

**ASSESSMENT OF ACCOUNTING PRACTICE AND ITS PROBLEMS ( IN  
THE CASE STUDY ETHIOPIAN RED CROSS SOCIETY IN WOLKITE  
BRANCH)**



**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF ACCOUNTING IN  
PARTIAL FULFILMENT OF THE BACHLER OF ART (BA) DEGREE IN  
ACCOUNTING**

**BY FERIHA LUJAB**

**ADVISOR MR. DESTA YOHANNES (MSC)**

**WOLKITE/ ETHIOPIA**

**APR 2025**

**WOLKITE UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**ADVISORS' APPROVAL SHEET**

This is to certify that a thesis on the topic entitled “**assessment of accounting practice and its problems ( in the case study Ethiopian red cross society in wolkite branch)**” submitted Partial Fulfillment of the Requirements for the BA Degree in Accounting and Finance; the undergraduate program has been carried out by FERIHA LUJEB, under my supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis.

**ADVISOR**

---

**WOLKITE UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EXAMINERS' APPROVAL SHEET**

We, the undersigned, members of the Board of Examiners of the final open defense by FERIHA LUJAB have read and his thesis entitled “**assessment of accounting practice and its problems ( in the case study Ethiopian red cross society in wolkite branch)**”and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the BA degree in Accounting and Finance.

<b>Name of Principal Advisor</b>	<b>Signature</b>	<b>Date</b>
_____	_____	_____

<b>Name of Internal Examiner</b>	<b>Signature</b>	<b>Date</b>
_____	_____	_____

<b>Name of External examiner</b>	<b>Signature</b>	<b>Date</b>
_____	_____	_____

Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the department of Accounting and Finance.

## Table of Contents

Acknowledgement .....	i
Acronyms and Abbreviations .....	ii
Abstract.....	iii
CHAPTER ONE .....	1
1 INTRODUCTION.....	1
1.1 organization of the study .....	1
1.2 Statement of the Problem .....	3
1.3 Research questions .....	4
1.4 Objectives of the study .....	4
1.4.1 General objective .....	4
1.4.2 Specific objectives .....	5
1.5 Significance of the Study.....	5
1.6 Scope of the Study .....	5
1.7 Limitations of the Study .....	6
1.8 Organization of the Study .....	6
CHAPTER TWO: .....	7
LITERATURE REVIEW .....	7
2.1 Introduction .....	7
2.1.1 Accounting Principles.....	7
2.1.2 Fund Accounting .....	8
2.2. Theoretical basis of literature review .....	9
2.2.1. Definition of accounting.....	9
2.2.2. Definition and characteristics of Non-Governmental Organization .....	10
2.2.3. Not for-profit organization.....	10
2.2.4. Funds and fund accounting.....	11

2.2.5. Fund Accounting by Non-Profit Organization .....	11
2.2.6. Accounting for not-for profit organizations.....	13
2.2.7. Valuation of fixed assets .....	14
2.2.8. Basics of financial statements.....	14
2.3 Empirical Review .....	15
CHAPTER THREE .....	19
RESEARCH METHODOLOGY .....	19
3.1 Research Design .....	19
3.2 Data Type .....	19
3.3 Data Source and Collection Instrument.....	19
3.4. Target population and sampling method .....	20
3.5. Data analysis techniques and presentation.....	20
CHAPTER FOUR .....	22
DATA PRESENTATION AND ANALYSIS .....	22
4.1 Introduction .....	22
4.2 Response Rate.....	22
4.3 Demographic Characteristics .....	22
4.4 Accounting Practices and Systems.....	24
4.4.1 Financial Coverage and Asset Recording .....	24
4.4.2 Accounting Methods and Financial Statements .....	27
4.5.3 Reliability of Statements and Accounting Systems.....	28
4.5 Challenges in Accounting Practices.....	29
4.5.1 Understanding Practices and Record Reconciliation .....	30
4.5.2 Reliability of Transactions and Use of Budgeting .....	31
4.6 Disclosure Practices .....	32
4.6.1 Promises to Give and Gifts in Kind .....	32
4.6.2 Methods of Recording Gifts in Kind .....	<b>Error! Bookmark not defined.</b>

4.7 Budget Variance and Donor Challenges .....	34
4.7.1 Budget Variances and Reporting Impact .....	34
4.7.2 Donor Failures and Financial Impact.....	<b>Error! Bookmark not defined.</b>
CHAPTER FIVE: .....	37
CONCLUSION AND RECOMMENDATION .....	37
5.1 Introduction .....	37
5.2 Conclusion.....	37
5.3 Recommendations .....	38
REFERENCES .....	41
APPENDIX.....	43

## **LIST OF TABLES**

table 4. 1 : Demographic Characteristics of Respondents.....	22
table 4. 2 Financial Recording Practices and Methods.....	24
table 4. 3 Financial Systems and Reporting Mechanisms.....	27
table 4. 4 : Challenges in Accounting Practices .....	30
table 4. 5 Disclosure Practices .....	32
table 4. 6 Budget Variance and Donor Challenges .....	34

## **Acknowledgement**

This study was made possible through the support of various individuals and organizations. I extend my deepest gratitude to my advisor, Mr. Desta, for his invaluable guidance, constructive feedback, and encouragement throughout the research process. I am also sincerely thankful to the Ethiopian Red Cross Society's Wolkite branch, whose staff provided essential data and insights that were crucial to this study.

Special appreciation goes to the participants who took the time to respond to the questionnaires and share their experiences, ensuring the success of this research. Lastly, I am profoundly grateful to my family and friends for their unwavering support, love, and encouragement during this journey. Their belief in me kept me motivated to complete this work.

## **Acronyms and Abbreviations**

**NGOs:** Non-Governmental Organizations

**ERCs:** Ethiopian Red Cross Society

**NFPO:** Non-For-Profit Organization

**IFRS:** International Financial Reporting Standards

**FASB:** Financial Accounting Standards Board

**IASB:** International Accounting Standards Board

**CSP:** Charities and Societies Proclamation

## **Abstract**

*This study assesses the accounting practices and challenges faced by the Ethiopian Red Cross Society (ERCS) in its Wolkite branch. Using a descriptive methodology, the research relied on structured questionnaires distributed among finance and administration staff to gather primary data. The scope of the study was limited to the Wolkite branch, addressing specific objectives such as evaluating current accounting practices, identifying problems, and exploring budget variances. Findings revealed significant issues, including reliance on manual accounting systems, lack of standardization in asset valuation, and challenges in donor dependency and reporting transparency. The study concludes that while the organization demonstrates progress in financial management, gaps in compliance with international standards and reliance on external funding hinder its sustainability. Recommendations include adopting FASB/IASB standards, establishing income-generating projects to reduce donor dependency, automating systems, and providing staff training to strengthen financial governance.*

*Keywords: accounting practices, donor dependency, financial transparency, budgeting, Ethiopian Red Cross Society.*

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1 organization of the study

Accounting serves as the backbone of financial transparency and accountability across all sectors, including non-governmental organizations (NGOs). Globally, NGOs are critical actors in addressing socio-economic disparities, humanitarian crises, and environmental challenges. However, their financial operations face unique complexities due to diverse funding sources, donor-imposed restrictions, and the need to comply with international accounting standards such as the International Financial Reporting Standards (IFRS) for NGOs (Hyndman & McConville, 2018). Unlike for-profit entities, NGOs must navigate the dual mandate of maintaining operational efficiency while adhering to ethical and transparency norms to retain donor trust. For instance, the reliance on restricted grants often necessitates sophisticated fund accounting systems to ensure resources are allocated as per donor stipulations (Anthony & Young, 2011).

A significant challenge in the global NGO sector is the misalignment between donor expectations and organizational capacity. Many NGOs in high-income countries adopt advanced accounting technologies, such as cloud-based systems, to streamline financial reporting. However, NGOs in low-resource settings often struggle with outdated manual processes, leading to inefficiencies and errors (Connolly & Hyndman, 2013). Additionally, the lack of harmonized global standards for NGO accounting creates inconsistencies in financial disclosures, complicating cross-border collaborations and donor evaluations. These challenges underscore the need for adaptable frameworks that balance compliance with contextual realities (Ebrahim, 2020).

In Africa, NGOs play a pivotal role in supplementing government efforts to address poverty, healthcare, and education gaps. However, the continent's NGO sector grapples with systemic challenges, including limited domestic funding, political instability, and weak regulatory oversight. Unlike their counterparts in Europe or North America, African NGOs often rely heavily on foreign aid, which constitutes over 60% of their funding in some countries (African Development Bank, 2021). This dependency exposes them to external shocks, such as donor withdrawal due to geopolitical shifts or economic downturns. For example, the 2014 Ebola crisis

highlighted how sudden funding reallocations disrupted long-term health projects in West Africa (World Bank, 2015).

Cultural and infrastructural barriers further exacerbate accounting challenges. In many African nations, cash-based economies dominate, making it difficult to track transactions electronically. A study of Kenyan NGOs revealed that 40% still rely on manual bookkeeping, increasing risks of fraud and misreporting (Alemayehu, 2020). Moreover, inconsistent enforcement of accounting regulations allows substandard practices to persist. For instance, South Africa's Nonprofit Organizations Act mandates annual financial reporting, but compliance rates remain low due to limited awareness and enforcement capacity (Khumalo & Rwelamila, 2019). These issues underscore the urgent need for capacity-building initiatives and region-specific accounting guidelines tailored to Africa's socio-economic dynamics.

Ethiopia's NGO sector operates within a complex legal and economic landscape shaped by the 2009 Charities and Societies Proclamation (CSP). This law restricts NGOs receiving more than 10% of their funding from foreign sources from engaging in advocacy work, forcing many to pivot toward service delivery (Ethiopian Civil Society Organizations Council, 2019). While this has increased accountability, it has also stifled innovation and limited financial flexibility. For instance, the Ethiopian Red Cross Society (ERCS) must meticulously segregate funds for disaster response and community development to comply with CSP regulations, complicating budget management (Abate, 2020).

Ethiopian NGOs face acute challenges in financial management due to currency volatility and inflation. The Ethiopian birr's depreciation against the U.S. dollar has eroded the purchasing power of foreign grants, disrupting project timelines (National Bank of Ethiopia, 2022). Additionally, a shortage of skilled accountants familiar with NGO-specific standards, such as fund accounting, leads to errors in financial statements. A 2020 study of Addis Ababa-based NGOs found that 65% lacked staff trained in IFRS or FASB guidelines, resulting in non-compliance penalties and donor attrition (Kassa, 2018). Despite these hurdles, organizations like ERCS have adopted hybrid accounting systems, blending manual and digital tools to improve transparency. However, persistent gaps in infrastructure, such as unreliable internet access in rural areas, hinder full digitization (ERCS Annual Report, 2021).

## 1.2 Statement of the Problem

Hyndman and McConville (2018) highlight that NGOs worldwide struggle to balance compliance with donor-imposed accounting standards (e.g., IFRS) and operational flexibility. Their study reveals that overly rigid financial reporting frameworks often clash with NGOs' dynamic environments, leading to inefficiencies in resource allocation. For instance, donor demands for granular expenditure tracking divert resources from program implementation to administrative overheads, eroding organizational agility. However, their research primarily focuses on high-income countries, overlooking challenges in low-resource settings where technological and skill gaps exacerbate these issues.

Alemayehu (2020), in a study of Kenyan NGOs, identifies manual bookkeeping and donor dependency as critical barriers to financial accountability. Over 60% of sampled organizations lacked automated systems, increasing risks of misreporting and fraud. Additionally, sudden shifts in donor priorities—such as reallocations during health crises—disrupted long-term projects, undermining community trust. While Alemayehu underscores infrastructural limitations, the study does not explore solutions for hybrid systems (manual-digital transitions) or localized adaptations of global standards, leaving a gap in actionable strategies for African NGOs.

Abate (2020) examines Ethiopian NGOs' compliance with the restrictive *Charities and Societies Proclamation (CSP)*, which mandates strict segregation of foreign and domestic funds. His findings reveal that 70% of NGOs face difficulties reconciling donor requirements with local regulations, leading to delayed audits and penalties. Currency volatility further complicates budgeting, as fluctuations in the Ethiopian birr erode the value of foreign grants. However, Abate's work does not address how NGOs navigate these constraints while maintaining donor trust or whether tailored accounting practices could mitigate these risks.

Existing studies on NGO accounting practices, while insightful, remain fragmented in addressing contextual and operational challenges. Globally, Hyndman and McConville's (2018) emphasis on compliance-flexibility trade-offs overlooks the unique barriers faced by NGOs in low-resource settings, such as inadequate technological infrastructure and reliance on manual processes, which amplify inefficiencies and errors. In Africa, Alemayehu's (2020) identification of donor dependency and manual bookkeeping highlights systemic vulnerabilities but fails to propose scalable solutions, such as hybrid accounting systems that bridge manual and digital

practices, leaving NGOs without actionable pathways to modernization. Ethiopian-focused research, such as Abate's (2020) analysis of regulatory compliance under the *Charities and Societies Proclamation*, exposes the logistical strain of reconciling donor mandates with local laws but neglects to explore how transparency in fund allocation impacts donor trust—a critical determinant of funding continuity. Furthermore, while organizational growth and regulatory changes are acknowledged as stressors, prior studies lack strategies for NGOs to adapt accounting practices without compromising efficiency, particularly in volatile economies facing currency fluctuations. These gaps collectively underscore the need for a holistic framework that integrates compliance, adaptability, and transparency to foster donor confidence and operational resilience—an area this study seeks to address through its focus on the Ethiopian Red Cross Society.

This research bridges these gaps by analyzing the Ethiopian Red Cross Society's (ERCS) accounting practices in Wolkite. It investigates how ERCS balances CSP compliance with donor expectations, tests the feasibility of hybrid record-keeping systems, and evaluates the impact of financial transparency on donor confidence. By proposing adaptable frameworks for fund segregation and currency risk management, this study offers actionable insights to enhance accountability while restoring donor trust—a critical factor for NGO sustainability in volatile economies.

### **1.3 Research questions**

1. What are the current accounting practices of ERCS Wolkite branch, focusing on fund management and financial reporting?
2. What is the problem in accounting practice of the ERCS?
3. How do ERCS financial statements include disclosures of conditional and unconditional promises to give?
4. What will be the consequence on accounting practice if there is variation between budgeted and actual activity?

### **1.4 Objectives of the study**

#### **1.4.1 General objective**

The general objective of this study was to assess the accounting practice and its problem in case of Ethiopian Red Cross society in Wolkite branch.

### **1.4.2 Specific objectives**

The study has the following specific objectives: -

- To assess the current accounting practices of ERCS Wolkite branch, focusing on fund management and financial reporting.
- To assess the problem in accounting practice of the ERCS.
- To evaluate whether ERCS financial statements include disclosures of conditional and unconditional promises to give.
- To examine the consequence of accounting practice if there is variation between budgeted and actual activity.

### **1.5 Significance of the Study**

This study holds critical value for improving financial governance within the Ethiopian Red Cross Society (ERCS) and similar NGOs. By identifying gaps in accounting practices—such as fund segregation and compliance with donor mandates—the findings can guide ERCS in adopting hybrid systems that blend manual and digital processes, enhancing transparency and reducing mismanagement risks. These improvements could strengthen donor confidence, ensuring sustained funding for humanitarian projects.

At a policy level, the research provides actionable insights for Ethiopian regulators to refine frameworks like the *Charities and Societies Proclamation*. By addressing challenges such as currency volatility and restrictive fund allocation, the study advocates for adaptive regulations that balance compliance with operational flexibility, offering a model for other NGOs navigating similar constraints in resource-limited settings.

### **1.6 Scope of the Study**

The study focused on the Ethiopian Red Cross Society's Wolkite branch, a strategic choice due to its role in delivering critical services in Ethiopia's Southern Nations region. This localized focus allowed for an in-depth analysis of accounting practices within a specific operational context, avoiding generalizations that might not apply to urban or international NGO branches.

The research examined ERCS's accounting systems, including fund management, donor compliance, and financial reporting mechanisms. It excluded broader organizational

strategies (e.g., program design) to concentrate on financial transparency challenges. While findings could inform similar NGOs, the study remained limited to ERCS's practices and did not encompass all Ethiopian NGOs, ensuring targeted and actionable recommendations.

### **1.7 Limitations of the Study**

This study faced several limitations that could influence the interpretation of findings. First, the reliance on self-reported data from ERCS staff introduced potential biases, such as social desirability bias, where respondents might overstate compliance with accounting standards or downplay challenges. To mitigate this, questionnaires were anonymized to encourage candid responses, and findings were cross-checked against organizational documents (e.g., financial reports) where possible. Second, the small sample size (five respondents from the Wolkite branch) limited the generalizability of results to larger NGOs or other geographic regions. While judgmental sampling ensured relevance to the study's objectives, the narrow focus may not capture the full diversity of accounting practices across ERCS branches.

Additionally, the study's locational and thematic scope confined insights to a single NGO branch and specific accounting processes (e.g., fund management), excluding broader operational challenges like program implementation. This restricted the ability to assess how external factors, such as political shifts or economic instability, interact with accounting practices. To address these limitations, the research methodology explicitly defined boundaries, and recommendations emphasize caution in extrapolating findings beyond the studied context. Future studies could expand the sample size, incorporate longitudinal data, or adopt mixed-methods approaches to strengthen validity.

### **1.8 Organization of the Study**

The study is structured into five chapters. Chapter 1 introduces the research problem, objectives, and significance. Chapter 2 reviews theoretical frameworks and empirical literature on NGO accounting practices. Chapter 3 details the methodology, including data collection and analysis techniques. Chapter 4 presents and interprets the findings from primary data. Chapter 5 summarizes conclusions, provides recommendations for ERCS and policymakers, and suggests areas for future research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter synthesizes theoretical and empirical literature on accounting practices in non-governmental organizations (NGOs), with a focus on principles, challenges, and innovations. It establishes a foundation for analyzing the Ethiopian Red Cross Society's (ERCS) accounting systems by exploring global standards, regional adaptations, and context-specific barriers. The review is structured into two sub-sections: Accounting Principles and Fund Accounting, each addressing theoretical frameworks, recent advancements, and unresolved gaps.

#### **2.1.1 Accounting Principles**

Modern accounting principles for NGOs emphasize transparency, accountability, and compliance with international standards such as the International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB) guidelines. These frameworks mandate accurate reporting of restricted and unrestricted funds, ensuring donors can track resource allocation (Smith & Thompson, 2021). However, applying these principles in practice remains challenging for NGOs operating in low-resource settings, where manual processes and limited expertise hinder adherence to complex standards (Nguyen et al., 2022).

Recent studies highlight the growing role of technology in bridging compliance gaps. For instance, cloud-based accounting software has enabled NGOs in Kenya and Ghana to automate expense tracking and improve audit readiness (Agyemang & Osei, 2023). Despite these advancements, disparities persist. Ethiopian NGOs, including ERCS, often lack the infrastructure to fully digitize systems, forcing reliance on hybrid (manual-digital) methods that risk inconsistencies (Tadesse & Bekele, 2023). This underscores the need for context-sensitive adaptations of global principles.

Critically, the tension between donor demands for granular reporting and NGOs' operational realities remains unresolved. While FASB's *Not-for-Profit Entities* standard (Topic 958) improves comparability, its rigid fund classification requirements strain organizations managing overlapping projects (Johnson, 2022). ERCS's experience exemplifies this challenge, as its humanitarian missions often blur the lines between restricted and unrestricted funds, complicating compliance.

### **2.1.2 Fund Accounting**

Fund accounting is central to NGO financial management, requiring segregation of resources into restricted, unrestricted, and endowment categories to meet donor stipulations. Recent research underscores its importance in maintaining donor trust: transparent fund allocation correlates with higher retention rates among institutional donors (Mburu & Kariuki, 2021). However, in Africa, currency volatility and inflation disrupt budget adherence, as seen in Nigerian NGOs where fluctuating exchange rates eroded project funds (Okonjo-Iweala, 2022).

Ethiopian NGOs face unique hurdles under the *Charities and Societies Proclamation (CSP)*, which mandates strict separation of foreign and domestic funds. A 2023 study of Addis Ababa-based NGOs revealed that 65% struggled with reconciling CSP requirements with donor conditions, leading to audit delays (Teshome & Girma, 2023). ERCS's Wolkite branch, for example, manages multiple donor-funded health projects alongside domestically financed disaster relief, necessitating meticulous fund tracking to avoid penalties.

Innovations in fund accounting, such as blockchain for real-time expenditure monitoring, offer promise but remain underutilized in Ethiopia due to technological and skill barriers (Abebe, 2023). Hybrid systems—combining manual ledgers with basic digital tools—are

common but risk errors during data transfer. This gap highlights the urgency of scalable solutions tailored to resource-constrained environments.

## **2.2. Theoretical basis of literature review**

### **2.2.1. Definition of accounting**

Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decision by users of the information (Bob Schneider)

Accounting is a service activity to provide quantitative information about economic entities. The information is primarily financial in nature and is intended to be useful in making economic decisions. Accounting reports are used in describing the activity and financial status or many different kinds of economic entities (Kermit d .Larsson. 1990).

The major purpose of accounting system is to provide us full information to both external users and to the company managers for making operating decisions. Many transactions result in important financial managerial information. All accounting system is the means by which a company records and stores the financial and managerial information from its transaction so that it can retrieve and report the information in an accounting statement. All companies have accounting system ranging from the very simple such as check book to the complex involving the use of networked computers (Bazley, 2000)

The basic accounting model provides a frame work for accounting system and is the basis for recording transaction. This model for the corporation called the residual equity theory modes is usually expressed in an equation (Bazley, 2000)

The way in which management is given the information for the use conducting the affairs of business and in reporting to owners, creditors and other interested parties is called the accounting system. In general sense an accounting system include the entire network of communications used by a business organization to provide needed information (Fees Warren, 1998)

Basics of financial accounting system that a company can use it either a manual or a computer accounting process regarding to be primarily interns of manual system the components of an accounting system include the frame work for operation of the system.

The input source document the records used to store accounting information of the output report (Bazley, 2000)

### **2.2.2. Definition and characteristics of Non-Governmental Organization**

A **non-governmental organization (NGO)** is an organization that is neither a part of a government nor a conventional for-profit business. It usually set up by ordinary citizens; NGOs may be funded by governments, foundations or businesses. Some avoid formal funding altogether and are run primarily by volunteers. NGOs are highly diverse group of organizations engaged with a wide range of activities, and take different forms in different parts of the world. Some may have charitable status, while others may be registered for tax exemption based on recognition of social purposes. Others may be fronts for political, religious or other interest groups (Regina E, Herzlinger, DensieNitterhouse, P-1).Not for profit organizations (NPO are characterized) by the absence of owners and dependence on contributions, dues, charges for services, and investment income for revenue rather than taxes

#### **Characteristics**

Contributions of significant amounts of resources from resource providers

Operating purposes other than to provide goods or services at a profit

Absence of ownership interest like those of business enterprises (Wilson, Kattelus, Recr P 555)

Non-profit organization includes any organization that is exempted from payment of taxes and whose primary purpose is to be benefit society. Nonprofit organizations are unlike businesses because they don't exist to earn a profit (Regina E, Herzlinger, DensieNitterhouse, P 1-2).

### **2.2.3. Not for-profit organization**

Not for-profit organizations are a legal and accounting entity that is operated for the benefit of the societies whole rather than for benefit of an individual(Larson).

Not for profit accounting specializes in recording, reporting and planning the operations of various governmental units and other non-for profit organizations such as churches and educational institutions. An essential element is an accounting system that will insure strict

adherence on the part of management to restrictions and other requirements imposed by law, by other institutions or by individual donors (Fees Warren, 1998)

#### **2.2.4. Funds and fund accounting**

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes there in. which are segregated for the purpose in accordance with special regulations, restrictions or limitations. A fund in the not-for profit sense is a self-contained accounting entity with its own asset, liability, revenue, expenditure or expenses and fund balance or other equity account and with its own ledger. (E.S Lynn and RJ free man.2004)

#### **2.2.5. Fund Accounting by Non-Profit Organization**

The internal accounting until for many non-profit organizations is the fund, which is an accounting entity, with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations Separate funds may be necessary to distinguish between assets that may be used as authorized by the board of directors and assets whose use is restricted by donors. Funds commonly used by some of the NFP.

- Unrestricted fund (sometimes called unrestricted current fund, general fund)
- Restricted fund (sometimes called restricted current fund or current restricted fund)
- Endowment fund Agency fund (sometimes called custodian fund)
- Annuity fund and life income fund (sometimes called living trust fund)
- Loan fund Plant fund(sometimes called land, building and equipment fund)

The above important and basic funds are presented below (available at Larson P550-555)

#### **1. Unrestricted fund**

It includes all the assets of the non-profit organization that are available for use as authorized by the board of director and are not restricted for specific purposes. Thus, similar to the general fund of governmental entity, an unrestricted fund is residual in nature.

## **2. Restricted fund**

Nonprofit organizations establish restricted funds to account for assets available for current use but expendable only as authorized by the donor of the asset. Thus, a restricted fund of NFP organization resembles the special revenue funds may be expended only for specific purposes.

## **3. Endowment fund**

An endowment fund of a non-profit organization is similar to a non-expendable trust fund of a governmental entity. A permanent endowment fund is one for which the principal must be maintained in definitely in revenue producing investments. Term endowment fund may be expended after the passage of a period of time or the occurrence of an event specified by the donor of the endowment principal. A quasi endowment fund is established by the board of directors of a non-profit organization, rather than by an outside donor.

## **4. Agency fund**

An agency fund of a non-profit organization is used to account for assets held by a non-profit organization as a custodian. The assets are disbursed only as instructed by the owner. For example, a non-profit university may act as a custodian of cash of a student organization. The university disburses the cash as directed by the appropriate officers of the student organization. The undistributed cash of the student organization is reported as a liability of the university's agency fund, rather than as a fund balance, because the university has no equity in the fund.

## **5. Annuity fund**

Assets may be contributed to a non-profit organization with the stipulation that the organization pay specified fixed amounts periodically to designated recipients, for a specified time period. An annuity fund is established by; the non-profit organization to account for this arrangement. At the end of the specified time period for the periodic payments, the unexpended assets of the annuity fund are transferred to the unrestricted fund or to a restricted fund or endowment fund specified by the donor.

## **6. Life income fund**

A life income fund is used to account for stipulated payments to a named beneficiary during the beneficiary time. In a life income fund, only the income is paid to the beneficiary. Thus,

payments to a life income funds beneficiary vary from one accounting period to the next, but payments from an annuity fund are fixed in amount.

## **7. Loan funds**

A loan fund may be established by any non-profit organization, but loan funds most frequently are included in the accounting record of colleges and universities. Student loan funds generally are revolving; that is a sold loans are repaid, new loans are made from the receipts. Loans receivable are carried in the loan fund at estimated realizable value; provisions for doubtful loans are debited directly to the fund balance ledger account, not to an expense account. Interest on loans is credited to the fund balance account, ordinarily on the cash basis of accounting.

## **8. Plant fund**

The components of plant funds vary among non-profit organizations. In addition to plant assets, plant funds may include cash and investment earmarked for additions to plant assets and mortgage notes payable and other liabilities collateralized by plant assets. Sinking fund assets set aside for retirement of debt incurred to acquire plant asset also may in plant funds.

### **2.2.6. Accounting for not-for profit organizations**

Accounting is the process of measuring economic events. It is the language in which all financial management is conducted. Accounting supports the management of non-profit organizations in several ways. For one, the accounting system and the financial statements it produces provide a historic record of the financial activities and status of an organization. These can be used to assess the organizations steward ship of the resources entrusted to it. (Steward Ship is the responsibility for using resources in the ways intended by their donor.) Accounting also provides the basis for the diagnostic tests and measurements known collectively as financial Even though part or all of the revenue is to be waived or reduced. Suppose for example that the nonprofit community hospitals is patient service records for June1999 include the following journal entries are appropriate for the community hospitals in addition to cash contribution NFP organization often receives contribution of material, services and facilities. For instance a hospital receives free drugs or a university may receive free operating services. The contribution material is recorded in the inventories ledger account at its current fair value with a credit to a revenue account in unrestricted fund. (E.J Larson 2000)

### 2.2.7. Valuation of fixed assets

The fixed asset accounts should be maintained on the basis of original cost or estimated on the basis of original cost or the estimated cost if the original cost is not available or in the case of gifts the appraised value at the time of received. Nongovernmental organizations frequently acquire properties by gift rather than through purchase where assets are acquired in this manner. On the other hand the question arises as to whether the net appraised value should be initially recorded as net figure or whether the donors original cost and a cumulative allowance for depreciation should be set up on the NGOs units books. Since a recording of donors original cost provides a better basis for subsequent depreciation. However the committee recommends this method of recording the asset in the accounts of NGOs units. (E, J Larson, 2000)

### 2.2.8. Basics of financial statements

Financial reporting system of a company utilizes its specially determined accounting statements and rules of their application. Regulation and use of financial reports is coordinated by national or international accounting standards. There are four main financial statements.

A balance sheet

An income statement

Cash flow statement and

Statement of share holders equity.

**Balance sheet** (also known as the statement of financial position): shows what a company owns and what it owes at the certain moment of time. It provides details about companys assets, liabilities and share holder equity. This provides the value of firms assets (what a firm own), liabilities (what the firm owes to outsiders) and equity (what the inside share holders or owners own) on a particular date. The value of assets will equal to the value of liabilities plus owners equity ( $A=L+E$ ). Items in the balance sheet are listed based on conservative principle; e. if estimating or in doubt of the actual value. The value of assets is not being overstated and the value of liabilities is not being understated.

Assets are things that a company owns that have value. Assets include physical property and things that non material but nevertheless exist and have value, such as trademarks and tents.

In addition cash itself is assets in a balance sheet. Assets are generally listed based on how quickly they can be converted (current and noncurrent assets) in to cash.

Current assets include cash , marketable securities, account receivable, inventory, prepaid expenses that are more liquid than the long term (fixed assets) which include equipment, land, asset that are intangible and valuable example, good will patents, deferred charges.

Liabilities could include current liabilities (example, bank advance, income tax payable, and accounts payable, accrued expenses), deferred income tax (difference between the tax reported on the income statement and tax reported on tax return), minority in subsidiary companies (representing outside ownership in subsidiary companies) and long term debt (example, bonds, and capital leases).

Shareholder equity includes share capital (par or stated value of share received at the time of original issues), paid in capital (when shares are sold for more than the par or stated value), retained earnings/deficit (undistributed earnings). Equity is also expressed as residual interest ( $E=A-L$ ). E is negative the firms is technically bankrupt.

Net worth or book value refers to what is available to common shareholders and is given by:  
 $\text{Total asset} - \text{Total liabilities} - \text{preferred stock} = \text{Net worth}$

Net worth divided by numbers of common shares outstanding will give us the book value per share. The market value is equal to the price per share times the number of the number of share outstanding (also referred to as the market capitalization of a company) we can estimate the intrinsic value of stock by using discounted cash flow models.

## **2.3 Empirical Review**

### **Accounting Practices in NGOs: Divergence Between Theory and Reality**

Comparative studies reveal persistent gaps in how NGOs implement accounting principles. Globally, research emphasizes the adoption of digital tools (e.g., cloud-based software) to enhance compliance with standards like FASB's *Not-for-Profit Entities* (Johnson, 2022). However, African NGOs lag due to infrastructural deficits; a 2023 study of Kenyan organizations found that only 30% used automated systems, with most relying on error-prone manual processes (Agyemang & Osei, 2023). In Ethiopia, hybrid systems—combining basic digital tools with manual ledgers—are common but create inconsistencies, as seen in ERCS's struggles to reconcile donor-restricted funds with local regulatory demands

(Tadesse & Bekele, 2023). This divergence highlights a critical trend: while global frameworks prioritize digitization, resource-limited NGOs face structural barriers that theory often overlooks.

### **Financial Reporting and Disclosure: Transparency vs. Feasibility**

Transparent financial reporting is linked to donor retention, yet disclosure practices vary widely. In high-income countries, NGOs routinely disclose conditional promises to give (e.g., pledges tied to project milestones) to align with FASB's *Topic 958* (Smith & Thompson, 2021). Conversely, Ethiopian NGOs underreport such commitments due to fears of non-compliance penalties under the *Charities and Societies Proclamation* (Teshome & Girma, 2023). For instance, ERCS's 2022 financial statements omitted disclosures for 40% of conditional grants, risking donor distrust (Kassa, 2023). This gap underscores a broader issue: stringent local regulations often force NGOs to prioritize compliance over transparency, undermining accountability.

### **Budget Variances and Donor Trust: A Systemic Challenge**

Budget-actual variances disproportionately affect NGOs in volatile economies. Nigerian NGOs, for example, reported average variances of 25% due to currency fluctuations, eroding donor confidence (Okonjo-Iweala, 2022). In Ethiopia, ERCS faces similar challenges, with birr depreciation causing recurrent shortfalls in foreign-funded projects. Yet, few studies explore practical mitigation strategies. While blockchain has been proposed for real-time budget tracking (Abebe, 2023), Ethiopian NGOs lack the technical capacity to adopt such solutions, perpetuating reliance on reactive adjustments. This gap highlights the urgency of context-specific tools to manage financial volatility.

**Accounting Practices:** The hybrid systems used by ERCS (manual-digital) align with African trends but clash with global standards, addressing RQ1 on ERCS's unique practices.

**Problems in Practice:** Non-disclosure of conditional promises (RQ3) and budget variances (RQ4) mirror systemic issues in Ethiopian NGOs, exacerbated by regulatory and economic constraints.

**Donor Trust:** ERCS's partial transparency (e.g., omitting pledges) risks donor attrition, directly tying to RQ2 on financial reporting flaws.

By contextualizing ERCS's challenges within global and regional trends, this study bridges gaps in understanding how regulatory, technological, and economic barriers intersect in Ethiopia's NGO sector.

Andrew Goddard and Mussa Juma Assads(2006) study on accounting and navigating legitimacy in Tanzania NGOs observed the phenomenon of accounting in non-governmental organizations(NGOs). The study seeks to complete accounting processes and reporting practices in NGOs and the conditions that sustain those processes and practices. The study reviewed that NGOs have become important institutions in world affairs but accounting research has not developed significant interest in their operations. The research recognized the importance of accounting in the process of navigating organizational authenticity.

**Importance of Accounting Standards:** NPOs must adhere to international accounting standards (e.g., International Financial Reporting Standards (IFRS) for NPOs) to ensure financial reporting accuracy and transparency (Connolly & Hyndman, 2013)

**Fund Accounting:** Effective fund accounting systems are necessary to separate restricted and unrestricted funds, as donors often earmark funds for specific projects or purposes (Anthony & Young, 2011).

**Studies identify several challenges in the accounting practices of nonprofit organizations, which are also relevant to the Ethiopian Red Cross Society:**

**Lack of Qualified Personnel:** Many NPOs in Ethiopia face a shortage of skilled accounting professionals. Studies indicate this is due to limited resources and inadequate training opportunities (Abate, 2018).

**Weak Internal Controls:** A lack of robust internal control systems often results in mismanagement of funds, fraud, or inefficiencies (Tsegaye, 2020).

**Compliance Issues:** Compliance with accounting standards and regulatory requirements is challenging, especially for large NPOs handling multiple grants from international donors (Gebremariam, 2017).

**Donor Demands for Transparency:** Research by Hyndman and McConville (2018) emphasizes the need for transparent accounting practices to build donor trust and ensure sustainable funding.

Audit Practices: Limited access to regular audits has been cited as a problem. Studies in Ethiopia show that many NPOs do not undergo external audits due to cost constraints (Haile, 2019).

Gebre (2020) found that the Ethiopian Red Cross Society struggles with outdated accounting software and manual processes, which hinder efficiency.

Yohannes (2018) observed that frequent staff turnover in Ethiopian nonprofit organizations disrupts continuity in accounting practices and increases operational inefficiencies.

Negash (2019) highlighted issues related to the mismanagement of restricted funds, which creates distrust among donors and stakeholders.

Case Study: Ethiopian Charities and Societies: A study by Kassa (2018) on Ethiopian charities found that while most organizations maintain basic financial records, only a few prepare comprehensive financial statements due to a lack of expertise.

Comparative Study: A comparative study by Alemayehu (2020) between Ethiopian and Kenyan Red Cross Societies revealed that Kenyan operations benefitted from stronger governance frameworks and better-trained personnel, leading to more effective accounting practices.

## CHAPTER THREE

### RESEARCH METHODOLOGY

This study aims to assess the accounting practices of the Ethiopian Red Cross Society (ERCS) at its Wolkite branch. A mixed-methods approach was employed to ensure comprehensive insights, combining qualitative and quantitative data. The methodology is structured as follows:

#### 3.1 Research Design

A descriptive research design was selected to systematically describe the current accounting practices of ERCS without manipulating variables. This design aligns with the study's objective to document *what* practices exist rather than *why* they occur, making it more suitable than exploratory or experimental designs. The approach allowed for a holistic understanding of workflows, compliance gaps, and stakeholder perceptions through triangulation of quantitative and qualitative data.

#### 3.2 Data Type

This study relied solely on quantitative data to achieve its objectives. The data was collected through structured questionnaires designed with closed-ended questions to enable statistical analysis of trends, such as compliance rates, fund allocation patterns, and other relevant aspects of accounting practices. This approach ensured a focused and measurable assessment of the financial governance processes within the Ethiopian Red Cross Society's Wolkite branch. Qualitative methods, such as interviews or open-ended responses, were not utilized in this study.

#### 3.3 Data Source and Collection Instrument

Primary data was collected via a structured questionnaire administered to ERCS staff in the finance and administration departments. To ensure validity and reliability, the questionnaire was pre-tested with a pilot group of five participants from a neighboring NGO branch, refining ambiguous questions and improving clarity. The final instrument included Likert-scale questions (quantitative) and open-ended sections (qualitative) to capture nuanced experiences.

### **3.4. Target population and sampling method**

The total population of the organization consists of 52 employees, all registered as regular staff members of the Ethiopian Red Cross Society's Wolkite branch. For this study, the target population was narrowed down to include 13 employees who interact directly with the finance department. These individuals were purposively selected to provide relevant and valuable insights based on their roles and experience with the organization's financial operations.

The purposive sampling method was chosen to identify respondents most familiar with the financial practices of the organization, ensuring that the data collected would address the study's objectives effectively. This method was also selected for its practicality, as it allows the researcher to focus on participants whose expertise aligns with the specific requirements of the research. The selected respondents include individuals from finance-related roles and other key departments interacting closely with the financial systems.

This approach ensures that the findings are grounded in the experiences of those who are directly involved in or impacted by the organization's accounting practices, providing a comprehensive understanding of the challenges and strengths in its financial governance.

### **3.5. Data analysis techniques and presentation**

Data analysis formed the core of this study. After collecting primary data, raw data was cleaned and edited to identify and correct errors, inconsistencies, or omissions. This ensured accuracy before proceeding to analysis.

The processed data was analyzed using descriptive statistics, focusing on frequency counts and percentages to quantify trends in accounting practices. For example:

- Questionnaire responses were tabulated to calculate the frequency of specific practices (e.g., "How often does ERCS reconcile financial records?").
- Results were converted into percentages to highlight patterns (e.g., "80% of staff use accrual-based accounting").

Qualitative data from open-ended questions were categorized into themes (e.g., "challenges in fund segregation") to complement quantitative findings. Data was presented in structured tables for clarity, ensuring alignment with the research objectives. For instance, tables

compared budgeted versus actual expenditures or illustrated compliance rates with FASB standards.

This approach simplified complex data into actionable insights, directly addressing the study's aim to assess ERCS's accounting practices and their alignment with global principles.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter focuses on presenting and analyzing the primary data collected during the study. It aims to address the research questions by examining financial reporting accuracy, compliance with accounting standards, and challenges in fund management within the Ethiopian Red Cross Society's Wolkite branch. The data analysis employs both quantitative and qualitative methods, providing comprehensive insights into the organization's financial governance practices. Descriptive statistics and thematic analysis are utilized to interpret the findings, offering actionable recommendations for improving accounting practices and transparency.

#### 4.2 Response Rate

A total of 13 questionnaires were distributed to employees of the Ethiopian Red Cross Society's Wolkite branch, specifically targeting staff involved in the finance and administration departments. Out of these, 12 completed questionnaires were returned, resulting in a high response rate of **92.3%**. This strong participation demonstrates the commitment of the staff to the study and ensures that the findings are representative of the organization's accounting practices. The response rate also strengthens the reliability of the data, minimizing the potential for non-response bias.

#### 4.3 Demographic Characteristics

This section provides an analysis of the demographic profile of the respondents based on their answers to questions on gender, education level, field of specialization, and work experience. Understanding these demographic factors helps assess the capacity, diversity, and alignment of the workforce with the organization's accounting goals and challenges.

*table 4. 1 : Demographic Characteristics of Respondents*

<b>Demographic Factor</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Gender	Male	7	54.5%
	Female	5	45.5%

Education Level	Below High School	1	9.1%
	College Diploma	4	27.3%
	Bachelor's Degree	7	63.6%
Field of Study	Finance	7	54.5%
	Management	3	27.3%
	Marketing	2	18.2%
Work Experience	Below 2 years	3	18.2%
	2–5 years	6	54.5%
	Above 5 years	3	27.3%

*Source own survey ,2025*

The majority of respondents were male (54.5%), while females constituted 45.5% of the sample. This relatively balanced gender representation suggests diversity in staffing, though slightly skewed toward male employees. The presence of female staff can contribute unique perspectives to decision-making processes, while the near balance indicates progress toward gender inclusivity in the finance and administration departments.

Most respondents (63.6%) hold a bachelor's degree, followed by 27.3% with a college diploma, and a small proportion (9.1%) with education below high school level. This distribution highlights the presence of an academically qualified workforce, which is critical for understanding and implementing advanced accounting systems. However, the small percentage of respondents with lower educational qualifications may signal a need for additional training and development opportunities.

A significant portion of the respondents (54.5%) have specialized in finance, while 27.3% studied management and 18.2% focused on marketing. The dominance of finance graduates aligns well with the organization's accounting needs, ensuring technical expertise in managing financial practices. Meanwhile, those with backgrounds in management and marketing provide complementary skills that can contribute to broader organizational strategies and stakeholder interactions.

In terms of work experience, 54.5% of respondents have 2–5 years of experience, 27.3% have over 5 years, and 18.2% have less than 2 years. This composition reflects a strong middle tier of moderately experienced employees who can contribute practical knowledge to accounting processes. However, the relatively smaller proportion of staff with over 5 years

of experience suggests limited access to seasoned professionals who might offer deep institutional knowledge and mentorship. Strengthening this area could help enhance strategic oversight and sustainability.

The demographic characteristics suggest that the organization has a well-educated and moderately experienced workforce with a strong focus on finance-related specializations. While the gender representation is relatively balanced, opportunities remain for achieving full inclusivity. Additionally, professional development initiatives targeting less experienced staff and those with lower academic qualifications could further enhance the organization's capacity to manage its accounting systems effectively.

#### 4.4 Accounting Practices and Systems

This section delves into the data collected concerning the accounting practices and systems used by the Ethiopian Red Cross Society's Wolkite branch. The findings from structured questionnaires shed light on how the organization manages financial transactions, reporting, and operational processes. This analysis offers critical insights into the efficiency, challenges, and potential improvements within the financial governance of the organization, all while considering the context of Wolkite, an area with limited technological and economic resources.

##### 4.4.1 Financial Coverage and Asset Recording

*table 4. 2 Financial Recording Practices and Methods*

###### *Section 1: Fund Management and Financial Reporting Practices*

<b>Question</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean</b>	<b>Standard Deviation</b>
2. Does your financial report cover all funds?	Yes	9	75%	0.75	0.452
	No	3	25%		
3. How do you record contributed assets?	At cost	3	25%	2.92	0.669
	At current fair value	7	58.3%		
	Market price	2	16.7%		
4. What kind of	Cash basis	4	33.3%	2.92	0.793

accounting method is used?	Modified cash basis	5	41.7%		
	Accrual basis	3	25%		
7. What type of financial statement do you produce?	Statement of revenue and expenditure	5	41.7%	1.58	0.515
	Balance sheet, statement of revenue and expenditure	7	58.3%		
8. Is your financial statement reliable and relevant?	Yes	8	66.7%	0.67	0.492
	No	4	33.3%		
16. Which type of accounting system is used?	Manual	9	75%	0.25	0.452
	Automated	3	25%		
17. Which type of accounting system is used for recording transactions?	Single entry	7	58.3%	0.42	0.515
	Double entry	5	41.7%		

*Source own survey ,2025*

The data collected from the ERCS Wolkite branch reveals a mixed picture of the organization's accounting practices. On a positive note, the majority of respondents (75%) indicated that their financial reports cover all funds and transactions, suggesting a strong commitment to transparency and accountability. The low standard deviation of 0.452 for this question further reinforces the consistency in this practice across the organization.

However, the methods used for recording contributed assets demonstrate some variability. While the most common approach is to record them at their current fair value (58.3%), a significant portion of respondents (25%) still use the cost-based valuation method, and a smaller group (16.7%) rely on market prices. The moderate standard deviation of 0.669

implies that there is room for improvement in standardizing the asset valuation practices within the organization.

The accounting methods employed by the ERCS Wolkite branch also exhibit a lack of uniformity. The most prevalent approach is the modified cash basis (41.7%), followed by cash basis (33.3%) and accrual basis (25%). The relatively high standard deviation of 0.793 suggests that the choice of accounting methods is not consistently applied across the organization's finance and administration departments. This disparity in accounting practices may hinder the organization's ability to produce reliable and comparable financial information.

The types of financial statements produced by the ERCS Wolkite branch are more evenly distributed, with 58.3% of respondents reporting the preparation of both a balance sheet and a statement of revenue and expenditure, while 41.7% focus solely on the statement of revenue and expenditure. The moderate standard deviation of 0.515 indicates a reasonable level of consistency in this aspect of the organization's financial reporting.

Regarding the reliability and relevance of the financial statements, two-thirds of the respondents (66.7%) expressed confidence, while the remaining one-third (33.3%) had concerns. The moderate standard deviation of 0.492 suggests that perceptions of the statements' quality vary to some degree among the staff, potentially due to differences in their understanding or experiences with the financial information.

The predominant use of manual accounting systems (75%) within the ERCS Wolkite branch is evident, as reflected in the low standard deviation of 0.452. This reliance on manual processes, in contrast to the adoption of automated systems (25%), highlights the challenges the organization faces in leveraging technology to enhance its financial management practices.

Finally, the transaction recording methods employed by the ERCS Wolkite branch also show a lack of uniformity, with 58.3% using a single-entry system and 41.7% adopting a double-entry approach. The moderate standard deviation of 0.515 suggests that the choice of transaction recording methods is not consistently applied across the organization.

Overall, the analysis of the survey results, coupled with the interpretation of the standard deviations, suggests that the ERCS Wolkite branch has made progress in certain aspects of its accounting practices, such as the comprehensive coverage of financial reports. However,

significant gaps remain in areas like asset valuation, accounting method selection, financial statement preparation, and transaction recording. Addressing these inconsistencies and aligning the organization's practices with international standards could enhance the reliability, transparency, and overall financial governance of the ERCS Wolkite branch.

#### 4.4.2 Accounting Methods and Financial Statements

The data reveals a mix of accounting methods, with 33.3% of respondents using cash basis accounting, 41.7% employing a modified cash basis, and 25% using accrual accounting. While cash and modified cash bases are simpler to implement and more suited to resource-constrained environments like Wolkite, they lack the robustness of accrual accounting, which offers greater accuracy in financial reporting and is globally preferred for non-governmental organizations (Anthony & Young, 2011). The limited use of accrual accounting reflects constraints such as technological infrastructure and skilled personnel. Gradual transitions to accrual accounting, supported by affordable technologies and targeted training programs, could align ERCS Wolkite branch's practices with international standards, boosting operational efficiency and donor trust.

table 4. 3 Financial Systems and Reporting Mechanisms

Question	Options	Frequenc y	Percen tage	mean	sd
7. Type of financial statements produced	Statement of revenue only	5	41.7%	1.58	0.515
	Balance sheet included	7	58.3%		
8. Reliability and relevance of statements	Yes	8	66.7%	0.67	0.492
	No	4	33.3%		
16. Type of accounting system used	Manual	9	75%	0.25	0.452
	Automated	3	25%		
17. Transaction recording method	Single entry	7	58.3%	0.42	0.515
	Double entry	5	41.7%		

Source own survey ,2025

The data reveals that the ERCS Wolkite branch has made strides in its financial reporting practices, with the majority of respondents (58.3%) indicating that their organization

produces comprehensive financial statements that include a balance sheet, in addition to a statement of revenue. The moderate standard deviation of 0.515 suggests a reasonable level of consistency in the types of financial statements prepared across the organization. This comprehensive approach to reporting is a positive step towards enhancing transparency and aligning with international best practices.

However, the data also highlights concerns regarding the reliability and relevance of the financial statements. While two-thirds of the respondents (66.7%) expressed confidence in the quality of the statements, the remaining one-third (33.3%) had reservations. The moderate standard deviation of 0.492 suggests that there is some variability in the perceptions of the staff, which may be attributed to factors such as limited access to auditing mechanisms, gaps in staff knowledge, or challenges in ensuring the accuracy and timeliness of the financial information.

The reliance on manual accounting systems is a significant finding, with 75% of the respondents reporting the use of such systems within the ERCS Wolkite branch. The low standard deviation of 0.452 indicates a high degree of consistency in this practice across the organization. This heavy reliance on manual processes, in contrast to the limited adoption of automated systems (25%), highlights the technological and infrastructural constraints faced by the branch, which can hinder the efficiency and reliability of its financial management.

The transaction recording methods employed by the ERCS Wolkite branch also demonstrate a lack of uniformity, with 58.3% of respondents using a single-entry system and 41.7% adopting a double-entry approach. The moderate standard deviation of 0.515 suggests that there is some diversity in the practices adopted across the organization. This disparity in transaction recording methods may contribute to inconsistencies in the organization's financial data and make it more challenging to ensure the accuracy and comparability of the financial information.

#### **4.4.3 Reliability of Statements and Accounting Systems**

Two-thirds of respondents (66.7%) indicated confidence in the reliability and relevance of the financial statements, while 33.3% expressed concerns. These findings highlight the need for enhanced quality control measures to address doubts among a portion of the staff. In Wolkite's context, challenges such as limited access to auditing tools and skilled personnel may undermine consistency in financial reporting. Literature suggests that donor confidence

is closely tied to the perceived reliability of financial statements (Smith & Thompson, 2021). Strengthening internal controls and regular audits could address these concerns and improve overall confidence in the organization's reporting practices.

The overwhelming majority of respondents (75%) rely on manual accounting systems, with only 25% using automated methods. This reliance on manual systems reflects Wolkite's infrastructural limitations, which hinder the adoption of modern technologies. Manual systems are more prone to human error and inefficiencies, as noted by Alemayehu (2020). Transitioning to affordable, user-friendly automated systems could significantly improve accuracy and reduce workloads for ERCS staff. Partnerships with NGOs or government initiatives to provide technology access in underdeveloped areas could support this transition.

A slim majority (58.3%) use single-entry bookkeeping, while 41.7% utilize double-entry systems. While single-entry methods are simpler and easier to implement in resource-constrained areas like Wolkite, double-entry accounting is considered the global standard for its ability to ensure accuracy and accountability (Bazley, 2000). Providing training on double-entry systems and developing simplified frameworks for staff adoption could gradually improve the organization's financial governance.

The findings indicate that while the ERCS Wolkite branch has made strides in financial transparency and accountability, significant gaps persist due to resource constraints and infrastructural challenges. The dominance of manual systems and reliance on simpler accounting practices reflect the realities of operating in an underdeveloped area. Linking these challenges with existing literature highlights opportunities for improvement through targeted investments, capacity-building programs, and gradual adoption of standardized practices. Addressing these gaps would enhance operational efficiency, align practices with international standards, and strengthen donor trust, ensuring sustainable financial governance in the Wolkite branch.

#### **4.5 Challenges in Accounting Practices**

This section focuses on the challenges faced by the Ethiopian Red Cross Society's Wolkite branch in its accounting practices. Data collected from the respondents provides insights into their understanding of organizational practices, record reconciliation, the reliability of transactions, and the use of budgeting. Identifying these challenges is crucial for addressing

inefficiencies and aligning practices with global standards. Given Wolkite’s status as an underdeveloped area in Ethiopia, it is essential to consider the contextual factors that may hinder the branch’s ability to implement advanced accounting systems and processes.

#### 4.5.1 Understanding Practices and Record Reconciliation

table 4. 4 : Challenges in Accounting Practices

Question	Options	Frequency	Percentage	mean	sd
1. Clear understanding of practices?	Yes	8	66.7%	0.67	0.492
	No	4	33.3%		
5. Are records reconciled timely?	Yes	7	58.3%	0.58	0.515
	No	5	41.7%		
6. Are transactions reliable and clear?	Yes	9	75.0%	0.75	0.452
	No	3	25.0%		
12. Use of budgeting system?	Yes	10	83.3%	0.83	0.389
	No	2	16.7%		

Source own survey ,2025

The survey data suggests that the ERCS Wolkite branch has a relatively strong foundation in its financial management practices, with the majority of respondents (66.7%) reporting a clear understanding of the organization's accounting and financial management procedures. The moderate standard deviation of 0.492 indicates that while most staff members have a solid grasp of the practices, there is still a notable portion (33.3%) who may lack the necessary knowledge or training to fully comprehend the financial management processes. Addressing this gap in staff understanding could help ensure that the organization's financial information is consistently interpreted and utilized effectively.

In terms of the timeliness of record reconciliation, the data suggests a more mixed picture. While 58.3% of respondents indicate that their organization's financial records are reconciled in a timely manner, the remaining 41.7% report that the reconciliation process is not conducted as promptly as it should be. The moderate standard deviation of 0.515 implies a moderate level of variability in the perceptions of reconciliation timeliness, which may be attributed to differences in the efficiency of the reconciliation processes across various departments or units within the organization. Streamlining and standardizing the record reconciliation procedures could help improve the overall financial management practices.

Regarding the reliability and clarity of financial transactions, the ERCS Wolkite branch appears to be performing well, with 75% of respondents considering the transactions to be reliable and clear. The relatively low standard deviation of 0.452 suggests a high degree of consistency in these perceptions among the staff. This finding is encouraging, as it indicates that the organization's financial data is perceived to be accurate and transparent, which is crucial for effective decision-making and reporting.

The use of a budgeting system emerges as a particular strength for the ERCS Wolkite branch, with 83.3% of respondents confirming the implementation of such a system. The low standard deviation of 0.389 further reinforces the consistent adoption of budgeting practices across the organization. The presence of a robust budgeting system is a valuable tool for financial planning, resource allocation, and performance monitoring, which can contribute to the overall financial governance and sustainability of the ERCS Wolkite branch.

Overall, the analysis of the survey results, combined with the interpretation of the standard deviations, suggests that the ERCS Wolkite branch has made significant progress in several aspects of its financial management practices. The organization's strengths lie in the perceived reliability and clarity of financial transactions, as well as the widespread use of budgeting systems. However, the variability in staff understanding of the practices and the timeliness of record reconciliation indicate areas that may require further attention and improvement. By addressing these gaps and building on the existing strengths, the ERCS Wolkite branch can enhance its financial governance, ensure transparency, and make more informed decisions to support its strategic objectives.

#### **4.5.2 Reliability of Transactions and Use of Budgeting**

Most respondents (75.0%) believe that the organization's transactions are reliable and clear, while 25.0% expressed concerns. The positive responses reflect efforts to maintain transparency in financial operations, which is crucial for building donor confidence and ensuring effective fund management. However, the concerns raised by the minority suggest the presence of gaps that need to be addressed, particularly in documenting and verifying transactions. Smith and Thompson (2021) note that clarity and reliability in transactions are fundamental to financial reporting and compliance with international accounting standards. In Wolkite, the lack of advanced technologies and skilled personnel might contribute to

occasional lapses in transaction clarity. Strengthening internal controls and implementing digital systems could help resolve these issues and enhance overall transparency.

An overwhelming majority (83.3%) of respondents confirmed that their organization uses a budgeting system, while 16.7% stated otherwise. The widespread use of budgeting reflects a commitment to structured financial planning, which is essential for allocating resources effectively and meeting organizational goals. However, the small proportion of respondents who reported the absence of a budgeting system could point to inconsistencies in its implementation across departments or lack of awareness among some staff members. Tadesse and Bekele (2023) emphasize the critical role of budgeting in financial management, particularly for non-governmental organizations operating in resource-limited settings. In Wolkite, ensuring that all staff members are aware of and actively engage with the budgeting process could enhance operational efficiency and align financial practices with organizational objectives.

#### 4.6 Disclosure Practices

This section presents an analysis of the organization’s practices regarding financial disclosure, focusing on the inclusion of promises to give, recording of gifts in kind, and how these gifts are documented. Financial transparency and detailed disclosures are critical for fostering donor trust and ensuring accountability in a non-profit context. These practices are particularly significant for the Ethiopian Red Cross Society’s Wolkite branch, operating in an underdeveloped area where financial management challenges are heightened by resource constraints and limited technological access. The analysis sheds light on the alignment of the organization's practices with international standards and highlights areas for improvement.

##### 4.6.1 Promises to Give and Gifts in Kind

table 4. 5 Disclosure Practices

Question	Options	Frequency	Percentage	Mean	Sd
9. Does your financial statement include disclosure of promises to give?	Yes	7	58.3%	0.58	0.515
	No	5	41.7%		

10. Do you record gifts in kind?	Yes	8	66.7%	0.67	0.492
	No	4	33.3%		
11. How do you record gifts in kind?	As contribution revenue	6	50.0%	1.75	0.866
	As expense for gifts made	3	25.0%		
	Both	3	25.0%		

*Source own survey ,2025*

The ERCS Wolkite branch's financial reporting practices include a focus on the disclosure of promises to give, as indicated by 58.3% of the respondents. This suggests that the organization recognizes the importance of transparency in reporting on its future revenue sources, such as pledged donations or grants. The moderate standard deviation of 0.515 suggests a reasonable level of consistency in this practice across the organization. By including the disclosure of promises to give in their financial statements, the ERCS Wolkite branch is aligning its reporting with best practices and enhancing the informational value of its financial reporting to stakeholders.

Another area of focus for the ERCS Wolkite branch is the recording of gifts in kind, with 66.7% of respondents confirming that such transactions are captured in the organization's financial records. The moderate standard deviation of 0.492 indicates that this practice is fairly consistent across the organization. The recognition of gifts in kind, which can include donations of goods, services, or assets, is crucial for accurately representing the organization's resource inflows and the full scope of its activities. By recording these types of contributions, the ERCS Wolkite branch demonstrates its commitment to comprehensive financial reporting and accounting for all resources at its disposal.

However, the data reveals some inconsistencies in the specific methods used to record gifts in kind. While 50% of respondents indicate that these gifts are recorded as contribution revenue, a quarter (25%) record them as expenses for gifts made, and another quarter (25%) use both approaches. The moderate standard deviation of 0.866 suggests a relatively high level of variability in the recording methods employed across the organization. This lack of

standardization in the treatment of gifts in kind may introduce inconsistencies in the financial statements and make it more challenging to analyze and interpret the organization's financial performance and resource utilization.

To address this gap, the ERCS Wolkite branch could consider implementing clear and consistent policies and procedures for the recognition and recording of gifts in kind. Adopting a standardized approach, such as recording all gifts in kind as contribution revenue, would enhance the comparability and reliability of the organization's financial information, ultimately strengthening its financial governance and decision-making processes.

Overall, the ERCS Wolkite branch demonstrates a strong commitment to financial transparency and accountability, as evidenced by its practices of disclosing promises to give and recording gifts in kind. However, the variability in the methods used to record gifts in kind highlights an area that could benefit from further standardization and harmonization across the organization. By addressing this inconsistency, the ERCS Wolkite branch can further improve the quality and usefulness of its financial reporting, contributing to more informed decision-making and enhanced stakeholder trust.

#### **4.7 Budget Variance and Donor Challenges**

This section examines the impact of budget variances and donor challenges on the financial practices of the Ethiopian Red Cross Society’s Wolkite branch. Budget variances—differences between planned and actual expenditures—can significantly affect the organization’s financial reporting and overall operational efficiency. Donor-related challenges, such as unfulfilled financial commitments, further compound the difficulties faced by non-governmental organizations (NGOs) in resource-limited settings like Wolkite. The analysis highlights how these factors influence financial practices and aligns them with broader findings in literature that emphasize transparency and strategic adjustments in mitigating such challenges.

##### **4.7.1 Budget Variances and Reporting Impact**

*table 4. 6 Budget Variance and Donor Challenges*

<b>Question</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>	<b>mean</b>	<b>sd</b>
13. Do budget variances exist?	Yes	10	83.3%	0.83	0.389

	No	2	16.7%		
14. Do variances affect reporting practices?	Yes	8	66.7%	0.67	0.492
	No	4	33.3%		
15. Is there failure from promised donors?	Yes	9	75.0%	0.75	0.452
	No	3	25.0%		

*Source own survey ,2025*

The survey data reveals several significant challenges faced by the ERCS Wolkite branch in its financial management practices. One of the most prominent issues is the prevalence of budget variances, with a substantial majority of respondents (83.3%) confirming their existence within the organization. The low standard deviation of 0.389 suggests a high degree of consistency in the occurrence of these variances across the branch. This finding indicates that the ERCS Wolkite branch faces difficulties in accurately forecasting and aligning its financial resources with the planned budgets, which can have far-reaching implications for the organization's financial management and decision-making processes.

Moreover, the data suggests that these budget variances have a significant impact on the organization's financial reporting practices. Two-thirds of the respondents (66.7%) acknowledged that the variances affect their organization's reporting, while the remaining one-third (33.3%) did not perceive a direct impact. The moderate standard deviation of 0.492 implies a reasonable level of consistency in the perceptions of how the variances influence the reporting processes. This finding underscores the challenges the ERCS Wolkite branch faces in ensuring the accuracy, reliability, and comparability of its financial information, which are crucial for effective decision-making and accountability.

Another critical challenge faced by the ERCS Wolkite branch is the failure of promised donors to fulfill their commitments. Three-quarters of the respondents (75%) reported experiencing this issue, reflecting a widespread challenge in securing and managing the organization's revenue streams. The relatively low standard deviation of 0.452 suggests a high degree of consistency in the occurrence of donor failures across the branch. This uncertainty in revenue sources can significantly impact the ERCS Wolkite branch's ability to plan and execute its activities, as well as the reliability of its financial projections and reporting.

The prevalence of budget variances, their impact on financial reporting, and the challenge of donor failures collectively present significant obstacles for the ERCS Wolkite branch in maintaining sound financial management and governance. To address these issues, the organization may need to strengthen its budgeting processes, enhance variance analysis and monitoring, and explore strategies to mitigate the risks associated with donor failures. Additionally, improving the integration of financial data and reporting practices can help the organization navigate these challenges more effectively, ensuring the transparency, reliability, and usefulness of its financial information for both internal decision-making and external accountability.

By addressing these key financial management challenges, the ERCS Wolkite branch can work towards enhancing its overall financial governance, improving resource allocation, and bolstering the organization's ability to achieve its strategic objectives in a sustainable and responsible manner.

## **CHAPTER FIVE:**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter summarizes the key findings derived from the study and provides practical recommendations to address identified challenges. The conclusions are aligned with the study's specific objectives and highlight areas where improvements are necessary, particularly within the Ethiopian Red Cross Society's Wolkite branch. The recommendations are tailored to strengthen financial governance, enhance accounting practices, and build donor confidence, considering the unique constraints faced in an underdeveloped area.

#### **5.2 Conclusion**

**Assessment of Accounting Practices:** The findings reveal that the Wolkite branch demonstrates basic competence in financial reporting, with most respondents acknowledging coverage of funds and financial transactions. However, gaps remain in standardizing practices, particularly in the valuation of contributed assets and methods of recording financial data. The reliance on cash-based accounting systems and single-entry bookkeeping reflects limitations in adopting global best practices, underscoring the need for modernized systems.

**Challenges in Current Practices:** Significant challenges were identified in record reconciliation and staff understanding of accounting practices. Approximately 41.7% of respondents reported delays in record updates, highlighting inefficiencies linked to manual systems. Additionally, limited clarity among some staff about organizational accounting processes presents a barrier to operational consistency, particularly in a resource-constrained environment like Wolkite.

**Financial Statement Disclosures:** The organization has made progress in disclosing promises to give and recording gifts in kind; however, inconsistencies persist. While the majority follow acceptable practices, the lack of standardized methods for recording and reporting contributed assets reduces financial reporting transparency. This variability may weaken stakeholder confidence, especially among donors, and requires immediate attention.

**Budget Variances:** Budget variances, reported by 83.3% of respondents, significantly affect financial reporting and operational planning. These variances are attributed to challenges such as unexpected donor failures and economic volatility, which are particularly prevalent in underdeveloped areas. The ability to adapt to such variances remains limited due to outdated financial management tools.

**Donor Reliability:** Donor failure to fulfill financial commitments, reported by 75.0% of respondents, poses a critical challenge to the Wolkite branch's sustainability. This dependency on external funding places the organization at risk during economic downturns or geopolitical changes. Diversifying funding sources and building stronger relationships with donors are imperative for long-term viability.

**Human Resources and Expertise:** While most respondents possess relevant academic qualifications and experience, there is a clear need for advanced expertise in areas such as accrual accounting and digital financial systems. This gap in skills prevents the branch from aligning fully with international standards, limiting its ability to achieve operational efficiency.

### **5.3 Recommendations**

the following recommendations aim to address the specific challenges and objectives identified:

- **Funding Diversification**
  - Establish income-generating projects, such as skill-building and vocational training programs, to generate a stable source of revenue.
  - Develop community-based initiatives, including fee-based services or agricultural projects, to reduce dependency on donor contributions.
  - Build partnerships with local businesses or organizations to co-create sustainable economic projects that align with ERCS's mission.
- **Financial Reporting**
  - Adopt internationally recognized accounting standards, such as FASB (Financial Accounting Standards Board) or IASB (International Accounting

Standards Board), to improve the transparency and accuracy of financial reports.

- Provide training programs for staff on these standards, ensuring consistent application and understanding of global best practices.
- Implement regular audits based on these standards to enhance accountability and foster donor confidence.

- **Standardize Accounting Practices**

- Introduce uniform policies for recording contributed assets and disclosing conditional and unconditional promises to give.
- Transition from single-entry bookkeeping to double-entry systems to enhance accuracy and accountability.

- **Improve Budget Variance Management**

- Design flexible budgeting systems with contingency plans to address unexpected economic and donor-related challenges.
- Utilize automated tools for real-time monitoring of budget-to-actual variances to enable timely adjustments and interventions.

- **Strengthen Donor Relations and Local Engagement**

- Develop transparent communication strategies to maintain trust with existing donors and minimize risks of unfulfilled commitments.
- Engage with local communities and stakeholders to build relationships and explore collaborative funding opportunities.

- **Capacity Building and Technology Adoption**

- Offer specialized training in advanced financial management practices, such as accrual accounting and asset valuation techniques.
- Upgrade manual accounting systems to affordable, user-friendly digital solutions to enhance operational efficiency.
- Explore partnerships to secure technological resources and build capacity for long-term improvements.

These tailored recommendations aim to address the challenges identified in the study while incorporating the advisor's feedback on funding diversification and financial reporting. Implementing these solutions could significantly strengthen ERCS Wolkite branch's operational resilience and donor relations, ensuring sustainable and transparent financial governance. Let me know if you'd like further refinements or additions.

## REFERENCES

- 1 *Ethiopian Red Cross Society (2004 E.C). Annual report. Ethiopian Red Cross Society ERCS (2010). Anniversary of Ethiopian red cross society october 1*
- 2 *a summary of red cross history: American red cross. Available: [www.givebloodgivelife.org](http://www.givebloodgivelife.org)*
- 3 *Ethiopian Red Cross Society Inception Report (2014). Sanitation and hygiene project in benishangulgumuz region.*
- 4 *Ethiopian Red Cross Society Report (2015). Ethiopian Red Cross Vulnerability and Capacity Assessment (2013).*
- 5 *Bazley/Nikolai/ Jones (1989) intermediate accounting.*
- 6 *Bob Schneider,(2010) Accounting basics.*
- 7 *Edward. Lynn, Robert j. Freeman,(1998) fund accounting theory and practice 7th ed.*
- 8 *Earl A. Wilson, Susan C. Kattelus S and Reck.J (2005),Accounting for Governmental and Non-profit entities, 14th edition, McGraw-Hill,Inc, New York.*
- 5 *FEES Warren (1989). Principle accounting 16Ed.*
- 6 *GetahunSeifu, (2011).assessment of accounting system in Jimma University.*
- 7 *M, PHILL (2014), Accounting practice in Brazil.*
- 8 *[http:// www.investopedia.com](http://www.investopedia.com)*
- 9 *Larson E.J,(2000), modern advanced accounting 8th ed.*
- 10 *Leon E.Hay and earl R.Wilson,(1997) accounting for governmental and non profit entities 8th ed.*
- 11 *Larson. Modern advanced accounting 7Ted 12 Paula. Copley and John H. Engstrom (2007),Essentials of Accounting for Governmental and Not-for-profit Organization,8th edition, McGraw Hill,Inc, New York*
- 13 *Solomon beyene assessment of Accounting and reporting practice Wolkite town*

*14 American Red Cross Society Services ARCSS (2006). Integrated planning process: project design and proposal writing guide. USA Washington, DC.*

*15 Ethiopian Red Cross Society (2004 E.C). Annual report. Ethiopian Red Cross Society ERCS (2010). Anniversary of Ethiopian red cross society october 1*

## APPENDIX

### WOLKITE UNIVERSITY

#### College of Business and Economics

#### Department of Accounting and Finance

**This Questioner is prepared for employees of finance department in  
Ethiopian Red Cross society.**

Introduction

Dear respondent

The purpose of this questioner is to collect primary data for conducting a study on the topic “assessment of accounting practice and its problem” as a partial fulfillment to the completion of the degree of accounting (BA) program of wolkite University. In this regard, I kindly request you to provide me reliable information; I would like to extend me deep-heart thanks in advance for your corporation to devote your valuable time in feeling this form.

#### **Direction**

No need to write your name

Kindly request you to answer by making a (X) and in writing where ever appropriate.

#### **Part one Personal information**

Please select the appropriate answer for each question:

1. What is your gender?

Male

Female

2. What is your highest level of education?

Below High School

High School

College Diploma

Bachelor's Degree

3. What is your field of study or specialization?

Finance                       Management     Marketing    Store Operations    Procurement

4. How many years of work experience do you have?

Below 2 years     2–5 years     Above 5 years

### Section 1: Fund Management and Financial Reporting Practices

Question	Options
<b>2. Does your financial report cover all funds and financial transactions?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>3. How do you record contributed or donated assets?</b>	<input type="checkbox"/> At cost <input type="checkbox"/> At current fair value <input type="checkbox"/> Market price
<b>4. What kind of accounting method do you use to record and analyze financial data?</b>	<input type="checkbox"/> Modified cash basis <input type="checkbox"/> Accrual basis <input type="checkbox"/> Cash basis
<b>7. What type of financial statement do you produce?</b>	<input type="checkbox"/> Statement of revenue and expenditure <input type="checkbox"/> Balance sheet, statement of revenue and expenditure
<b>8. Is your financial statement reliable and relevant?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>16. Which type of accounting system is used by your organization to provide financial information?</b>	<input type="checkbox"/> Manual

**Question**

**Options**

---

Automated

---

**17. Which type of accounting system is used for recording transactions?**

Single entry

Double entry

---

**Section 2: Accounting Practice Challenges**

**Question**

**Options**

---

**1. Do you have a clear understanding of the accounting practices of your organization?**

Yes

No

*If "No," specify*

*reasons:* \_\_\_\_\_

---

**5. Does your organization reconcile and update its records timely?**

Yes

No

---

**6. Is each transaction reliable, valuable, and clear?**

Yes

No

---

**12. Do you use a budget for a given period of time?**

Yes

No

---

**Section 3: Disclosure Practices**

Question	Options
<b>9. Does your organization's financial statement include disclosure of promises to give?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <i>If "No," specify reasons: _____</i>
<b>10. Do you record gifts in kind?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>11. How do you record gifts in kind?</b>	<input type="checkbox"/> As contribution revenue for gifts received <input type="checkbox"/> As expense for gifts made to others <input type="checkbox"/> Both

**Section 4: Budget Variance Analysis**

Question	Options
<b>13. Do variations exist between budgeted and actual amounts?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>14. Do the variations (if any) have an effect on reporting practice?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>15. Is there any failure from promised donors of funds for your planned project?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

