital and are, therefore, an important part of an organization's work with fund management. Shortened time when managing receivables leads to less restricted capital which brings interest profit and interest income. Sales ledger is part of the subsidiary ledgers and contains accounts for each of the organization's customers. Larsson (2000) means that organizations can receive information about receivables out of the sales ledger that normally is difficult to receive out of the 'normal' book-keeping. In purpose of making the sales ledger easier to monitor, organizations are tending to computerize their systems.

The main purpose of ensuring effective fund management is to increase the return on moving capital by setting capital free from the payment chain and to plan an organization's liquidity. When doing this, other factors must be considered. An important factor to consider may, according to Nilsson and Astrom (2004), include customer satisfaction.

A possibility for organizations to decrease their restricted capital and controlling cash management is, according to Larsson (2000), making their managers overlook customers' terms of payment and possibly shorten customers'



period of credit. Since terms of payment are of the essence for the restricted capital in trade receivables, the terms give an opportunity for organizations to effectively control cash management. Customers often deviate from the terms of payment, which leads to longer credit periods than what has been agreed upon. This behavior from customers is one reason that organizations need to control cash management.

### **Balancing cash management and customer satisfaction**

The main purpose of cash management is, according to Larsson (2000), to increase the return on the moving capital by setting capital free from the payment chain and to plan an organization's liquidity. When doing this, other factors must be considered. (Larsson, 2000). An important factor to consider in the context of receivables is, according to Nilson and Astrom (2004), customer satisfaction. Kohli and Jaworski (1990) hold that it is of importance for organizations to have one or more departments that try to develop an understanding for customers' current and future needs and the factors that are affecting these needs. If the organization's effort to increase moving capital will lead to reduced customer satisfaction, they have to evaluate if the work is profitable or not. It is believed that it is of importance for an organization with few customers that purchase large volumes, to keep customers satisfied than to make use of cash management optimally. Hence to this end, they explained that it is costly for these kinds of organizations to keep their customers satisfied since the customers' demand long terms of payment. They also explained that due to the importance of customer

satisfaction, it is important for organizations to consider this when controlling cash management. Nilson and Astrom state that the control of cash management never can be efficient if the organizations' customers are not satisfied.

### **Terms of payment**

In a contract between purchaser and salesman Larsson (2000) states that it is suitable to carefully define the terms of payment. Terms of payment may include: granted credit period, granted discount when invoice is paid in advance and also from which date the credit period begins. According to Larsson organizations are using many different terms of payments and to illustrate how these affect organizations' cash management calculations. Before these calculations, Larsson gave two common terms of payment to illustrate his point.

30 days net: Invoice shall be paid within 30 days from for example, delivery or invoice date. 10 days/2%: Invoice shall be paid within 10 days for the customer to receive a 2% discount.

To Larsson these terms of payment can be combined so that the customer can choose between paying within 10 days and receive a discount, or paying within 30 days and then pay the total amount, i.e. there are alternative terms of payment.

According to Larsson depending on which term of payment the organization gives to its' customers, the organization's restricted capital will vary a lot. For example, if an organization with a turnover of a hundred million Ghana

cedis (GH C100, 000,000) reduces the customer credit period with one day, the free capital will increase substantially.

Giving customers discounts to reduce credit periods is, according to Larsson (2000), a very expensive form of financing. If an organization gives a term of payment of 14 days /2%, it will in comparison with 30 days net give the customer an annual interest of forty five percent (45%). Given customers long credit periods is also an expensive form of financing since this is equal to interest-free loans to the customers.

Financial transparency is based on concepts for valid, standardized information that is readily accessible and routinely disseminated to stakeholders. While parliament and others continuously ask for an accounting of public education investments, transparency seems to remain an ignored concept.

### **Institutional theory**

According to Scott (1995), institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers, cultures, structures, and routines and they operate at the multiple levels of jurisdiction. This definition explains that an institution is one form of structure that defines how individuals are allowed to act within the institution's limit. North (1990) also asserts that, the number of choices for the individual also reduces the insecurity by providing structure to the everyday life.

Institutional theory has risen to prominence as a popular and powerful explanation for organizational action. The theory consists of three pillars or levels, identified as making up or supporting institutions (Scott, 1998). The three levels of institutions are: regulative, normative and cognitive (Scott, 1995). According to Scott the regulative level constrains and regularizes behavior. The normative level specifies how things should be done and defines goals or objects, but also designates ways to pursue them. Scott (1998) further states that the last level, the cognitive, is defined as values in an institution that are taken for granted. Scott (1998) indicated that the institutional theory descends from different sciences, and in particular, economics, politics and sociology. The author further means that economics points out rules as the best way to explain social stability, while sociologists and political scientists maintain that norms and cognitive values are important parts of structure. He explains that institutional theory holds that individuals need order and structure, i.e. social order and control, in their everyday life. The author further issued that organizations are open systems that are strongly influenced by their environments, which means the norms and cognitive values in the society exercise great control over organizations. Based on this, organizations with a wider geographic spread should consider that different norms and cognitive values exist in different societies and Ghana with its pluralistic society is no exception. The organization's control of funds should therefore be designed for society taking cognizance of norms and cognitive values at a point in time.

How different processes in an organization are accomplished can be derived from institutional theory, i.e. rules, norms and cognitive values. Due to

this, managers should be observant that rules do not always result in that the employees are working in the direction of the rules. If a rule disagrees with norms and cognitive values, this may lead to a conflict between the organization/managers and the employees. To avoid this problem, it should be important that managers are aware of existing norms and cognitive values

Based on the above, rules that have been implemented in the organization may transform into a norm for the employees. If the employees always know how to act in different situations, i.e. they take the rule for granted, the rule then transforms into a norm. If the employees no longer know why they act in a certain way in a specific situation, the norm transforms into a cognitive values.

### **Technologies**

According to Macintosh (1994), there is a strong relationship between the technology of a work unit and the characteristics of management accounting and control systems that managers require to perform effectively. He notes that mismatches between the characteristics and work unit technology account for a large percentage of control difficulties. To make it easier for organizations to match their control system with the technology of the unit, the sociologist Charles Perrow has developed a model where different business activities have been divided into four different technologies (Macintosh, 1985). Due to this, organizations with sales units should match their control of cash management with the technology of the different sales unit in order to achieve the most effective control of cash management.

The four technologies are, as Macintosh (1985) states, based on the combination of the two dimensions, task variety and task knowledge. Task variety is the frequency of unexpected events that occur in business activities and task knowledge is defined as how analyzable a business activity is (Macintosh, 1994). The four different technologies are routine technology, craft technology, professional technology and research technology. For each of the four technologies there is a control style that seems appropriate to the specific technology (Macintosh, 1994).

Routine technologies are characterized by little task variety and high analyzable task, i.e. the task is monotonous and the knowledge of how to solve the task is high (Macintosh, 1985). The work is typically done by routine and requires a close system style (Macintosh, 1994). Working with fund management should tend to be a routine technology, but can be influenced by other technologies. The close control system style includes frequent reporting, and upper management influence over target setting and rewards coupled with measurement (ibid). According to the above, cash outlet with routine technology should control their cash management with close control, i.e. reports and statistical summaries, to achieve the most effective control of cash management.

### **Result control for craft technology**

Craft technologies involve a predictable stream of activities, and the tasks have a low analyzability (Macintosh, 1994). Macintosh explains that there is no store of procedures and techniques to apply to problems that arise. Craft

technologies can, according to Macintosh (1985), be considered the most difficult technology to match with an appropriate control system because efficiency is difficult to measure. However, the desired result can be determined in advance and the appropriate controls are basic effectiveness tests i.e. the focus is on results. Management accounting and control reports in craft technologies tend, according to Macintosh (1994), to be general rather than detailed and they are issued less frequently than in the case of routine technologies. Due to this, most of the schools with craft technology achieve the most effective control of fund management by using results control.

### **Comprehensive controls for professional technologies**

Professional technologies tend to be complex since there is high variety in the tasks performed, but the various problems can usually be handled by referring to a store of established knowledge and techniques (Macintosh, 1985). According to Macintosh (1994), the style of control for professional technologies is almost the opposite of the control for craft technologies. Due to the wide variety of tasks, the control for professional technologies is complicated and attempts have, therefore, been made to develop comprehensive and elaborate control. The author further states that the control reports in professional technologies are highly detailed and one example of the comprehensive control is statistical reports, which are issued more frequently. When a unit with a professional technology is controlling its cash management they ought to, according to the above, consider that the control should be comprehensive and use highly detailed statistical reports frequently in order to achieve the most effective control of fund management.

### **Sunder's theory about expectations**

Expectations are defined by Sunder (2002) as thinking about and anticipating the future and he further states that our expectations are tinged with hope, leaning towards the future we prefer.

Human expectation formation is complex and not well understood (Sunder, 2002). Sunder further holds that social psychological constructs do not necessarily correspond to frequency statistics gathered in the field. Organizational contracts themselves are defined as expectations. A customer who buys a product has expectations, for instance, about its performance, durability and terms of payment. An individual who accepts a job has expectations of work, compensation and advancement that extend beyond the explicit promises made by the recruiters. According to Baxter (2004), there are a number of common pitfalls that can lead to a gap between expectations and what is finally delivered, a gap that can be disastrous to those involved. He further states that to avoid this gap, decision makers have to be clear about their objectives.

According to Sunder (2002) employees manage what others expect from them. They must create appropriate expectations, and meet them. If the expectations are too great, a contract will be breached, and others will turn away in disappointment. This line of argument can, according to Sunder also be applied to organizations. If stakeholders expect more than the organization delivers, their disappointment may encourage them to leave the organization. If stakeholders get more than they expect, resource constraints will make other stakeholders get



disappointed with what remains for them to claim. In either case, Sunder holds that failure to deliver on expectations at realistic levels, threatens the ability of the organization to exist.

Based on the above, it is critical for sales units to meet the expectations of their stakeholders. If, for example, the employees have expectations about how to accomplish their work assignments, the managers need to meet the expectations when controlling the employees' work with trade receivables. It is also critical for sales units to meet the expectations of their customers. If for example, the customers' credit times are longer than they expect, disappointment may push them to find a new supplier.

### **Hofstede's research about culture**

According to Hofstede, (2001) culture can be defined as: "patterned ways of thinking, feeling and reacting....the essential core of culture consists of traditional ideas and especially their attached values."

Culture may also be referred to as "beliefs, values, attitudes, and behavior associated both with individual organizations and with more inclusive such as ethnic groups and professional associations". But, as Morris (1975) points out that the job of effective management is to change culture as well as to work sensitively within them. Management education should help identify and clarify the meaning of different element of culture which inhibit organizational effectiveness and adversely affect employee well-being. A lack of organizational commitment may

occur only among certain members of some organizations, and to that extent can be seen as a micro-cultural element.

Hofstede (1991) states that it is of great importance for organizations that operate internationally or areas with diverse cultural inclinations to have good knowledge about cultural differences in such geographical areas. For international organizations it should be important that its' control is adjusted to the different cultures in the countries where it operates. This can be applied to fund management in organizations that operate in different cultural environments since cultures may affect customers' collection or payment pattern in different ways. In the late 1970 Hofstede carried out a research project about how national cultures affected a corporation, which was operating in more than forty (40) countries. When analyzing his study, Hofstede (1991) found systematic differences between national and sub national cultures. Hofstede discovered four dimensions of differences between the nations. The four dimensions were power distance, uncertainty avoidance, individualism and masculinity (Hofstede, 2001). Mulder (1997) defines power distance as "the degree of inequality in power between a less powerful individual (I) and a more powerful other (O), in which I and O belong to the same social system" i.e. in what extension individuals are willing to accept an unequal allocation of power. Uncertainty avoidance deals for example with how societies have learned to handle uncertainty (Hofstede, 2001), Individualism is, according to Hofstede (2001) a situation in what extension individuals in a culture can be expected to act, independently of other members in the culture. Finally, Hofstede (1991) holds that masculinity deals with dividing society's gender roles.

This dissertation will focus on the dimensions of uncertainty avoidance and power distance because of their connection to the institutional theory, i.e. rules, norms and cognitive values. The stronger a culture's tendency to avoid uncertainty, the greater its need for rules (hofstede, 2001) and cultures with weaker tendency to avoid uncertainty should be more depending on norms and cognitive values. According to this line of argument, a sales unit should when controlling funds consider if the employees have a strong or weak tendency to avoid uncertainty so as to adapt the relevant controls in a suitable way. If the tendency to avoid uncertainty is strong, employees should have clear rules and manuals about how to work with fund management. If the opposite occurs, weak tendency to avoid uncertainty, employees should be controlled by fewer rules and be allowed to apply their experiences and knowledge when working with fund management.

Power distance is connected to institutional theory and control of funds because of the fact that it leads to the frequent use of rules by managers in the sales units. Due to high power distance, managers are using a formal control i.e. rules and manuals to control the employees work with fund management. If power distance is low it is highly likely that the control of the employees work with funds will be more informal and managers will focus more on controlling its' employees through other aspect than rules e.g. conversations and the employees' experience and knowledge i.e. norms and cognitive values.

### **Max Weber's concept of bureaucratic organizations (1864-1920)**

A bureaucratic organization is basically an organizational form with certain dominant characteristics, such as a hierarchy of authority and a system of rules. Bureaucracy describe a form of organization that exist to a greater or lesser extent in practically every business and public organizations

The main features of a bureaucracy, according to Weber, are as follows:

- a. A continuous organization of functions bound by rules.
- b. A hierarchical arrangement of offices (jobs) i.e. where one level of job is subject to control by the next higher level.
- c. Official positions exist in their own right and the job holders have no right to a particular position
- d. Appointment to offices made on grounds of technical competence
- e. The separation of officials from the ownership of the organization
- f. Specified spheres of competence i.e. specialization of work, the degree of authority allocated and the rules governing the exercise of authority
- g. Rules, decisions and actions are formulated and recorded in writing

The above features of bureaucratic organization enable authority of officials to be subject to published rules and practices. Thus, authority is legitimate, not arbitrary. It is this point more than any other which caused Weber to comment that bureaucratic organization was capable of attaining the highest degree of efficiency and was, in that sense , the most rational means of carrying out 'imperative control over the human beings'.

Weber felt that bureaucracy was indispensable for the needs of large scale organization, and there is no doubt that this form of organization is the one adopted by practically every enterprise of any size the world over.

Nevertheless, without disputing the basic proposition that bureaucracy is the most efficient means of organizing for the achievement of formal goals, several researchers since Weber have established important weaknesses in the bureaucratic model. These dysfunctions may be summarized as follows:

- a. Rules, originally designed to serve organizational efficiency, have the tendency to become all-important in their own right;
- b. Relationship between office-holders or roles are based on the rights and the duties of each role i.e. they are depersonalized, and this leads to rigid behavior (predictability);
- c. Decision-making tends to be categorized i.e. choices are previously programmed and this discourages the search for further alternatives, another form of rigidity;
- d. The effects of rigid behavior are often very damaging for client or customer relations and also for management worker relationships; customers are unable to obtain tailor made services, but have to accept standardization; employees have to work within the frame work of rules and controls which has been more or less imposed on them;
- e. Standardization and routine procedures make change and adaptation difficult when circumstances change ;

## **Organizational control**

The exercise of ‘control based on knowledge’, as advocated by Weber, has led to the growth of experts, whose opinions and attitudes may frequently clash with those of the generalist managers and supervisors. The harmful side-effects of control occur, however, when the controls motivate employees to engage in behavior that is not organizationally desirable. In this situation, the control system leads to a lack of goal congruence. Result controls can lead to a lack of goal congruence if the result required can only be partially specified. Here there is a danger that employees will concentrate only on what is monitored only by the control system, regardless of whether or not it is organizationally desirable. In other words, they will seek to maximize their individual performance, according to the rules of the control system irrespective of whether or not their actions contribute to the organization’s objective. In addition, they may ignore other important areas, if they are not monitored by the control system.

## **Conclusion**

When the dissertation deals with fund management and how it is controlled in both large and small institutions operating in different environments, the starting point of the theories was about the theory of cash management. Other theories included institutional theory, technologies, Hofstede’s theory about culture, Sunder’s theory about expectations and Max Weber’s concept of bureaucratic organizations.

Though the above theories may obviously not be the panacea to bring to absolute perfection the fund management practices in the second cycle institutions, it is likely to serve as broad framework or guiding principles that are expected to underpin the major decisions and activities in the area of financial management. They display what the institutions need to consider when controlling fund management. Institutional theory shows which pillar that dominates the institutions and how this affects the control of fund management.

The theory about technologies displays how different technologies demand different control of fund management. This theory has a strong connection to institutional theory which was also mentioned. Hofstede's theory about culture shows that different cultures influence how institutions should attend to fund management practices. Sunder's theory about expectations shows that the control of fund management in institutions should be adjusted to the different stakeholder's expectations on the organizations fund management. Finally, the concept of bureaucracy in organizations depicts how large organizations can be managed effectively and also how it can be done to reflect changing needs. This may be expected to have overriding effects on the concern as whole.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### **Introduction**

This chapter focuses on the research methods employed to gather the empirical data. The chapter covers the study population, sample and sampling procedure, data collection survey instrument used, administration of the survey instrument and data analysis.

#### **Population and sampling procedure**

The population of the study consisted of 30 out of 50 Public Second Cycle Educational Institutions in the Central Region. These were drawn from a metropolitan, municipal and district capitals in the region namely; Cape Coast, Elmina and Abura-Dunkwa. In order to have a reliable data on the number of schools, detailed discussions were carried out with the Directors of the selected directorates of Ghana Education Service in the central region. The rationale was to ensure that the respective heads of the public second cycle schools in the selected directorates cooperate with minimum hesitation in responding to the questionnaire.

This is a combination of cluster and purposive sampling techniques where a minimum of 60 respondents was considered acceptable for the study. These techniques were thought to be appropriate for some reasons. Firstly, Cape Coast metropolis was selected following its posture as the cradle of the key second cycle institutions in the entire country with relatively fair representation of various



categories of second cycle schools. Elmina and Abura-Dunkwa were however selected to ascertain the peculiar circumstances of the relatively small and the community schools if any. Secondly, purposive sampling is very effective when one needs to study the characteristics of a domain which require knowledgeable experts. Finally this technique was also adopted in order to ensure that sampling units chosen were relevant to the attainment of the research objectives.

### **Sources of data**

Both primary and secondary data were used for the study. The primary source dealt with information that was collected directly from the headmasters and the bursars in the study sample by means of questionnaire and questionnaires and discussions. The secondary sources comprised the Financial Administration Regulations and laws of Ghana Education Service. Data gathered were used to examine the financial characteristics of the selected schools.

### **Survey instrument**

Questionnaire were designed and administered to the selected schools to collect data related to financial management practices. The questionnaire was found to be useful because it ensured a large coverage that is quite difficult when using other instrument. The questionnaire sought to glean two principal categories of data. The first category of information obtained was in respect of the general characteristics of the schools, the knowledge, expertise and experience of the respondents. The second category centered on the specific functions they

performed in relation to fund management practices, the percentage of time spent on the job and also to obtain their view of the functions and priorities of the finance departments they worked for. The second part further focused on the financial characteristics of the schools. Closed ended questions were asked in the instrument to make respondents take decisions on each item with little room for general opinion and views. This was made necessary to facilitate easy understanding of the concepts of fund management.

### **Interview**

After the analysis of the questionnaire where interesting themes had been identified with a factor analysis, other key officers were contacted for a short interview (Appendix B). The interviewees were evenly selected from the schools and lasted for ten minutes each. Before the interview the prospective interviewees were reminded that their names would not be displayed in the dissertation. They were further asked if the interview could be taped, of which all responded negatively. After each interview it was further asked if the researcher could return to them in case there were grey areas that needed further clarifications.

### **Data collection and analysis**

In administering the instrument, personal contact was established between the researcher and the accessible population in order to clarify certain aspects of the questionnaires that seemed technical for some of the respondents. The field work lasted over a period spanning from December 2008 to April, 2009.

The questionnaire was edited and coded. The data was analyzed using Statistical Product for Service Solution (SPSS), which measures the consistency with the respondents answer questions within a scale. Statistical techniques used include frequencies and percentages to give an overview of the responses from the questionnaires.

### **Summary of chapter**

As indicated earlier this chapter examined aspects of research methodology for this study, including research designs, data collection methods and data analysis. As respectively indicated by sections, this study was a combination of descriptive and explanatory research in which the purposive sampling technique was used to draw 30 schools from Metropolitan, Municipal and District capitals in the central region.

Personal interview was used to obtain information on fund management practices of the schools in the sample. In addition, financial statements and other data obtained from Ghana Education Service Financial Administration Regulations and Acts.

Data collected was transformed into more suitable format for analysis by utilizing Excel software. After data processing, Statistical Product for Service Solution (SPSS) was utilized for data analysis. Statistical techniques used in the study included descriptive and inference statistics. Descriptive statistics such as means, frequency, tabulation and cross-tabulation were used to summarize and describe characteristics of fund management practices of the schools in the sample.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### **Introduction**

Bell (2004) reiterated that regardless of the means used to collect data, the raw data collected serve little or no response unless analyzed and interpreted. Accordingly, this chapter is devoted to data analysis and discussion of findings. The study used tables to illustrate and support findings. In analyzing the responses, frequency tables indicating percentage of each response of the total response were used.

#### **Profile of the financial managers in the schools and the colleges**

In view of the enormous resources sometimes managers (headmasters and bursars) of schools and colleges are assigned to manage in pursuing the core objectives of the various institutions, it becomes obvious the need to have a critical and extensive considerations when deciding on who to be selected, and who is likely to engage resources in a manner that will yield most efficient and effective results.

The role of accountants for example, and the skills they need are constantly changing. Research by the Association of Certified Chartered Accountant (ACCA) in 2008 suggests that finance professionals continue to become more strategic. Indeed it is expected that by 2020, finance managers are likely to perform broader and more strategic roles in their organizations. According to the

research it is also likely that, in some cases, there will be greater specialization to reflect complex legislations and regulations, and therefore a move away from ‘generalist’ roles.

Perhaps deeper than all these are the shifting perception of the ‘professions’. A traditional understanding of being ‘professional’ encompasses the concept of ‘lifelong vocation’ and ‘defined skills and competences’.

In analyzing the background of the key personalities who managed the financial resources of the sampled schools and colleges, it was ascertained that 19.2% were Secondary/Senior High School certificate holders whilst 32.6% held Bachelor Degrees. Furthermore, 25.1% held Masters Degrees and 23.1% represented those with other qualifications such as Diploma in Business Studies (DBS), Royal Society of Art (RSA), etc. Table 1 illustrates the frequency and the respective percentages of the various educational/professional qualifications.

**Table 1. Highest educational/professional qualification**

<b>Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
----------------------	------------------	-------------------

Secondary/SHS	10	19.2
Bachelor degree	17	32.6
Masters degree	13	25.1
Others	12	23.1
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Fieldwork, 2008**

In addition to the data concerning the professional and or academic qualifications of the respondents as shown above, the skills and experiences on the job by way of training and development in their respective areas of operations were also depicted and that largely indicated the added value that adequately position the respondents over and above the financial activities of the job. Tables 2 and 3 represent data on the frequency and the extensive or otherwise of professional background and management training attended.

**Table 2. Financial management training courses attended by respondents**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
---------------	------------------	-------------------

Rarely	17	32.7
Sometimes	20	38.5
Often	14	26.9
Always	01	1.9
Total	52	100

**Source: Fieldwork, 2008**

**Table 3: Technical/professional background of respondents**

Technical Background	Frequency	Percentage
General management	26	50.0
Technical field	03	05.7
Business general	09	17.3
Financial management	11	21.2
Others	03	05.7
Total	52	100

**Source: Fieldwork, 2008**

Following the above analysis, even though there could not be immediate model expressing the causal relationship between management background and efficient performance, practical experience has largely shown that there does a positive correlation exist between the two variables (i.e. professional background and efficient performance). Again this is largely inconsistent with the research by ACCA (2008) which intimated the need for greater specialization and



professionalism on the part of financial managers giving the strategic posture of the role that such managers play. This therefore provides a clue about the performance levels over the time. For example the background as indicated above is likely to contribute to the limited role the heads of the various institutions play in financial decisions and the appreciations of the results thereof. Table 4 provides an overview of the extent of involvement by the heads of the institutions in interpreting financial statements for subsequent decisions.

**Table 4. Interpreting and using accounting information**

<b>Scheduled Officer</b>	<b>Frequency</b>	<b>Percentage</b>
Headmaster	03	5.8
Chief Accountant	07	13.5
Institutional Accountant	37	71.2
External Accountant	05	9.6
Total	52	100

**Source: Fieldwork, 2008.**

Table 4 shows that only three out of minimum of twenty six (26) spending officers (i.e. the headmasters) representing 5.8 percent of the fifty two key financial officers could interpret and use accounting information, portraying possible deficiency in decision making and control. Meanwhile data gathered per the questionnaire administered showed that the analysis of the financial statement had been institutionalized as mostly the preserve of the accountants (Table 5).

**Table 5. Responsibility for analyzing financial statements**

<b>Scheduled Officer</b>	<b>Frequency</b>	<b>Percentage</b>
Headmaster	06	11.5
Chief Accountant	01	1.9
Institutional Accountant	36	69.2
External Accountant	09	17.3
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Fieldwork, 2008**

Table 6 is indeed a confirmation of Table 3, which provides the background of the headmasters, as well as that of the bursars in relation to financial management decisions.

In their survey, Lundahl and Skarvad (1999) found out that 91 percent of the private sector had the analysis of the financial statement mainly executed by their Finance departments without outsourcing or allowing any other to take up that responsibility on their behalf. In contrast to the analysis in Table 5, Top Finance management usually had less to do in terms of the responsibility of the analysis of financial statements.

### **Fund management functions and practices**

In trying to ascertain the efficiency and the effectiveness of how funds accrued by the institutions are managed, certain pertinent areas of fund management functions were examined. These areas included cash management and management of receivables.

According to Larsson (2000), fund management is about handling liquid capital and includes managing cash and cash flow in an organization. Since an efficient work with cash management can generate free capital, it is of great importance for organizations to control their managers into working more efficient with cash or fund management. In accomplishing this objective, several data were captured and this included the data below.

**Table 6. Headmaster/Headmistress' involvement in interpreting and using cash budgets**

<b>Range</b>	<b>Frequency</b>	<b>Percentage</b>
Extremely low	30.0	57.7
Low	8.0	15.4
Neither low nor high	4.0	7.7
High	9.0	17.3
Extremely high	1.0	1.9
<b>Total</b>	<b>52.0</b>	<b>100</b>

**Source: Fieldwork, 2008**

From Table 6, it was also ascertained that a good number of the spending officers had very little appreciation of the interpretation and the use of the cash

budget for management decisions. Among the total respondents studied, more than 73.3 percent indicated that heads depended largely on the advice of their bursars, notwithstanding the lack of appreciation by most of the bursars concerning the importance of the use of cash budget in making important decisions in their respective institutions and Table 7 attests to this fact. However, about 5.6 percent of the total respondents expressed to have had a very good involvement in the interpretation and the use of the cash budget. This is obviously in consistent with the study by Larsson (2000) in his survey contrarily required among others active involvement of the key managers in the determination of policies and application of such policies at the various school levels. According to Larsson, this usually helps in ensuring efficiency in the area of fund management practices. A study by Sunder (2004) in a similar survey on the other hand also established that failure to deliver on expectations at realistic levels threatens the ability of the organization to exist hence the expectation of active involvement by the relevant key personnel in the discharge of financial functions. This affirms Cash Management Report 580, which Larsson holds that many organizations neglect their work with fund management. According to Larsson this neglect arises from the shortcoming of for example efficient payment routines and trade receivables.

**Table7. Importance of cash budget in making important decisions**

Range	Frequency	Percentage
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Extremely low	21	40.4
Low	2	3.8
Neither low nor High	6	11.5
High	8	15.4
Extremely High	15	28.8
Total	52	100

**Source: Fieldwork, 2008.**

Table7 indicates that 21 out of 52 representing 40.4 percent of the respondents encompassing both headmasters and bursars attached extremely low importance to cash budget in relevant decision making, even though a considerable percentage of 28.8 upheld the importance. The above response led the researcher to try to find out whether cash budget is actually prepared or not and Table 8 gives a picture in this sense.

**Table 8. Preparing cash budget**

Period	Frequency	Percent
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Never	19	36.5
Monthly	8	15.4
Quarterly	9	17.3
Semi Annually	3	5.8
Annually	13	25.0
<hr/>		
Total	52	100

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**Source: Fieldwork, 2008**

From Table 8, 36.5 percent of the respondents were not preparing cash budget at all, thus eluding their various institutions the usefulness of cash budget which among others requires that managing cash effectively and efficiently involves the preparation and use of cash budget. Indeed the main objectives of cash budget include the following;

- a. To anticipate cash shortages and surpluses, and to allow time to plan how to deal with them
- b. To provide a basis for comparison with actual, to identify unplanned occurrences
- c. To integrate and appraise the effect of operating budget on the firm's cash resources

A cash budget is essential for control of day to day cash balances and to allow efficient forward planning of the options for dealing with term- deficits and surpluses (ACCA Text, 2008).

### Credit management

It was also necessary to depict the credit management of the institutions as funds tied up in current asset can be appreciable in some types of trade. There needs to be a balance between keeping the figure as low as possible without losing too much trade in the process. Obviously student population would be affected adversely if no credit was allowed to parents who could not pay all the wards fees up front. A study by Kohli and Jaworski (1990) concluded that customers needs when known makes the credit department easier to make an accurate calculation about how much shorter the customers' terms of payment can be, without significantly decreasing the customer satisfaction. Goodwill and custom can be lost through having too tight a credit policy, i.e. customers chased up as soon as their accounts became overdue.

Table 9 shows data concerning services provided on credit

**Table 9. Credit services**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
Never	5	9.6
Rarely	7	13.5

Often	8	15.3
Sometimes	32	61.5
Always	0	0.0
Total	52	100

**Source: Fieldwork, 2008**

Table 9 indicates that 90.4 percent of the respondent's institutions provide credit facilities to their students and only 9.6 percent do not.

The researcher went further to ascertain whether there had been conscious policy(s) regarding credit facilities to parents in terms of payment of school fees.

Again the table below provides data on credit policy to parents.

**Table10. Credit policies to parents**

Period	Frequency	Percentage
Never	9	17.3
Rarely	24	46.2
Often	4	7.7
Sometimes	15	28.8
Total	52	100

**Source: Field work, 2008**

Table 10 indicates that there had not been strict policies concerning the management of credit in the various institutions. For example, 17 percent of the respondents indicated that there had not been any policy at all regulating how



credits were managed in their various schools. 47 percent also indicated that they rarely had a policy of that nature whilst 15 percent said they sometimes do.

Inasmuch as there seem not to be any clear-cut policy in the administration of credit, management must be careful not to stifle the liquidity of the institutions as well as creating unnecessary bad debts to the schools. Table 10 therefore is inconsistent with the study by Kohli and Jaworski (1990)

The Tables 11 & 12 show the respondents' reactions toward whether or not there had been cash shortages or surpluses over the years.

**Table11. Occurring cash shortage**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
Never	09	17.3
Rarely	21	40.4
Sometimes	15	28.8
Often	7	13.5
Total	52	100

**Source: Fieldwork, 2008**

**Table12. Occurring cash surplus**

<b>period</b>	<b>Frequency</b>	<b>Percentage</b>
Never	8	15.4

Rarely	16	30.8
Sometimes	21	40.4
Often	6	11.5
Always	1	1.9
Total	52	100

**Source: Fieldwork, 2008**

Table 11 depicts that 17.3 percent of the respondents indicated that their institutions never incurred any cash shortages over the time, whilst on the other hand 79.6 percent of the respondents contended that occasionally there were some shortages. Here it was further explained that such shortages were dealt with by transacting on credit basis with the schools' suppliers which implied high cost of running the operations of the schools during the terms that such shortages occurred and the subsequent terms thereof. It was also said that sometimes as a result of such shortages the schools were compelled to overdraw their accounts in order to complete the affected terms successfully, and when this situation persisted they eventually fell on government to intervene which directly or indirectly were pushed to the ordinary parents to bear.

In the case of Table 12 the respondents, representing 85.2 percent contended that there had been some surpluses and Table 13 presents how the surpluses were treated. This notwithstanding, 14.8 percent of the other key officers claimed that there had never been surpluses.

**Table 13. Investing the temporary cash surplus**

<b>Investment</b>	<b>Frequency</b>	<b>Percent</b>
Bank deposit	20	38.5
Treasury bills	1	1.9
Other	3	5.8
Nowhere	28	53.8
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Field work, 2008**

From Table 13, 38.5 percent of the officers indicated that surpluses were invested in short-term investment portfolios whilst 53.5 percent responded that surpluses were left intact without being invested. The latter obviously has the possible effect of undermining the value of cash over the time. Here the real value is likely to reduce following the high rate of inflation and when this trend is allowed to persist, the ultimate tendency of resorting to parents by the schools through government for resuscitation cannot be overruled.

As part of the efforts to find out the possible cause(s) of such shortages, the researcher endeavored to review the extent of bad debt of the schools under consideration and the table below provides an analysis to that effect.

**Table 14. Review of estimated percentage of bad debt of school fees**

<b>Range</b>	<b>Frequency</b>	<b>Percent</b>
Less than 5% Total Income	46	88.5

11-15% Total Income	5	9.6
Other	2	1.9
Total	52	100

**Source: Fieldwork, 2008**

As indicated in Table14, that 11.5 percent of the respondents showed that 11-15 percent and above of total income were irrecoverable, this was apparently significant. Furthermore 86.8 percent of the respondents also confirmed that less than 5% of the total income was irrecoverable. Personal interviews with some of the respondents indicated that there was no conscious policy on bad debts

#### **Fund control practices.**

Controlling which is a managerial task involves the measurement and correction of the performance of subordinates to make sure that the objectives of the enterprise and the plans devised to attain them are accomplished efficiently and economically.

Control furthermore involves the steps taken by management to ensure that the objectives set down at the planning stage are attained, and to ensure that all parts of the organization function in a manner consistent with organizational policies.

To be completely effective, a good budgeting system must provide for the needed control and the tables shown below provide data on the extent to which management is committed to controls via budget and budgeting control.

**Table15. Preparation of financial budgets**

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Never	2	3.8
Rarely	1	1.9
Sometimes	16	30.8
Often	17	32.7
Always	16	30.8
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Fieldwork, 2008**

**Table16 Comparison between budgeted and actual results**

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Never	13	25.0
Rarely	15	28.8
Sometimes	15	28.8
Often	8	15.5
Always	1	1.9
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Fieldwork, 2008**

Tables 15 and 16 give the indication that to a large extent budgeting is one of the key elements to control, and as much as possible the institutions have been making use of budgeting as a management tool. For example, 94.5 percent of the

respondents in Table15 gave the indication that budget preparation had featured prominently on the institutions' financial practices. However, 53.8 percent did suggest that even though budget over the years had been prepared, they hardly compared the budgets to the actual, which as a matter of course disengaged the inherent controls

**Table17. Type of budget regularly prepared by institution**

Type	Frequency	Percentage
Revenue budget	28	53.8
Purchase budget	8	15.4
Cash budget	5	9.6
Budgeted receipt & Pay't	11	21.2
Total	52	100

**Source: Fieldwork, 2008**

**Table18. Involvement of the headmaster in the interpretation and usage of budget statements**

Involvement	Frequency	Percentage
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Extremely low	11	21.2
Low	21	40.4
Neither low nor high	9	17.3
High	6	11.5
Extremely High	5	9.6
Total	52	100

**Source: Fieldwork, 2008**

Even though budgets were being prepared, there was however limited extent of involvement by the spending officers (headmasters) in the interpretation and usage of the data in the budget statement. Table18 shows that 61.6 percent of the respondents expressed lack of adequate technical knowhow and involvement on the part of the headmasters, when it was about the interpretation of the institution's budget.

Concerning Table17, the respondents gave various versions of the type of budget that were regularly prepared. This might partly explain the lack of common goal when it was financial budgeting. An interview with some of the personnel indicated that communication of the budget statement to the members of the various institutions was virtually nonexistent. In most cases even the assistant headmaster(s) were lacking such information, which explained the extent to which such assistants were cut off from the management of funds that were made available to the schools.

In order to ascertain the degree to which key fund management operatives within the educational institutions operate in unity of purpose and direction, the study deemed it necessary to tell apart the responses between the headmasters and the bursars on certain pertinent areas in their quest for effective fund management practice. Notable among them were; objectives of financial management and how frequent the institutions prepare financial statements.

Objective setting should not stop at top management's establishment of companywide performance target. Company objectives need to be broken down into performance targets for each functional department and individual work unit. Effectively communicating the strategic objective down the line to lower-level managers and employees is as important as strategy soundness of the journey and destination for which top management has opted. If organizational personnel do not know what management's objective is and do not buy into the rationale for the direction management wants the company to head, they are unlikely to wholeheartedly commit themselves to making the objective a reality.

**Table19. Understanding Objectives of Financial Management among  
Key Managers**



<b>Position</b>	<b>Objective</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Headmaster</b>	Revenue maximization	11	50.0
	Cost minimization	6	27.3
	Profit maximization	0	0
	Quality product or service	2	9.0
	Growth	3	13.6
	<b>Total</b>		<b>22</b>
<b>Chief Accountant</b>	Revenue maximization	1	100.0
	Cost minimization	-	-
	Profit maximization	-	-
	Quality product or service	-	-
	Growth	-	-
	<b>Total</b>		<b>1</b>
<b>Others</b>	Revenue maximization	1	34.5
	Cost minimization	16	55.2
	Profit maximization	4	13.8
	Quality product or service	3	10.3
	Growth	5	17.2
	<b>Total</b>		<b>29</b>

**Fieldwork, 2008**

Table 19 depicts the extent to which management's financial objective has been effectively communicated among the top level personnel of the schools' management. 48.4 percent of the headmasters believed that revenue maximization was the short to medium term financial objective of the schools, whereas 29 percent of the heads rather considered cost minimization as the objective. However, 6.5 percent indicated that profit maximization and quality service must

be the enduring purpose, even though 9.7 percent of the heads thought organizational growth should be the overriding objective. Also the chief accountant said revenue maximization, whereas the rest of the accountants also had quite a different spread of what they apparently conceived to be the financial objective of the schools and the colleges. 41.7 and 33.3 percents considered revenue maximization and cost minimization respectively as the main objective as far as financial business of their respective outfits were concerned.

The above analysis in contrast with the need for effective communication of functional objective(s) apparently lacked sufficient unity of objective that was likely to lead to goal congruence among relevant members. Members are therefore likely to encounter disunity of direction which is an obvious recipe of sub optimality.

All budgets should be prepared against the backcloth of wider organizational plans. Most budget planning embraces a period of one year or less, and some budgets are of the 'rolling' nature, i.e. they are amended each month or quarter in the light of what has transpired during the previous monthly and quarterly period. Indeed the process of aligning budget with actual to ascertain possible variance(s) in order to take corrective action is the essence of budgetary control. This gives management the opportunity to judge whether the variances are significant, and if so, what to do about them.

Though as a matter of policy budget is prepared annually as provided in section 3 of the Financial Administration Instructions for schools and colleges of Ghana Education Service (Appendix II), the various responses clearly indicated

that there had not been clear cut policy where sporadically members were required to compare actual performance with standards set. The above analysis indicated that though the schools operated three terms in a year, variations from norms were mostly determined annually, which may have the tendency to undermine effective control.

**Table 20. Comparison between budgeted and Actual Results**

<i>Position in organization</i>	<i>Period</i>	<i>Frequency</i>	<b>Percent</b>
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	Weekly	-	-
	Monthly	2	9.1
<b>Headmaster</b>	Quarterly	2	9.1
	Semi-annually	-	-
	Annually	18	81.8
	<b>Total</b>	<b>22</b>	<b>100.0</b>
	Weekly	-	-
	Monthly	-	-
<b>Chief Accountant</b>	Quarterly	1	100.0
	Semi-annually	-	-
	Annually	-	-
	<b>Total</b>	<b>1</b>	<b>100</b>
	weekly	1	3.4
	monthly	7	24.1
<b>Others</b>	Quarterly	7	24.1
	Semi-annually	2	6.9
	Annually	12	41.4
	<b>Total</b>	<b>29</b>	<b>100</b>

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**Fieldwork, 2008**

**Conclusion**

The major issues so far considered, bring to the fore the need to realize and also interlace pragmatism as well as professionalism in the practice of fund management in the service. Since modern financial practices is hastily moving from routine approaches, it requires without compromise well endowed personnel who will be better placed to discharge the required functions with appropriate innovations and standards.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This is the concluding chapter of the work. The chapter is divided into three sections; the first section deals with the summary including the major findings of the study, the second focuses on the conclusion drawn from the study and finally the third section looks at the recommendations made to address the issues raised.

#### Summary

The study sought to focus on the fund management practices by the second cycle Institutions of Ghana Education Service in the central region of Ghana, in the attempt to establish its effectiveness or otherwise in contributing to achieving the desired objectives as may be set by the service at the institutional level.

Cluster sample was used for selecting the sample for the study while the method for collecting the data was by the use of questionnaire and an interview guide. After collecting the data, they were presented in a manner that enabled the researcher to analyze them using “Statistical Product and Service Solutions” (SPSS). At the end of the analysis, the results were interpreted and discussed. The researcher then summarized the study, concluded and made recommendations to

improve the general objective of the study- Fund management practices of second cycle institutions in central region.

### **Major Findings**

Following outline the major findings of the study;

- a) Most of the managers of the schools and the colleges lacked appropriate managerial and professional skills.
- b) Major policies and objectives were not adequately communicated to management personnel.
- c) In most cases budgeted activities were not compared with their respective actual activities. Appropriate corrective action could hardly be taken thus affecting inherent control.
- d) Most of the schools and the colleges did not have clear-cut policies concerning receivables.
- e) Measures to deter personnel to refrain from financial malfeasance were inappropriate
- f) Bureaucratic tendencies were found to be affecting the prompt response to changing needs.

### **Conclusions**

Drawing from the aforementioned analysis in chapter four of this document, the following conclusions were made:

- There was lack of appropriate managerial and professional skills for the managers of the public schools and colleges in the Central Region, Ghana. Analysis showed that most of the Accountants who had been assigned to considerably huge resources were lacking adequate academic background as well as well crafted training exposure that would all other things being equal position them in a manner that would improve their general productivity. This situation had the tendency of adversely affecting the financial management outlook of the institutions under consideration. This situation again was realized, partly due to the inability of the institutions to attract and retain the personnel rightly needed.
- It was ascertained that generally, there was lack of unity of purpose and direction among management personnel, something which subsequently led to goal incongruence. Here the grand financial objective of the institutions was not adequately communicated and identified with at least the key management personnel at the institutional levels of the schools, which subsequently led to sub-optimality and therefore affecting negatively the organizational financial performance levels.
- It was established that there was lack of adequate controls likely to ensure barest minimum of risk management. Though conventionally, budgets were prepared mostly annually, it was noted from the analysis made that actual performances were hardly compared with expected performances. Again



there was a limited extent of involvement by the spending officer in the application of budget statements therefore making it relatively difficult to realize the inherent controls in budget and budgetary controls. It must be noted that the relevant functional units and for that matter the organization as a whole will be eluded with the proactive corrective action that will be needed when there were significant deviations from the norm.

- Inadequate measures to manage receivables. There were indeed no clear cut policy decisions that cut across the institutions concerning the way receivables were managed. Trade receivables can possibly restrict a large part of the moving capital of any enterprise and are therefore an important part of an organization's work with fund management. This may partly explain the inadequacies in the cash flow of most of the institutions.
- Inappropriate measures to deter personnel who engage in various forms of mismanagement of financial resources. Personal interviews revealed that there were some discontents among employees concerning conditions of service and pay levels. These may be good attribution to tendencies of deviations from expectations by certain key personnel. Here reprimanding the officer(s) involved in the deviation could not be an effective deterrent, since the actual cause of their actions may be lingering.
- Standardization and routine procedures made change and adaptation difficult when circumstances change. The effect of extreme organizational rigidity affected adversely management worker relationship.

### **Recommendations**

From the summary and conclusions of the study, the following recommendations are made for effective and efficient fund management practice in second cycle institutions in Ghana:

- a) The Ghana Education Service must package itself in a manner that will be capable of attracting and holding professional accounting and finance personnel whose knowledge, skills and abilities can be translated effectively into desired productivity. Appropriate training schemes must as well be crafted for the key finance personnel to continue to build capacity and to enable them become abreast with the emerging trend in the world of finance and accountancy.
- b) Set objectives must be effectively communicated to all members of the respective institutions and not only the key officers. This will help members in the various sections to converge efforts towards the achievement of the grand objective. Effective coordination of sectional objectives must be enhanced to ensure unity of direction. Here management committee can be utilized.
- c) The essence of budget and budgetary control will be missed when appropriate corrective measures cannot be employed following inability to comparing actual performance with budgeted. It is recommended that regular periodic comparisons are conducted to arrest deviations before they assume uncontrollable proportions. Here specifically monthly comparisons will be recommendable.

- d) Since stringent credit policies will apparently incur the dissatisfaction of most parents and the absence of it will on the other hand adversely impinge on the effective management of receivables, middle line approach can be resorted to. Parents and Teachers Association (PTA) can be used in deciding on the middle line. The decision that will subsequently be translated into policy and finally be adopted must effectively be communicated to all the stakeholders. This must however be seen working within the policy framework of the service and for that matter government.
- e) Equitable and fair conditions of service must be adopted by management to avoid heightened discontent among workers in general. Employees who are found to have engaged in any form of fraudulent activities (e.g. embezzlement) must be subject to summary dismissal contrarily to the current code of conduct where management is required to refer the matter to a disciplinary committee. The dominant measures according to the feedback derived from the interviewees in the situation of say embezzlement has been the conventional practice of transferring such personnel and also just the retrieval of the amount that may be involved. This may largely not be an effective deterrents to others.
- f) Management at the school levels must be allowed by the Top Management to adopt a management style that is relatively flexible and which allows use of adequate discretion, so as to reduce dogmatic rules and regulations which are normally insensitive to changing needs. This recognition has an inherent quality of motivating the personnel involved.

It is believed that significant inroads are likely to be made in improving the status-quo concerning the fund management practice of Ghana Education Service, when critical consideration is given to the various recommendations made in this chapter in addressing the weaknesses identified by the study.

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## APPENDIX I

### UNIVERSITY OF CAPE COAST SCHOOL OF BUSINESS

Survey of Fund Management Practices of Selected Second Cycle Institutions in the Central Region

#### INTRODUCTION

This survey seeks to obtain in-depth data on the fund management practices of the schools in the Central Region. The information is linked to a project of improving financial management practices and efficient application of resources in the second cycle schools in the Central Region. All respondents (i.e. Headmaster and Accountant) are however assured that any data obtained would be professionally captured and adopted in our compilations and will be treated with high confidentiality. Data collected from the survey will be used to test the model relating to a theory developed as part of a dissertation. It does not involve any commercial activities. Respondents are therefore requested to provide any additional comments that are deemed relevant and appropriate to this project as far as his or her area of operations is concerned.

Thank you for spending time to answer this questionnaire.

## **APPENDICES**

### **APPENDIX I**

#### **UNIVERSITY OF CAPE COAST SCHOOL OF BUSINESS**

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Thank you for spending time to answer this questionnaire.

**A. SCHOOL PROFILE**

**INSTRUCTIONS**

Please circle the most appropriate number that best answers each question. You may choose more than one number.

**Headmaster details**

1. What is your position in your organization)?  
Headmaster.....1  
Chief-accountant.....2  
Others.....3,  
please specify.....
2. What is your HIGHEST educational/professional qualification  
Senior High school/Secondary School .....1  
Bachelor degree.....2  
Master degree.....3  
Higher degree.....4  
Others.....5,  
please specify .....
3. Do you ever attend management training programs related to financial management?  
Never .....1  
Rarely (from 1 to 2 attentions)..... 2  
Sometimes (3 to 4 attentions).....3  
Often (more than 4 attentions).....4  
Always .....5

4. What best describes your background?
- Management general.....1
- Technical field.....2
- Business general.....3
- Financial management.....4
- Others.....5,
- please specify .....

**B. Business details**

**Instructions**

Please circle the most appropriate number or option that best answers each question. Where indicated, you may choose more than one number.

5. How long has your institution been established?
- Less than 2 years.....1
- 2 – 5 years.....2
- 6 – 10 years.....3
- More than 10 years.....4
6. How many employees does your establishment currently have?
- Full-time:..... employees
- Part-time:..... employees
7. Which of the following ranges is the best indication of your organization’s total assets Less than
- GH¢50,000.....1

GH¢50,000 to GH¢100,000..... 2

More than GH¢10,000 ..... 3

8. Which of the following ranges is the best indication of your organization's annual income?

Less than GH¢50,000.....1

GH¢50,000 – GH¢100,000.....2

GH¢100,000 –GH¢150 .....3

More than 50 billion dong .....4

9. Which of the following ranges is the best indication of your institutions annual net income?

Less than GH¢5,000 .....1

GH¢5,000 to Gh¢10,000.....2

GH¢10,001 to GH¢50,000.....3

More than GH¢500,000.....4

**C.FINANCIAL MANAGEMENT**

Accounting information system

Instructions:

Please circle the appropriate number that best answers each question

10. Who is responsible for the following duties in your organization?

Duties	Headmaster	Chief-Accountant	Employed Accountant	External Accountant
Recording transactions	1	2	3	4
Preparing accounting reports	1	2	3	4
Interpreting and using accounting information	1	2	3	4

11. Does your school ever utilize computers in accounting?

- Never .....1
- Rarely .....2
- Sometimes .....3
- Often .....4
- Always .....5

12. If your organization uses computers, which of the following is the most popular application?

- Recording financial transactions .....1
- Preparing accounting reports .....2
- Managing assets .....3

- Controlling payroll ..... 4
- Controlling cash flows .....5
- Others, please specify.....6,
- please specify .....

**D. Efficiency of accounting information system**

(Please circle number that applies on each scale)

*Here are some statements, which describe how headmaster may feel about the efficiency of accounting information system. Please indicate the most appropriate number that describes your institution position on the scale.*

*1 – Extremely low*

*5 – Extremely high*

*There is no right or wrong answers to these questions. Just give your opinion about your institution.*

13	How does your institution regard its accounting information system?	1	2	3	4	5
14	How frequent does your institution prepare its accounting reports?	1	2	3	4	5
15	How does accounting information system in your institution update the institution transactions?	1	2	3	4	5
16	What is institution involvement in interpreting and using accounting information?	1	2	3	4	5
17	How acceptable is your institution’s accounting	1	2	3	4	5

	information system?					
18	How useful is your institution's accounting information useful in making decisions?	1	2	3	4	5
19	How computerized is your institution's accounting information system?	1	2	3	4	

**E. Financial reporting and analysis**

**Please circle the most appropriate number that best answers each question.**

**You may choose more than one number**

20. What kinds of financial statements are regularly prepared in your institution?

Balance sheet .....1

Income statement (Profit and loss statement).....2

Statement of cash flows .....3

Statement of funds .....4

Other .....5,

please specify .....

22. Who is responsible for the following duties in your institution?

	Headmaster	Chief-accountant	Employed accountant	External accountant
Preparing financial statements	1	2	3	4
Analyzing financial statements	1	2	3	4



23. How often the financial statements of your organization are prepared and analyzed?

	Monthly	Quarterly	Semi-annually	Annually	Never
Preparing financial statements	1	2	3	4	5
Analyzing financial statements	1	2	3	4	5

23. What kinds of financial analysis are currently used in your establishment?

Ratio analysis .....1

Trend analysis .....2

Both .....3

Other .....4,

please specify .....

24. What kinds of financial ratios are currently used for financial analysis in your institution?

Profitability... .....1

Liquidity .... .....2

Leverage.....3

Investment .....4

Efficiency.....5

25. Does your institution ever apply computers in financial reporting and analysis?
- Never .....1
- Rarely .....2
- Sometimes .....3
- Often .....4
- Always ..... 5
26. In which aspect is computer applied?
- Financial reporting .....1
- Financial analysis .....2
- Both .....3
- Other .....4,
- please specify .....

#### **F. EFFICIENCY OF FINANCIAL REPORTING AND ANALYSIS**

*Here are some statements which describe how headmaster/headmistress might feel about the efficiency of financial reporting and analysis practices.*

*Please indicate the most appropriate number that describes your business position on the scale.*

*1 – Extremely low*

*5 – Extremely high*

*There is no right or wrong answers to these questions. Just give your opinion about your business.*

28	How does your establishment regard financial reporting and analysis?	1	2	3	4	5
29	How frequent does your institution prepare financial statements (balance sheet, income statements, and statements of cash flows)?	1	2	3	4	5
30	How involved is the headmaster in preparing financial statements?	1	2	3	4	5
31	How involved is the headmaster in interpreting and using financial statements?	1	2	3	4	5
32	How useful are the financial statements of your institution in providing information for making decisions?	1	2	3	4	5
33	How frequent does your institution analyze financial statements (balance sheet, income statements, and statements of cash flows)?	1	2	3	4	5
34	How useful are financial ratios applied in financial analysis of your institution?	1	2	3	4	5
35	How computerized are the financial reporting and analysis practices in your institution?	1	2	3	4	5

**G. CASH MANAGEMENT PRACTICES**

Please circle the most appropriate number that best answers each question. You may choose more than one number.

36. Does your institution ever conduct the following ones)?

	Never	Rarely	Sometimes		Often	Always
Preparing cash budget	0	1	2	3	4	5
Determining the target cash balance	0	1	2	3	4	5
Occurring cash shortage	0	1	2	3	4	5
Occurring cash surplus	0	1	2	3	4	5
Utilizing computers in cash management	0	1	2	3	4	6

37. How often is the cash budget prepared and reviewed in your institution?

	Never	Weekly	Monthly	Quarterly	Semiannually	Annually
Preparing cash budget	0	1	2	3	4	5
Reviewing cash budget	0	1	2	3	4	5

38. On what basis does your institution determine target cash balances?
- Based on theories of cash management .....1
  - Based on historical data .....2
  - Based on headmaster's experience .....3
  - Other .....4, please specify  
.....

39. Where does your institution often invest the temporary cash surplus?
- Bank deposit .....1
  - Treasury bills .....2
  - Both above .....3
  - Other .....4, please specify  
.....
  - No where .....5

40. In cash management, what area is the computer applied?
- Preparing cash budget .....1
  - Recording cash transactions .....2
  - Records on cash receipt.....3
  - Both above .....4

Other .....4, please  
specify .....

**H. Efficiency of cash management**

*Here are some statements which describe how headmaster might feel about the efficiency of cash management practices. Please indicate the most appropriate number that describes your business position on the scale.*

*1 – Extremely low*

*5 – Extremely high*

*There is no right or wrong answers to these questions. Just give your opinion about your business.*

41	How does your institution regard cash management practices?	1	2	3	4	5
42	How regularly does your institution prepare cash budgets?	1	2	3	4	5
43	How involved is the headmaster/headmistress in preparing cash	1	2	3	4	5

	budgets?					
44	How involved is the headmaster/headmistress in interpreting and using cash budgets?	1	2	3	4	5
45	How useful are cash budgets of your organization in providing information for making decisions?	1	2	3	4	5
46	How does your establishment apply theories of cash management in determining the target cash balance?	1	2	3	4	5
47	How acceptable is the target cash balance determined in your organization?	1	2	3	4	5
48	How computerized are cash management practices in your institution?	1	2	3	4	

**I. Receivable management practices**

**Instruction- Please circle the most appropriate number that best answers each question.**

49. Does your organization ever carry out the things listed below?

	<b>Never</b>	<b>Rarely</b>	<b>Often</b>	<b>Sometimes</b>	<b>Always</b>
Provide services in credit	0	1	2	3	4
Set up its credit policy to the customers	0	1	2	3	4
Use computers in receivable management	0	1	2	3	4



50. How often does your institution review its levels of receivables and bad debts?

	Never	Weekly	Monthly	Quarterly	Semiannually	Annually
Review its levels of receivables	0	1	2	3	4	5
Review its bad debts	0	1	2	3	4	5

51. Which of the following ranges is the best indication your institution's percentage of bad debts?

- Less than 5% of total income .....1
- 5 – 10% of total income .....2
- 11 –15 % of total income .....3
- 16 – 20 % of total income .....4
- Others .....5 please specify

52. In managing receivables, which areas are computers applied?

- Managing receivables .....1
- Managing bad debts .....2
- Both .....3
- Others .....3, please specify

### J. EFFICIENCY OF RECEIVABLE MANAGEMENT

*Here are some statements which describe how headmaster might feel about the efficiency of receivable management practices. Please indicate the most appropriate number that describes your institution's position on the scale.*

*1 – Extremely low*

*5 – Extremely high*

53	How frequent does your institution implement theories of receivables management?	1	2	3	4	5
54	How computerized are receivable management practices in your establishment?	1	2	3	4	

### K. INVENTORY MANAGEMENT PRACTICES

55. Does your institution ever do the following ones?

	Never	Rarely	Sometimes		Often	Always
Review its inventory levels	0	1	2	3	4	5

Prepare inventory budget	0	1	2	3	4	5
Utilize computer in managing inventory	0	1	2	3	4	5

56. On what basis is the inventory level determined?

Based on theories of inventory management .....1

Based on historical data.....2

Based on owner/manager’s experience.....3

Other .....4,  
please specify.....

57. Does your institution ever use “economic order quantity model” in inventory management?

Do not know this model .....1

Know but never use .....2

Sometimes use .....3

Often use .....4

Always use .....5

**L. Efficiency of inventory management**

*Here are some statements which describe how headmaster might feel about the efficiency of inventory management practices. Please indicate the most appropriate number that describes your business position on the scale.*

*1 – Extremely low*

*5 - Extremely high*

*There is no right or wrong answers to these questions. Just give your opinion about your business.*

58	How does your institution regard inventory management practices?	1	2	3	4	5
59	How regularly does your institution review inventory level?	1	2	3	4	5
60	How acceptable is inventory level of your business?	1	2	3	4	5
61	How are inventory budgets of your business useful in providing information for making decisions?	1	2	3	4	5
62	How does your institution apply theories of inventory management in determining the inventory level?	1	2	3	4	5
63	How computerized are inventory management practices in your institution?	1	2	3	4	

**M. FINANCIAL PLANNING PRACTICES**

64. Related to financial planning, does your institution ever conduct the activities below?

	Never	Rarely	Sometimes		Often	Always
Preparing financial budgets	0	1	2	3	4	5
Comparing between budgeted and actual results	0	1	2	3	4	5
Using computer in financial planning	0	1	2	3	4	5

65. What are the objectives of financial planning?

- Revenue maximization .....1
- Cost minimization .....2
- Profit maximization .....3
- Quality product or service .....4
- Growth .....5
- Survival .....6

66. What type of budget does your business regularly prepared?

- Revenue budget .....1
- Purchase budget .....3
- Labor budget .....4
- Overhead cost budget .....5
- Cash budget .....7
- Budgeted receipt and payment account .....8
- Budgeted balance sheet .....9

67. How often is comparison of between budgeted and actual results conducted?

- Daily .....1
- Weekly .....2
- Monthly .....3
- Quarterly .....4
- Semiannually .....5
- Annually .....6

#### **N. EFFICIENCY OF FINANCIAL PLANNING**

*Here are some statements which describe how owner/manager might feel about the efficiency of financial planning practices. Please indicate the most appropriate number that describes your business position on the scale.*

*1 – Extremely low*

*5 – Extremely high*

*There is no right or wrong answers to these questions. Just give your opinion about your business.*

68	How does your institution regard financial planning?	1	2	3	4	5
69	How regularly does your institution prepare its financial budgets?	1	2	3	4	5
70	How involved is the headmaster in preparing financial budgets?	1	2	3	4	5
71	How involved is the headmaster in interpreting and using financial budgets?	1	2	3	4	5
72	How useful are the financial budgets of your establishment useful in providing information for making decisions?	1	2	3	4	5
73	How regularly does your institution compare between actual and budgeted results?	1	2	3	4	5
74	How reasonable are financial planning techniques applied in financial analysis of your institution?	1	2	3	4	5
75	How computerized are the financial reporting and analysis practices in your institution?	1	2	3	4	5

Once again thank you very much for your co-operation.

## APPENDIX II

**(Mandatory under the Public Procurement Act Part 3 Section 21)**

(i) **Procurement Structures** establish organizational structures with clearly defined responsibilities:

- The Budget Committee
- The Entity Tender Committee
- The Entity Procurement Committee/Unit
- Tender Evaluation Panel

(ii) **Prepare an Annual Procurement Plan**

The Plan shall indicate the following:-

Contract Packages

- a. Estimated cost for each package
- b. The Procurement method
- c. The Processing steps and times

(iii) **Procurement Procedures:**

- Obtain approval of Annual Procurement Plan from Entity Tender Committee
- Advertise and obtain Suppliers data base
- Prepare Procurement Document
- Invite Quotations from Tenderers
- Organize Competitive Tendering
- Award of Contract



**(IV). Procurement Plan is a necessary tool for:**

- Budget Allocation,
- Implementation,
- Monitoring,
- Evaluation,
- Benchmarking

**CASH MANAGEMENT ON RECEIPT OF FUNDS**

*Collection of Public Moneys -Sec 9* of FAA &FAI- keep a record of monies as prescribed. Prompt Lodgment.

**• PROCEDURES FOR COLLECTION OF IGF (SCHOOL BOARDING & USER FEES)**

1. Preparation of termly students' bills.
2. Collection of fees from students/guardians
3. Official receipts are issued for all monies collected
4. Checking and banking of fees (prompt, intact and gross).
5. Entry in the student cash book and credited to the students account.
6. Periodically, the totals in the fees cash book are transferred to the main cash book.
7. Monthly totals of the Receipt Cash Book are credited to the School Fees Account in the General Ledger.

- **The Financial Manager should observe the following controls:**

All students are to be properly billed in accordance with approved fees.

- All bills and fees paid are recorded in the appropriate records (Bill Books, Charges Books, Cash Books and Ledgers).
- Recording is made by individuals acting within the scope of their authority.
- Prompt banking of receipts- gross and intact.
- Payment of fees through the Bank- Bank Drafts, Money Orders. Direct Payment etc.
- Official Receipts issued for fees paid.(Avoid temporary/ceremonial receipts)
- Safe custody procedures are to be observed because cash is susceptible to theft. Provide safe.
- Adequate separation of duties: billing, collection, recording and custody.
- Use stock register to control issue of receipts. **Keep Stock Register & unissued Receipt Books under lock and key.**
- Promptly update student's accounts and keep track of Debtors.
- Institute policies to strengthen fees collection/payment system.

## CASH MANAGEMENT ON PAYMENT/DISBURSEMENT OF FUNDS

### ➤ Procedures For Cash Disbursements/Payments

1. Head to vet requisition for funds – consult Accountant and budget before approval for payment.
2. Approved requisition submitted to the **Account** Department for **Payment Voucher** to be prepared
3. The PV together with the cheques submitted for authorization. ).
4. Minor claims may be paid from the imprest account
5. Obtain official receipt in acknowledgement of the payment from payee
6. The amount is entered in the Payment Cash Book (PCB) and the relevant expenditure account in the ledger.
7. The monthly totals of the PCB are posted to the General Ledger a/cs.

**NB:** cheque books in use are kept by the School Accountant in the safe

## FINANCIAL REPORTING REQUIREMENTS IN GHANA EDUCATION SERVICE UNDER THE FINANCIAL ADMINISTRATION ACT

- *Monthly Trial Balances and Expenditure Returns on GOG and Donor Funds*

The Head of department is to prepare monthly **departmental accounts** in a form prescribed by the Controller and Accountant General's Department, within the time period set by the Controller and Accountant General's

department in the Accounting Manual and submit these to the Minister, the Auditor- General and the Controller and Accountant General.

▪ **Annual Departmental Accounts**

The Head of Department is to prepare, sign and submit within three months after the end of the year, to the Minister, the Auditor -General and the Controller and Accountant General's Department, annual departmental accounts in the form prescribed by the Controller and Accountant General in consultation with the Auditor – General.

▪ **The Annual Statement of Accounts are:**

- A Balance Sheet as at the end of the year
- Income and Expenditure Accounts (GOG)
- Income and Expenditure Accounts (IGF)
- A Cash Flow Statement
- Notes that form part of the Accounts

**INTERNAL AND EXTERNAL AUDITING**

• **THE INTERNAL AUDIT AGENCY ACT 2003, ACT 658 (IAAA)**

- (a) The Internal Audit reports submitted to the Director General of Internal Audit Agency and Director General of Ghana Education Service .
- (b) Audit Report Implementation Committees at Regional and Headquarters Levels to deal with outstanding significant queries or irregularities.

- **EXTERNAL AUDIT OF ACCOUNTS UNDER FAA (Sec 44)**

(a) Audit Service Act, 2000 (Act 584) empowers the Auditor-General to audit GES.

(b) Head of department to answer questions raised by the Auditor -General in respect of audited accounts.

(c) Head of department to appear before the Public Accounts Committee of Parliament to answer queries.

### **LIABILITY, OFFENCES AND PENALTIES (S25(1))**

Any offence committed makes one liable on summary conviction to a fine not less than 1000 penalty units (1penalty unit equals GH¢2.00) or imprisonment for a term not exceeding 5 years or to both. The Financial Administration Act provides the establishment of a Financial Administrative Tribunal with the powers of the High Court to deal with breaches or offences under the Act.

#### **Examples of offences in FINANCIAL ADMINISTRATION ACT:**

- (i) Opening of Bank Account without Controller & Accountant General Authorization.
- (ii) Non-disclosure monthly to Minister of Internally Generated Fund kept.
- (iii) Investment of Public Moneys in Government Securities.
- (iv) Failure to procure from Internal Revenue Service/Value Added Tax Registered Suppliers/Firms.

- (v) Giving false or misleading information.
- (vi) Refusing/impeding audit.

## **MONITORING TOOLS FOR TRACKING FINANCIAL ACTIVITIES & REPORTS**

1. Cash/Bank Position-*Monthly*
2. Advances/Debtors Position- *Monthly*
3. Inventory Position- *Monthly*
4. Creditors' Position- *Monthly*
5. Expenditure Returns- *Monthly*
6. Final Accounts –*Annual*
7. Budgeting-*Annual*
8. Procurement Plan -*Annual*
9. Cash Inflow & Outflow-*Termly*
10. Bank Statements- Inspect & Sign- *Monthly*
11. Observe Financial Instructions, Rules & Regulations
12. Cooperate With Audits
13. Motivate Staff
14. Maintain A Financial Calendar

## **INTERNAL CONTROL SYSTEM**

Internal control system refers to all policies and procedures used to protect Assets, ensure reliable accounting, promote efficient & effective operations and ensure adherence to laws, policies & regulations and reduce/minimize risk to tolerable levels. To promote internal control, the financial manager should segregate the following accounting functions: **Authorization, Approval, Execution, Recording and Custody.**