

**Assessment on Budget Preparation and Monitoring Practice: The Case Of  
EECMY-DASSC**



**Addis Ababa University  
Department of Accounting and Finance**

**ASSESSMENT ON BUDGET PREPARATION AND MONITORING  
PRACTICE: THE CASE OF ETHIOPIAN EVANGELICAL CHURCH OF  
MEKANE YESUS DEVELOPMENT AND SOCIAL SERVICE COMMISSION**

**BY: RAHEL REFISSA BEKELE**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS  
AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE FOR  
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR DEGREE OF MASTER  
OF SCIENCE IN ACCOUNTING AND FINANCE**

*March 16, 2021  
Addis Ababa, Ethiopia*

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**Advisor: Abebaw Kassie (PhD)**

*March 16, 2021  
Addis Ababa, Ethiopia*

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**Statement of Declaration**

I, the undersigned, declare that this thesis is my original work and all sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Place and date of submission Addis Ababa University, March/2021

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# **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

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## Acronyms & Abbreviations

ACO	Area Coordination Offices
BO	Branch Offices
BOFED	Bureau of finance and Economic Development
CSO	Civil Society Organizations
EECMY	Ethiopian Evangelical Church of Mekane Yesus
EECMY-DASSC	Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission
HO	Head Office
NGO	Non-Government Organizations
SNNPRS	South Nation and Nationality of People
SPSS	Statistical Package for the Social Sciences

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# Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC

## Abstract

*The General objective of this study was to assess the budget preparation and monitoring practice the case of Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission. Specifically, the study focuses on assessing whether EECMY-DASSC use procedure or guideline for budget preparation. Whether the budget preparation is participatory, identifying challenges faced when preparing budget and the monitoring practice. To achieve the objective of the study the researcher used mixed method approach based on the assumption that collecting diverse types of data best provides a more complete understanding of the practice than either quantitative or qualitative data alone. From the total population of 31 offices using purposeful sampling 14 offices were selected. 40 questioners were distributed to the 14 offices from these 35 self-administered questionnaires were collected from those who are expected to involve in budget preparation and monitoring practice. Interview was conducted to identify the challenge they face when preparing budget and to get in-depth insight on the other objectives. The researcher analyzed the quantitative data using SPSS version 23 software descriptive statistics. Key finding of the study was EECMY DASSC really believe in participatory budget preparation, they are using donor guideline and format to prepare budget, EECMY-DASSC don't have their own guideline or manual for budget preparation. External factor like limited funding, and price fluctuation affect their budget. Because the budget preparation time was not the right time staff feel overburdened. EECMY-DASSC have a good monitoring practice and management make staff accountable for monitoring budget. The researcher recommends EECMY-DASSC need to prepare their own guideline or manual for budget preparation, they also need to develop mechanism like having data base for price list which could be updated continuously and revise their budget accordingly to control the external factors. Annual planning or budget calendar with time schedule for major activities like report writing, budget preparation and monitoring need to be prepared and shared to all offices.*

*Key words: Budgeting, Budget Monitoring, Budget preparation, Budgeting guideline, Budget calendar*

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# Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC

## CHAPTER ONE

### INTRODUCTION

#### ***1.1 Background of the Study***

As far as the researcher 's knowledge, there is no study conducted referring budget preparation and monitoring practice in the case of the Ethiopian Evangelical church Mekane Yesus Development and Social Service Commission. According to funds for NGO, "Budget" is a term that NGOs often come across when they need to plan and implement a project activity. Any donor funding for NGOs is limited so a proper and planned budget is required to convince the donor to access to funding (2012a).

Donor agencies also have their limitations, and they distribute their financial resources evenly amongst NGOs based not only on their project plans but also according to the budget they present. Many NGOs tend to plan out a budget only when they need to develop a project proposal for a donor agency. Besides, they only think of the short-term project needs – not about the long-term sustainability of the organization. To convince and win the competition between NGO to get funding, NGO need to prepare their budget properly.

There is different research conducted on budgeting and monitoring in NGO and other sectors. Most of the research focus was on the importance of participatory budgeting. Like Yesuf (2015), in his study indicated the NGO he conducts assessment misses the importance of participating concerned staff. Mulugeta (2018), also find out even though there is established mechanism for employee to participate in BOFED budget preparation, budget users are not involved in all process. According to PhD et al. (2011), often in the past, management has imposed a budget from the top without considering the opinions and feelings of the personnel affected. On the other hand, there are organization used participatory budgeting successfully, but failed to motivate employee. Studies have shown that in many organizations, participation in the budget formulation failed to make employees more motivated to achieve budgeted goals. But participation is not the answer to all the problems of budget preparation. However, it is one way to achieve better results in organizations that are respective to the philosophy of participation (PhD et al., 2011).

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According to Gwyn (2018) budgets are essential for non-profits and every other organization in the success of achieving their goals and mission and in managing their cash flow efficiently for a better financial health and sustainability. A good budget shows accountability, transparency and good faith from organization. According Dropkin et al. (2010, p. 38) organization should set out its basic policies and procedures for budget preparation.

According to Shim and Siegel (2005, p. 38) budget manual describes how a budget is to be prepared. The budget manual communicates throughout the company the policies and procedures for budget preparation. It tells how the budget should be used by managers and who is responsible for the different aspects of the budgeting process. Having a budget manual offers many advantages, including simplification and standardization of budget procedures. It acts as a reference and provides an organized approach to the budget process. It provides consistency between departments, provides job description guidance to new employees, and assists current employees to adjust to new positions when transferred or promoted. The manual helps employee continuity in doing the job.

EECMY-DASSC key indicator to ensure the effectiveness and efficiency of their financial management is to produce clear plan of financial requirements at the beginnings of fiscal year. The EECMY-DASSC is expected to produce monthly financial report. Properly prepared budget allows management to follow the management-by-exception principle by devoting attention to results that deviate significantly from planned. Matiwos (2018), assessed financial management practice of EECMY and finds out EECMY lack periodical comparison of plan versus actual budget. but the study did not show whether the staff do periodic meeting(discussion) on budget verse actual expenditure variance which led to budget revision and whether management make the staff accountable for monitoring budget.

This research assessed the practice of budget preparation and monitoring, guideline or manual for budget preparation used, the participation of relevant staff, identify challenge and monitoring practice of Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission.

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To convince and win the competition between NGO to get funding, NGO need to prepare their budget properly. Good budget shows accountability, transparency and create good faith from organization by preparing their budget properly EECMY-DASSC meets its goal to make the organization a competent, stable, and self-sustained organization of the church. The aim of this research is to assess how EECMY-DASSC is preparing budget and monitoring budget and forwarded possible recommendations and so that budget preparation and monitoring practice of the EECMY-DASSC be improved.

### ***1.2 Background of the organization to be studied***

The Ethiopian Evangelical Church Mekane Yesus started Development and Social Services as an integral part of its holistic ministry from the time of its very inception. The EECMY-DASSC is a church development agency, working as a national non-governmental and not-for-profit organization engaged in social and development interventions. EECMY-DASSC was formed and legally registered as a Commission in 2000 and re-registered as Ethiopian Resident Charity in 2009. The Head Office (HO) is in Addis Ababa, and currently has 26 Branch Offices (BOs) found in different parts of the Country. These branch offices are clustered into four Area Coordination Offices (ACOs) located in Addis Ababa, Gimbi, Hawasa and Jimma.

EECMY-DASSC is constituted by EECMY head office and its Synods as equal constituencies represented in the general assembly to form the highest decision and policy making body of the organization. The general assembly consists of 39 persons representing EECMY Central office, each Church Unit, and elected members with a minimum of 30% female members. The next governing structure of the Commission is the Board constituted by 7 members out of which the minimum participation of female is 30%. The board is assigned for one term service with a possible extension for one more term. EECMY-DASSC will have a Commissioner who reports to the board, with his/her role being overall execution of development and social services of the commission.

The structure further extends to ACOs and BOs that implement projects/programs at grass roots levels. The BOs are reporting to ACOs while the ACOs are reporting to the commissioner and

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have operational relationship with the program director and Finance and operations director. Each EECMY-DASSC BO has its own Development Committees delegated by the board.

One of the roles and responsibilities of general assembly is to approve Annual Plan/Budget. ACOs specific roles include providing operational and technical supports for BOs. BOs will have the responsibilities to Plan, implement, and monitor projects and submit periodical reports (narrative and financial) on time. Produce clear plan of financial requirements at the beginnings of fiscal year.

### ***1.3 Statement of problem***

As per the knowledge of the researcher, assessment on budget preparation and monitoring practice has not been done in Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission. There is research made on financial management practice and control in Ethiopian Evangelical Church of Mekane Yesus by Matiws (2021), but not in the development and social service commission. Budget preparation and monitoring practice is a very important for organization. The practice affects the day-to-day activities, it is also important to meet the organizational goal. Participatory budget preparation gives staff motivation at the time of implementation and help them to feel ownership. When the right persons are involved, they know the gap from the experience, they know where to get information like need assessment, the right person who know the environment and community. The prepared budget must be monitored that way the organization know where it is, how much of the budget is utilized what is not working well, do revision required? (PhD et al., 2011).

Mulugeta (2017), in his study assessed if the budget allocation practices of BoFED follows participation and transparency as a major guiding principle. The study attempted to see if there is mechanisms established by BoFED to ensure budgetary participation of budget user. The assessment revealed budget users make less influence on the final budget and there is no adequate mechanism to participate the budget users in budget process. Besides, the bureau makes less discussion with the budget users during budget preparation and the bureau make only limited request to get budget users opinion when budget is prepared. The researcher suggested to look

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for options that engage the budget users in all budget process and communicate the budget users in case of budget revision.

Yesuf (2015), According to his study on budget and budget monitoring practice of NGO operating in Ethiopia found out the budgeting system in the sample organizations misses the important participation of concerned staffs. According to previous studies he looks at budgetary participation has a direct relationship with managerial performance.

But both studies focus on whether there is participatory budget preparation but lack to show the other factors, like whether the organization they study follow budget manual or guideline, whether the budget is prepared based on the real need, whether the budget is prepared by the persons who involve in the implementing the project so that they could feel the ownership, and does they follow budget calendar. According to Shim and Siegel (2005, p. 38) having a budget manual offers many advantages, including simplification and standardization of budget procedures.

Monitor budget is another area this study is concerned and monitoring the expenses and assess the partial results in relation to the amount of money needed to implement is very important. By Keeping track of the monitoring process organization specially NGO's will enable them to optimize their future funding. Budget monitoring help to imagine how NGO's could have managed their funding better, to develop stronger strategies in the future. Matiws (2018) in his study on financial management practice in the case of the Ethiopian Evangelical church Mekane Yesus show us EECMY lack of periodical comparison of plan versus actual budget and we know periodic comparison of plan versus actual is one way in budget monitoring process. Yesuf (2015) find most organizations have no standardized time for monitoring budget and doing variance analysis regularly, both studies try to see if there is monitoring process but lack to show how this affect the future funding.

To assess the process of budget preparation and monitoring in Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission which as per the knowledge of the researcher assessment on budget preparation and monitoring practice was not conducted on

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EECMY-DASSC, and participation was not the only process in budget preparation, so the following research questions were formulated to conduct the study: Who participate in the process? Do EECMY-DASSC have any written guideline, procedure for budget preparation? Does different donor budget format a challenge? Does the monitoring practice ever affect their future funding of the Ethiopian Evangelical Church Mekane Yesus Development and Social Service Commission? What challenge do those participated on budget preparation face? And addressed the gap

### ***1.4 Objective of the Study***

#### **1.4.1 General objective**

The objective of this study is to assess the budget preparation process and monitoring practice of Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission.

#### **1.4.2 Specific Objective**

The specific objectives of this paper are:

1. To assess whether EECMY-DASSC use procedure or guideline for budget preparation,
2. To evaluate whether the budget preparation is participatory,
3. To identify the challenges, they face when preparing their budget, and
4. To assess their monitoring practice.

### ***1.5 Significance of the study***

The purpose of the study is to assess budget preparation and monitoring practice of EECMY-DASSC. In general, the study will have the following significance:

1. Provide an opportunity for the management EECMY DASSC to review the existing practice and take corrective action.
2. The study will be an eye-opening by showing all the staff of EECMY-DASSC the impact the budget preparation and monitoring have on future funding.
3. The finding of this research will provide a guide for the future direction budget preparation and monitoring,

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### ***1.6 Scope and Limitation of the Study***

To conduct the study all four area coordination offices (ACOs) were selected and out of 26 branch office (BO) 9 were selected and the head office of Ethiopian Evangelical Church of Mekane Yesus Development and Social Service Commission (EEECMY-DASSC). The finding was generalized to Ethiopian Evangelical Church of Mekan Yesus Development and Social Service Commission. The need to focus on the selected branch offices (BO) arose from the fact currently those offices were actively working with donor budget. The study include respondent from program department, finance department, procurement and logistic department, and Human resource department. Budgeting cost categories directly related to this departments so involving respondents help to get clear understanding. But most of the branch offices (BO) don't have human resource department, branch office coordinators were responsible for coordination and managing human resource activity so the research couldn't find out if they involve human resource department in budget preparation process. Additionally, unwillingness of some respondents, and not having internet connection to respond the questioner distributed by the researcher was a challenge.

## **CHAPTER TWO**

### **Review of Related Literature**

#### ***2.1. Theoretical Review***

##### **2.1.1 Definition of Budget**

A budget is a statement of monetary plans that is prepared in advance of a forthcoming period, usually one year. Budget is a plan for future activities. It can be expressed in a number of ways, but usually it describes all of a business in financial terms. It is the yardstick by which an organization's performance is measured. (Publishing & Brookson, 2000, p. 6)

Budget is a statement of the financial position of an administration for a definite period of time based on estimates of expenses during the period and proposals for financing them. (Budget-Building Book for Nonprofits: A Step-by-Step Guide for Managers and Boards 2ND EDITION, 2021, p. 3). "Budget" is a term that NGOs often come across when they need to plan and implement a project activity (2012a).

##### **2.1.2 Importance of budgeting for non-profit organization**

According to Gwyn (2018) understanding what a budget is and its importance is crucial for every organization because it can be a way to achieve financial sustainability. It helps to track revenues and expenses it gives organization the ability to operate over the long term. A well-planned budget gives organization financial control. A good budget shows accountability, transparency and good faith from organization. It shows exactly where the money given to you is going, which is a big concern for donors or grant-makers most of the time. Budgeting also help for better oversight and review. It enables to keep an eye on everything closely to avoid mistakes and errors. Also, it enables to make better decisions for organization. So, Budgets are essential for non-profits and every other organization in the success of achieving their goals and mission and in managing their cash flow efficiently for a better financial health and sustainability.

According Publishing and Brookson (2000, p. 8) Budgets help an individual, department, and organization achieve planned objectives. Budgets also help to illustrate the financial

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responsibilities of the organization to several groups of people: lenders, suppliers, employees, customers, and the owners.

### **2.1.3 Types of budgeting**

There are four common types of budgets that companies use the first one is incremental, which takes last year's actual figures and adds or subtracts a percentage to obtain the current year's budget. It is the most common method of budgeting because it is simple and easy to understand. The second is activity-based, it is an approach that determines the amounts of inputs required to support the targets or outputs set by the company. The company will need to first determine the activities that need to be undertaken to meet the sales target, and then find out the costs of carrying out these activities. The third is value proposition, value proposition budgeting is really a mindset about making sure that everything that is included in the budget delivers value for the business. Value proposition budgeting aims to avoid unnecessary expenditures and the fourth is zero-based bottom-up budgeting starts with the assumption that all department budgets are zero and must be rebuilt from scratch (Corporate Finance Institute, 2021).

### **2.1.4 Budget preparation procedure or manual**

Organization should set out its basic policies and procedures for budget preparation. As per Dropkin et al. (2010, p. 38) the first procedure is to identify the specific steps, responsibilities, and timetables in the budgeting cycle, and incorporate them into the budgeting calendar. Secondly, identify those responsible for preparing and disseminating the budgeting package to be used in preparing budget estimates. Finally identify the contents and format of the overall budgeting package to be used in preparing draft budgets.

According to Publishing and Brookson (2000, p. 24) an effective budget manual include an introduction to the importance of budgeting. A timetable showing when the master budget will be prepared from all other budgets. Guidelines to common key assumptions to be made by managers in their budgets. Copies of forms to be completed, including explanations concerning their completion. An organizational chart with names of those that are responsible for each budget. Departmental account codes and names of contacts to help with budgeting problems.

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According to Shim and Siegel (2005, p. 38) budget manual describes how a budget is to be prepared. Items usually included in a budget manual are a planning calendar and distribution instructions for all budget schedules. Distribution instructions are important because, once a schedule is prepared, other departments within the organization will use the schedule to prepare their own budgets. Without distribution instructions, someone who needs a particular schedule may be overlooked. The budget manual communicates throughout the company the policies and procedures for budget preparation. It lists the activities and rules to be followed in preparing a budget. It tells how the budget should be used by managers and who is responsible for the different aspects of the budgeting process. Having a budget manual offers many advantages, including simplification and standardization of budget procedures. It acts as a reference and provides an organized approach to the budget process. It provides consistency between departments, provides job description guidance to new employees, and assists current employees to adjust to new positions when transferred or promoted. The manual helps employee continuity in doing the job.

According fundforNGOs when budget is prepared for project the first step is deciding what kind of activities to be implemented. To get the list of activities an intense discussion with your team about the costs involved in implementing various project activities, what kind of manpower and material support is required is important. Second step is estimating the realistic costs for inputs. Estimates can be obtained from the past expenses and the future expectations of cash flow. Whether it is to cover expenses of the staff persons involved in the project activity or buying some material or paying for travel, all costs can be written down on the flip chart for each activity. When costs are estimated try to use current prices considering inflation. Third step us ti check so that you do not miss important activity and cost like overheads costs, administrative expenses. The budget should also include tasks(activities), responsibility assignments and time frame.

### **2.1.5 Budget Format**

To standardize a budget within organization, managers should use a standard budgeting format. This will help with collaboration over budget content and enable budgets to be compared and linked throughout organization.

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A budget form is the standardized actual layout that is used to collect and display all the information that goes into a budget. To ensure that the budget form looks good, easy to use, and efficient keep the form simple and straightforward, with only necessary details. All forms should be consistent, with similar layout, typeface, and design. Logically presented, well-organized, and be understandable without instructions Publishing and Brookson (2000, p. 26).

### **2.1.6 Budget Calendar**

The budgeting process requires good, timely communication. Upper management must make its budget goals clear to departmental managers. In turn, the managers must explain departmental operating conditions and limitations. The budget planning calendar is the schedule of activities for the development and adoption of the budget. A budget calendar should be prepared for the timing of each aspect or operation of the budget. A timetable must be given to operating managers to submit their proposed budgets so the overall company budget may be prepared on time (Shim & Siegel, 2005, p. 30).

Most organizations usually require a new budget every fiscal year. Giving all the members enough time to prepare the budget will allow them to meet and discuss on factor of items that they are looking to include in the budget. Make sure to allocate enough time when coming up with a budget to ensure that you don't miss out on any important elements that are vital to the organization.

### **2.1.7 Participative budgeting**

According to Corporate Finance Institute (2021) participative budgeting is a roll-up approach where employees work from the bottom up to recommend targets to the executives. The executives may provide some input, but they more or less take the recommendations as given by department managers and other employees (within reason, of course). Operations are treated as autonomous subsidiaries and are given a lot of freedom to set up the budget. According to Al (2021, p. 128) budget should be prepared by those responsible for delivering the results.

According to fundsforNGOs the senior and the experienced staff of the organization are involved in developing the budget. Staff members who can be involved in developing the budget are

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organizational director, finance officer and project officer. It is important for all these staff members to be aware about the vision and objectives of the organization; the needs and integrities of the project implemented; the admin and financial policies of the organization; and the approaches of the donor agency. The Project Officer should be primarily responsible for developing the draft budget since this person will have a better idea of the field realities and requirements.

### **2.1. 8 Types of Costs to be included in the Budget**

There are different types of costs that must be included in the budget. Most donor agencies prefer to have the costs spread over different heads to get an overview of how the resources have been divided between different types. Basically, we can divide the overall costs as:

- 1. Operational Costs:** Operational costs include those expenses that must be met for implementing activities for a project or an organization. These are directly billed to the donor agency because they have a direct impact on the beneficiary community. Activities such as organizing a village meeting, conducting a training workshop, running an awareness campaign involve certain expenses. These expenses are listed under the Operational Costs in a budget.
  
- 2. Staff costs:** Staff costs refer to the expenses towards paying salaries and consultancy fee to the staff of the organization. Staff costs include expenses right from the recruitment of the staff (interview, orientation etc) to their salaries. Professionally speaking, it is important to mention how much time a particular staff will provide for the project and his/her salary must be calculated accordingly. For example, the head of organization may be able to give only 25% of the time to a particular project for which funds are being requested and budgeted. So, the salary will also be fixed towards this time only.
  
- 3. Core Costs:** Core costs are also costs incurred towards the operational expenses but of the organization. Most donor agencies would like to know how much money the NGO

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will spend on the administration of the organization. Costs here can include staff meetings, stationary and other office maintenance expenses. In some cases, the expenses towards hiring a receptionist or caretaker who is not directly contributing to the project can be listed here.

- 4. Capital Costs:** Although donor agencies are advising NGOs to massively cut down on capital costs, yet these costs continue to remain essential. These include expenses for buying computers, office furniture, vehicles, office building etc. Some donors have even stopped funding capital costs completely. Even if you are proposing these costs in a budget, ensure that they cover less than 10% of the total budget.
  
- 5. In-kind contributions of goods or services are non-cash contributions for a project.** They can be both a revenue (when received) and an expense (when used). They include items like office space, utilities, parking, security, or staff hours.

### **2.1.9 Cost Allocation Methods**

Most nonprofits have costs associated with administrative staff and operations that support more than one function within the nonprofit and are not directly attributable to specific programs or activities. First, allocating administrative and overhead costs produces a budget that accurately reflects the true costs of program operations. Second, allocating administrative and overhead costs correctly may increase reimbursement.

The key to allocating administrative and overhead costs successfully is having a rational and justifiable, written cost allocation plan. Some commonly used methods distribute administrative and overhead costs based on a program's or unit's percentage share of the total budget or the total salary budget Per unit cost of an activity use of space. No matter which allocation method is used for a particular program or unit budget category, methods should be recorded in writing and applied uniformly to all similar budget development and accounting transactions.

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The documentation should be updated as needed to reflect any changes in the method and maintained for use by staff and outside auditors. Additionally, allocation plans may be subject to funding source rules, adherence to which is ensured through allocation plan review and written approval by funding sources. Those developing allocation guidelines should review all funding source requirements before choosing allocation methods. Some funding sources require organizations to use specifically designated methods for allocating administrative, overhead, and shared costs (Dropkin et al., 2010, pp. 81–82).

### **2.1.10 Matching Contribution in the Budget**

According to fundsforNGOs donor agencies put a condition that they would be able to fund only 70-80% of the total budget submitted to them for funding. The rest of the 20% should be sourced from elsewhere. Sourcing funding from elsewhere means matching the contribution made by the donor agency from other places.

Donor agencies stress upon matching contribution to ensure NGO takes responsibility and ownership to the project. The donor agency expects the contribution to come either from the NGO itself or from the community. It could also be possible that another donor agency can support the 20% costs. In some cases, if a government agency is a partner in the project, it can provide this fund as well.

NGOs often feel discouraged to apply to such calls because they think they would not be able to mobilize the 20% funding from other sources. However, in real terms, this condition should not deter them from applying. It is only a matter of perspective to clearly understand matching contributing.

In mobilizing the matching contribution, NGOs first need to look at other available sources of funding: another donor agency willing support a meeting, a staff salary, a conference or make a simple donation. Often small donors easily give out money when they see that there is already 80% funding available with the NGO.

If donor agencies are not available, then looking for the other agencies with whom partnership is essential for the project. One agency could be local government. It may not be easy for the local

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government to give out direct money for the project as matching contribution, but you can always request them support in terms of using their infrastructure and other resources. You can request the government for using their building premises to organize workshops and meetings free of cost. You can request one of the government officials to participate in a project activity as a resource person free of cost. These contributions can then be calculated in terms of costs and put in the budget as a contribution.

Similarly, if there is a community contribution in kind (like community members providing labor service for a project activity) can also be considered as a cost contributed by them to the project. This can be put up in the budget.

Another important source can be the NGO itself. If your organization is well-established and you have your own office, computers, vehicles and other infrastructure that can support the project, you can estimate its costs and put it in the budget as your matching contribution. If all these small contributions are put together, there is a complete chance of paying up for the 20% matching fund.

### **2.1.11 External and Internal Factors affecting Budget**

By gathering information on all the possible internal and external influences on your budget, you will be able to determine what can and what cannot be achieved and what limiting factors might constrain your organization's activities. External influences can have a greater effect on the success of a business than internal influences, so pay them close attention. Many organizations fail because they simply do not take the time to understand what is happening and what is about to happen around them. The main external influences that can affect your budget can be grouped into three areas: economic, population, and labor matters; governments and statutory bodies; and the business relationship between customers and suppliers.

Assessing the influence that internal factors will have on a budget may seem simple enough but, because the focus is now inward-looking, sometimes obvious matters can be overlooked. A limiting factor is a dominating influence that has a constraining effect on your department and organization. Identify limiting factors early in the budgeting process because they will determine

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the order in which you prepare individual budgets. If you fail to recognize a limiting factor you may set yourself targets that are just not achievable.

External influences can have a greater effect on the success of a business than internal influences, government legislation in different countries can make the business environment liberal or authoritarian, and employment costs can affect labor mobility and the availability of skills. There are also different cross-cultural attitudes to payments from customers and to suppliers (Publishing & Brookson, 2000, p. 30).

According fundforNGOs another external factor which make budgets to become complicated was the increased need for transparency and accountability. Developing budget is always a complicated task for NGOs especially when they need to develop a proposal and satisfy every entry given by the donor agency in the budget format. As budget formats become more and more difficult, the expenditure on administration has also been tightened. Donor agencies are less interested in supporting overhead costs of an organization. Besides, the less you propose for your office infrastructural needs the better chances you have for getting the requested grants from the donor agency.

### **2.1.12 Importance of Budget Monitoring**

According to Bragg (2021) properly prepared budget allows management to follow the management-by-exception principle by devoting attention to results that deviate significantly from planned levels. Budgets are also used for evaluation and comparison of actual results and budgeted results.

According to Shim and Siegel (2005, p. 33) budget should be revised when it no longer acts as a useful planning and control device. Budgets should be revised when a major change in processes or operations occur, or when there are significant changes. Budgets that are repeatedly revised are more informative as a control measure. For a one-year budget, budget estimates may be revised quarterly. Budget revisions should be more frequent in unstable businesses.

According to Al (2021, p. 128) performance needs to be carefully monitored and compared against the budget as the year proceeds, and corrective action must be taken where necessary to

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keep the two consistent. This has to be done on a monthly basis (or using shorter time intervals if required).

According Publishing and Brookson (2000, p. 54) constant monitoring helps promote a greater overall understanding of cost behavior, which will help to produce a more accurate budget next time around. However, to do this well, one must establish suitable monitoring procedures. There are no rules about how to produce variance reports, and there is no definitive layout. Because variance reports are prepared internally, one can devise any style which suit the department. All reports base on the original budget documents to ensure consistency of style. On additional column both the price and percentage difference between budget this year and actual last year could be shown.

Variance analysis is the quantitative investigation of the difference between actual and planned behaviour (Bragg, 2017). The tool will allow the user to quantitatively express planned and actual accounts, then take all of that into a summarized context in which the user can thoroughly analyse the current financial situation of the association in accordance with the budget (Peltola, 2017).

### **2.1.12.1 Management by exception**

Management by exception is the practice of examining the financial and operational results of a business, and only bringing issues to the attention of management if results represent substantial differences from the budgeted or expected amount. For example, the company controller may be required to notify management of those expenses that are the greater of \$10,000 or 20% higher than expected.

The purpose of the management by exception concept is to only bother management with the most important variances from the planned direction or results of the business. Managers will presumably spend more time attending to and correcting these larger variances. The concept can be fine-tuned, so that smaller variances are brought to the attention of lower-level managers, while a massive variance is reported straight to senior management (Bragg, 2021).

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

### **2.1.12.2 Advantages of Management by Exception**

There are several valid reasons for using management by exception technique. It reduces the amount of financial and operational results that management must review, which is a more efficient use of their time. The report writer linked to the accounting system can be set to automatically print reports at stated intervals that contain the predetermined exception levels, which is a minimally-invasive reporting approach. Method allows employees to follow their own approaches to achieving the results mandated in the company's budget. Management will only step in if exception conditions exist (Bragg, 2021).

### **2.1.12.3 Disadvantages of Management by Exception**

The disadvantage of management by exception concept are the concept based on the existence of a budget against which actual results are compared. If the budget was not well formulated, there may be many variances, many of which are irrelevant, and which will waste the time of anyone investigating them. The concept requires the use of financial analysts which require extra layer of corporate overhead. Another disadvantage is it base on the command-and-control system, where conditions are monitored, and decisions made by a central group of senior managers. And it assumes that only managers can correct variances. If a business were instead structured so that front line employees could deal with most variances as soon as they arise, there would be little need for management by exception (Bragg, 2021).

## ***2.2 Empirical Studies***

In the literature review we can see the following key issues raised. Matiwos (2018), assessed Financial Management Practice of Church: The accounting records, financial planning, financial policy and organizational philosophy, financial reporting and monitoring and internal control activities were the elements his assessment focused. On the financial reporting and monitoring element the study finding was lack of periodical comparison of plan versus actual budget, but the study gap was not showing whether the staff do periodic meeting(discussion) on budget verse actual expenditure variance which led to budget revision and whether management make the staff accountable for monitoring budget.

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Shaikh (2006) in his study discuss budgeting as one of the fundamental decision-making processes in organizations as they serve numerous useful purposes in those organizations. It reveals a practical use of budgets and rigorous budgetary control practices in its operations despite a few challenges. He also said effective budget and budgetary control is determined by proper monitoring, adequate information, regulatory and legislative framework, and information technology. Which he concluded that budgets and budgetary control generally do attach much importance and play a vital role to aid them in effective and efficient management of their operations. The study discusses the purpose of the budget and budgetary control has a gap not showing the importance of participating the right person like person who assigned in the implementation is the one involved on the budget preparation.

Mulugeta (2017) in his study on Public Budget Allocation Practices discuss participatory budget preparation and revision. The study was focused on whether right persons are involved or not it doesn't show whether they are following organizational or donor guideline and procedure for budget preparation and doesn't identify challenges they face when preparing budget.

Yesuf (2015), According to his study on budget and budget monitoring practice of NGO operating in Ethiopia found out the budgeting system in the sample organizations misses the important participation of concerned staffs. The organizations should encourage budgetary participation as it is evidenced to influence performance of the organization. But it doesn't show whether they are using guideline and procedure if they are using right information and what challenge they face.

Betelehem (2019), studied on Budgeting and Budget Monitoring Practice on Government Hospitals in Addis Ababa City Administration which she finds out weak budgeting and budget monitoring practice in government hospital and recommended improvement on budgeting system the government hospitals like participate concerned staffs in budget process, change budget type, and form well organized budget department and budget committee. This study was about assessment of budgeting and budget monitoring practice which lack to identify challenges they could face when preparing budget.

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# **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

This study on the budget and budget monitoring practice aim to fill the gap indicated above and respond to the issues raised.

## **Chapter Three**

### **Research Methodology**

#### ***3.1 Study area and Approach***

As per Catherine (2002) qualitative research explores, attitudes, behavior and experiences. It attempts to get an in-depth opinion from participants. This type of research generates statistics through the use of scale survey research, using methods such as questionnaires or structured interviews. Quantitative research is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement. Neither qualitative nor quantitative research is better, they are just different. Both have their strengths and weaknesses. As per Creswell (2014) Mixed method is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical framework. Many researchers believe this is a good way of approaching research as it enables to counteract the weaknesses in both qualitative and quantitative research (Catherine, 2002).

In this paper, the researcher used both the qualitative and quantitative research approach because by collecting diverse types of data best provides a more complete understanding of the practice and reduce risk of errors applying either quantitative or qualitative approach alone.

For quantitative data this research employed self-administered questionnaire which were distributed to head office, area coordination office, and branch office program, finance, procurement, and human resource staff. For qualitative data this research employed self-administered open-ended interview question and phone interview to branch office coordinators and finance staff. The close-ended and open-ended questioner helped to analyze the four

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elements that are used to assess the budget preparation and monitoring practices: procedure or guideline for budget preparation, participatory budget preparations, challenges faced and monitoring practices of Ethiopian Evangelical church of Mekane Yesus Development and Social Service commission.

### ***3.2 Target Population***

In research method, population is basically the universe of units from which the sample is to be selected (Bryman & Emma Bell, 2011). The target populations considered in this study was Ethiopian Evangelical Church Mekane Yesus Development and Social Service Commission head office (HO), four Area Coordination Offices (ACOs) and 26 Branch Offices (BOs) program, finance, procurement, and human resource staff. According, the latest strategic plan document of EECMY-DASSC its Head Office (HO) located in Addis Ababa, and currently has 26 Branch Offices (BOs) found in different parts of the Country. These branch offices are clustered into four Area Coordination Offices (ACOs) located in Addis Ababa, Gimbi, Hawasa and Jimma. The total number of offices included in the entire population is 31, i.e. the sum of total units of the offices.

### ***3.3 Sample size and sampling method***

According to Bryman and Emma Bell (2011), the need to sample is one that is almost invariably encountered in quantitative research. Sample is the segment of the population that is selected for investigation. It is a subset of the population.

Sampling method which was employed in this study is non-probability sampling, called purposive sampling. Purposive sampling is a non-probability form of sampling. The goal of purposive sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions being posed. This involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & et al, 2010). According to Cresswell et al (2010), one of the cases where purposive sampling is appropriate is a case study analysis (find relevant individuals and study them in depth). For the case of this research, the researcher studied among the 31 offices, 14 of the offices with large financial capacity and having different donors were

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selected and 40 questioners were distributed. In addition to this, the procedure used for drawing the sample from the available lists of offices was the familiarity the offices have on budget preparation and monitoring practices and long-year experience in managing external and internal source of funds.

### ***3.4 Types & Source of Data Collection***

To fulfill the objective of the study and adequately answer the research questions. The researcher used primary methods of data collection. To assess whether EECMY-DASSC use procedure or guideline for budget preparation, to evaluate whether the budget preparation is participatory and assess their monitoring practice primary data collection method was used. The primary data using self-administered questionnaires were distributed to the selected eight offices program, finance, procurement, and human resource staff who involve in budget preparation and monitoring practice total of 40 self-administered questioners. Interview was conducted with two office coordinators and finance managers and one office procurement staff to find out the challenge they face when preparing their budget and gain clear understanding on the rest of the objectives.

### ***3.5 Data Collection Instrument***

The study used semi-structured questionnaires which was develop from Yonas research paper. To check the questioner validity content validity check by pilot test was done by 5 individuals working in Dan Church Aid. The questioners were distributed to project manager or officer, finance manager or officer, procurement and logistic officer and human resource manager or officer. From the survey we obtained data relevant for investigating the practice of budget preparation and evaluating the budget preparation and monitoring practice. The questionnaires contained general information, questions related to budget preparation and monitoring. Most of the questions designed to be closed-ended. The questionnaire was distributed by email and face to face. The data were collected from the respondents the same way. The scale was be labeled as: “Strongly agree”, "Agree”, “Neutral”, “Disagree”, and “Strongly Disagree” which is going to refer from 5, 4,3,2, and 1 respectively. On this scale a score of 5 or 4 indicates that it is perceived to be essential while a score of 3 or 2 indicates that it is perceived to be important, but not essential, while a score of 1 indicates that the item could be disregarded for being unimportant.

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Qualitative data using interview was collected from respondents after the quantitative data was collected by choosing the respondents by purposive sampling. Which provided more in depth, more insight into the quantitative result.

### ***3.6 Method of Data Analysis***

To meet the objectives, quantitative data collected using questionnaire were analyzed through descriptive statistics using SPSS software. Using such package helped to describe what the data look like, where their center (mean) is, how broadly they are spread in terms of one aspect to the other aspect of the same data and more descriptive analysis are made (Leedy, 1989). Then it was presented using tabulation. The SPSS was used as main means for summarizing the data. The analysis of quantitative data and interpretation of qualitative data combines to seek convergence among the results (Creswell, 2003).

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**Chapter Four**

**Data Presentation, Analysis and Discussion of Results**

***4.1. Introduction***

Data collected through different techniques were analyzed in this chapter. In the analysis, a total of forty (40) questionnaires were distributed to program, finance, procurement, and human resource department staff of 14 purposely sampled offices. Out of the forty (40) questionnaires distributed, thirty-five (35) were successfully completed, returned, and used for the study. The response rate was 87.5% of the total questionnaires distributed. The researcher also conducted interviews with two branch office coordinator, two branch office finance officers and one branch office procurement officer. Accordingly, the presentation, analysis and discussion of the questionnaires and interviews were done simultaneously, and the findings obtained from the interviews were presented by substantiating against the results obtained from the questionnaires. To summarize and analyze data Statistical package for Social Service version 23 (SPSS V 23) tool of software was used to get descriptive statistic output.

***4.2 General Information of the respondents***

General Information part of the questionnaire asked to indicate the name of the office, position of the respondents, the qualification of the respondents and the number of years of experience the respondent have in EECMY-DASSC are illustrated in the below tables.

**Table 1:** Summary report on Qualification of respondents SPSS Out put

	Frequency	Percent
Valid Diploma	1	2.9
BA	9	25.7
MA	18	51.4
Other (MSC)	7	20.0
Total	35	100.0

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2.9% of the respondents have diploma, 25.7% of the respondents have bachelor's degree, 51.4% of the respondents have Master of Art (MA), and 20% of the respondents have Master of science (MCS). From this we could see more than 50% of the respondents have a qualification of MA or above that. Hence, the information obtained from these respondents are assumed to be well responded with the understanding of the subject matter.

**Table 2:** Summary report on the work positions of respondents SPSS Out put

		Frequency	Percent
Valid	Program Manager/Officer	12	34.3
	Finance Manager/Officer	9	25.7
	Procurement and logistic Officer	2	5.7
	Human Resource Manager/Officer	2	5.7
	Other positions	10	28.6
	Total	35	100.0

34.3% of the respondents were Program manager/officers, 25.7% of the respondents were Finance manager/officers, 5.7% of the respondents were procurement and logistic officers, 5.7% of the respondents were human resource manager/Officers and 28.6% of the respondents were staff with different positions like area coordinators, internal auditor, and having specific profession. The program staff and finance are mainly responsible for preparing budget and monitoring both are accountable for the procedure and responsible in the implementation of the project activities. Involving respondents from program and support department help the researcher to view how much they are involved and have the knowledge on the budget preparation practice.

**Table 3:** Summary report on work experience of respondents SPSS Out put

	Frequency	Percent

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Valid	1-3 years	5	14.3
	4-5 years	3	8.6
	More than 5 years	27	77.1
	Total	35	100.0

14.3% of the respondents had 1-3 years of experience in EECMY-DASSC, 8.6% of the respondents were working in EECMY-DASSC for 3-4 years, and the remaining 77.1% of the respondents had more than 5 years of work experience in EECMY-DASSC. According to Negusie (2017) Having staff for long period is really advantageous, the staff will be more familiar having potential for improvement. As staff stay long, they will create bond which will bring great understanding with each other which lead to higher level of dedication.

### ***4.3 Behavior on procedure or guideline for budget preparation***

Measures of central tendency (mean, median, and mode) describe data in terms of some sort of average. Measures of position, spread, or dispersion describe data in terms of relationship to a point of central tendency (Best & Khan, 1998). The decision rules used in the analysis was average mean less than 3 was considered as low, average mean equal to 3 was considered as medium and average mean greater than 3 was considered as high throughout the study (Best & Khan, 1995). Accordingly, the perceptions of the 35 respondents were captured using a five-point Likert scale (1- Strongly Disagree, 2- Disagree, 3 – neutral, 4 – Agree and 5 - Strongly Agree) and interpreted accordance to Best, (1977) score with the below detail:

1-1.80 is lowest,

1.81-2.61 is lower,

2.62-3.41 is average/moderate,

3.42-4.21 is good/high, and

4.22-5 is considered very good.

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**Table 4:** Summary report on the behavior of procedure or guideline for budget preparation SPSS Output.

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
EECMY-DASSC have procedure or guideline for budget preparation	1		5	11	18	35	4.29
EECMY-DASSC have own format for preparing budget		1	5	13	16	35	4.26
Every staff in the organization are aware of procedure or guideline for budget preparation		5	11	14	5	35	3.54
The guideline or procedure will be update when necessary		1	6	16	12	35	4.11
There is procedure how to allocate common costs to different projects		2	4	15	14	35	4.17
EECMY-DASSC have procedure or system how to allocate staff cost contributing to different projects		3	5	14	13	35	4.06
EECMY DASSC have data base for different cost which could be used at time of budget preparation		1	9	10	15	35	4.11
EECMY DASSC have checklist to make sure anything is not missed in the budget.			12	14	9	35	3.91
EECMY-DASSC have procedure for quality assurance budget prepared by branch offices before shared to donor.			13	15	7	35	3.83
Overall Mean							4.03

Based on the findings the overall mean on the behavior of procedure or guideline for budget preparation process is (4.03) which is according to Best, (1977) good/high. For question does EECMY-DASSC have procedure or guideline for budget preparation the response was 1(2.86%)

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

strongly disagree, 5(14.29%) of the respondent were neutral, 11(31.43%) agree and 18 (51.42%) strongly agree and the mean result was (4.29). For does the guidelines and procedures are updated when necessary 5(14.29%) disagree, 11 (31.42%) were neutral, 14 (40%) agree and 5(14.29%) strongly agree and the mean result was (4.11). However, from the interview the researcher identified EECMY DASSC have principle which is not in written, but they follow donor procedure and guideline.

Bill & et al (2014), argues that all organizations, for-profit or not, need to have guideline or procedure for preparing budget. Budget Preparation Guidelines is an important component in the preparation of a budget and a detailed budget narrative, which links the requested funding with specific elements of the proposed project. These guidelines are provided to assist in the preparation. In addition, Publishing & Brookson (2000, p. 16) agree preparing budget involves standardizing procedures, creating a budgeting manual that provides budgeting guidelines depending on the size of the organization.

For question does EECMY-DASSC have format for preparing budget the respondents result shows 1(2.86%) disagree, 5(14.29%) of the responses was neutral, 13 (37.14%) agree and 16 (45.71%) strongly agree and the mean result was (4.26). From the interview the researcher identify donor have their own format, to fulfil the donor requirement EECMY-DASSC uses donor format when they prepare budget. They responded it is challenging to have uniform format for budget preparation. As per Publishing & Brookson (2000, p. 24) to co-ordinate budgets within organization, he argues managers should use a standard budgeting format, to help with collaboration over budget content and enable budgets to be compared and linked throughout the organization.

For question does EECMY-DASSC have procedure on how to allocate common costs to different projects the response was 1(2.86%) disagree, 6(17.14%) were neutral, 16 (45.71%) agree and 12(34.29%) strongly agree and the mean result was (4.17). For procedure or system how to allocate staff costs contributing to different projects the response was 2(5.71%) disagree, 4 (11.43%) were neutral, 15(42.86%) agree and 14(40%) strongly agree and the mean result was (4.06). For does EECMY-DASSC have database for different cost which could be used at time

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of budget preparations the response was 3 (8.57%) disagree, 5(14.29%) were neutral, 14(40%) agree, 13(37.14%) strongly agree and the mean result was (4.11). According, Dropkin et al. (2010, pp. 81-82) allocating administrative and overhead costs produces a budget that accurately reflects the true costs of program operations. The key to allocating administrative and overhead costs successfully is having a rational and justifiable, written cost allocation plan.

For question does every staff in the organization have awareness on the procedure or guideline for budget preparation the response was 1(2.86%) disagree, 9(25.71%) were neutral, 10(28.57%) agree, 15(42.86%) strongly agree and the mean result was (3.54). As Dropkin et al. (2010, p. 48) indicate budgeting cycle to be efficient and successful, everyone involved must have a clear understanding of the annual budgeting goals, guidelines, procedures, and timetable, as well as the specific roles and responsibilities in the budgeting process.

Having checklist to make sure anything is not missed in the budget the response was 12(34.29%) neutral, 14(40%) agree and 9(25.71%) strongly agree and the mean result was (3.91). For procedure for quality assuring budget prepared by branch offices before shared to donor the response was 13(37.14%) neutral, 15(42.86%) agree, 7(20%) strongly agree and the mean result was (3.83).

### ***4.4 Opinion on participatory budget preparation***

**Table 5:** Summary report on Opinion on participatory budget preparation SPSS Out put

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
EECMY-DASSC participate relevant staff on the donor specific budget preparation			5	19	11	35	4.17
EECMY-DASSC participate relevant staff on the overall annual organization budget preparation			3	18	14	35	4.31

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Budget is prepared based on the need assessment		2	21	12	35	4.29
For budget preparation appropriate time is allocated		8	14	13	35	4.14
Staff involved in the budget preparation have right knowledge and information		4	23	8	35	4.11
Involving the person who is going to be responsible on project execution on budget preparation will make the implementation easy and give the feeling of ownership	1	3	12	19	35	4.37
The budget preparation process of EECMY-DASSC is easy.	1	9	12	13	35	4.03
Budget is prepared in detail with time schedule		8	17	10	35	4.06
Overall mean						4.19

Based on the findings the overall mean on the opinion on preparatory budget preparation process is (4.19) which according to Best, (1977) good/high. Budget work is a joint exercise. It is a teamwork, involving the entire team is important to produce an effective budget. According to Buxton, (2011) participation is one way to achieve better results in organizations. Also Publishing and Brookson, (2000) indicate budgets are only as good as the individuals who prepare them.

The respondents from the table 5 shows on participating relevant staff on donor specific budget preparation 5 of the respondents' response was (14.3%) neutral, 19 (54.3%) agree and 11 (31.4%) strongly agree. This result has good/high mean (4.17). Similarly, on participating relevant staff on the overall annual organizational budget preparation 3 (8.6%) of them were neutral, 18(51.4%) agree and 14 (40%) strongly agree this result also show very good mean result (4.31). The result shows the organization believe on participation and teamwork.

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

On the base of budget preparation using the need assessment the respondents result show 2 (5.7%) of them neutral, 21(60%) agree and 12 (34.3%) strongly agree. The mean result was (4.29) which is very good. Preparing budget using need assessment result help to decide what kind of activities to be implemented and to list out activities that will be carried out. Publishing and Brookson (2000, p. 17) said to write a budget initially, one must gather information about what the organization wants to achieve, what its limits are and what the relevant internal and external business influences that will affect the organization.

The result on whether appropriate time allocated for budget preparation show 14(40%) agree, 13 (37.1%) strongly agree and 8(22.9%) were neutral. The mean result was (4.14) which is good/high. Allocating enough time when coming up with a budget preparation ensure that you don't miss out any important elements that are vital to the organization.

Staff having the right knowledge and information involving on budget preparation the result show 8(22.9%) strongly agree, 23(65.7%) agree and 4(11.4%) were neutral. The mean result was (4.11) which is good/high. Any budget or plan is only as good as the time, effort, and information people put into it. Good budget practices should foster collaboration and exchange of information among the budget team participants (Touche;, 2021, p. 3).

For question do you believe involving person who is going to be responsible on project execution on budget preparation will ease project implementation and give the feeling of ownership the result was 19(54.3%) strongly agree, 12(34.3%) agree, 1 (2.9%) strongly disagree and 3 (8.6%) were neutral. The mean result was (4.37) which is very good. Al (2021, p. 128) in his book said budget should be prepared by those responsible for delivering the results. The budget creation process provides a great opportunity to involve the staff, making it easy for them to share and understand its objectives at the time of implementation.

On the process of budget preparation is easy 13 (37.1%) strongly agree, 12 (34.3%) agree, 1 (2.9%) strongly disagree and the rest 9(25.7%) were neutral. The mean result was (4.03) which is good. On budget is prepared in detail with time schedule 10(28.6%) strongly agree, 17(48.6%) agree, while 8(22.9%) were neutral. The mean result was (4.06).

## Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC

### 4.5 Monitoring practice

**Table 6:** Summary report for monitoring practice SPSS Out put

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
EECMY-DASSC have procedure for budget monitoring		2	9	13	11	35	3.94
Donor funds are used for the purpose it was meant		1	1	10	23	35	4.57
There is time same expenditure are reported for different donor	13	6	6	5	5	35	2.51
Donor has a system of regularly reviewing expenditures against approved budgets		1	3	13	18	35	4.37
EECMY-DASSC spend its fund based on its project time schedule		1	1	18	15	35	4.34
EECMY-DASSC do periodic meeting(discussion) with relevant staff on budget verse actual expenditure variance		1	8	17	9	35	3.97
EECMY-DASSC management continuously monitor the approved budget with actual expenditure			10	17	8	35	3.94
EECMY-DASSC management make the staff accountable for monitoring budget		2	4	17	12	35	4.11
Overall Mean							3.97

Based on the findings the overall mean on the monitoring practice is (3.97) which according to Best, (1977) good/high. According, Publishing and Brookson (2000, p. 8) budgets help to

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

illustrate the financial responsibilities of the organization to several groups of people: lenders, suppliers, employees, customers, and the owners. That is why budget need to be monitored.

Publishing and Brookson (2000, p. 54) imply constant monitoring helps promote a greater overall understanding of cost behavior, which will help you produce a more accurate budget next time around. However, to do this well, you must establish suitable monitoring procedures. The respondents of this research 11(31.4%) strongly agree and 13(37.1%) agree having procedure for budget monitoring while 2 (5.7%) disagree and 9(25.7%) were neutral, with good mean result (3.94).

23(65.7%) strongly agree and 10(28.6%) agree on donor funds are used for the purpose it was meant while 1(2.9%) disagree and 1(2.9%) neutral, the mean result was (4.57) which is very good. On same expenditure are reported for different donor 5(14.3%) strongly agree and 5(14.3%) agree while 13(37.1%) strongly disagree, 6(17.1%) disagree and 6(17.1%) were neutral. The mean result was moderate (2.51).

On spending its funding based on its project time schedule 15(42.9%) strongly agree and 18(51.4%) agree while 1(2.9%) disagree and 1(2.9%) is neutral. 9(25.7%) of the respondents strongly agree and 17(48.6%) agree. The mean result was very good (4.34).

According Touche; (2021, p. 127) program and unit managers should receive monthly reports on actual versus budgeted expenses, useful guideline is to have the reports ready by the fifteenth day of the month following the reporting period and the program or unit manager should be asked to explain any differences beyond a specified percentage. For question does EECMY DASSC do periodic meeting(discussion) with relevant staff on budget verse actual expenditure variance report, 1 (2.9%) disagree and 8(22.9%) of the respondents were neutral 8(22.9%) strongly agree and 17(48.6%) agree and the mean result was good (3.97). Donor regular review expenditure against approved budget, 18(51.4%) strongly agree, 13(37.1%) agree while 1(2.9%) disagree and 3(8.6%) were neutral and the mean result was very good (4.37).

On management continuous monitoring on budget with actual expenditure 10(28.6%) are neutral, 8(22.8%) strongly agree and 17(48.6%) agree the mean result was good (3.94). Does

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

management making the staff accountable for monitoring budget while 2(5.7%) disagree and 4(11.4%) of them are neutral 17(48.6%) agree and 12(34.3%) strongly agree the mean result was good (4.11). Performance needs to be carefully monitored and compared against the budget as the year proceeds, and corrective action must be taken where necessary to keep the two consistent (Al, 2021, p. 128).

From the interview for the question how they monitor budget the result was they are preparing quarterly budget verse actual report, and it was quarterly that they conduct meeting, and donor also monitor budget and one of the interviewees also believe previously there are time future funding was stopped because of lack of proper monitoring and explanation.

### ***4.6 Challenge faced when preparing budget***

According to funds to NGO any donor funding for NGOs is limited so a proper and planned budget is required to convince the donor to access to funding. In addition, Publishing & Brookson (2000, p. 30) indicate external influences can have a greater effect on the success of a business than internal influences he told us we need to pay close attention. From the interview the respondent indicate budget (fund) limitation and price fluctuation of goods and services was a challenge. Due to the increasing inflation, the price of commodities has become unpredictable.

The interview result also shows the challenge the participant face when preparing budget this was keeping donor interest and government CSO law the 20/80 regulation. According to Martha, (2017) CSO law and donors' rule and regulation affects resource management in local NGOs. This is the external factors which Publishing & Brookson (2000) told us to pay close attention.

The other interview result shows the challenge the participants face which is timing. The time the participant requested to prepare budget overlap with other activities they are working, some of the activities they indicate was preparing report for other donor which have deadline and usual day to day activities, which the respondents felt overburdened.

## **CHAPETER FIVE**

### **Summary of Findings, Conclusions and Recommendations**

#### ***5.1 Summary of Findings***

The objective of the study was to assess the budget preparation and monitoring practice in the case of the EECMY-DASSC. This part summarizes the major findings of the analysis from. The study used to assess the budget preparation and monitoring practice of the EECMY-DASSC with four elements i.e., procedure or guideline, participation of relevant staff in preparation, challenge faced in preparing budget and monitoring practice.

The study revealed that EECMY DASSC use donor guideline when preparing budget and use general principle which is not written. Using uniform format is very difficult because donor have different format.

The study revealed that budget preparation is participatory involving program staff, finance staff, and branch office coordinators. Budget is prepared annually and for project phase period. To prepare the budget, they start from the need assessment done on the community and need collected from each department.

The study revealed time allocated for the preparation of budget is enough, but the interviewee revealed mostly the timing for budget preparation was not right time. Budget preparation activity was done at time of report writing, or when other urgent activities were done which lead to overstress of the staff and which could lead poor quality of budget.

The study revealed the staff involved in the budget preparation have the right knowledge and information. They also agree with involving person who is going to be responsible on project execution to prepare the budget he/she is going to implement really make the implementation easy and give the feeling of ownership.

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

The study revealed quarterly budget verses actual report will be prepared and they conduct meeting. The donor budget is also used for the purpose it is meant. But in some branch offices study revealed that there is time when same or one expenditure is reported for different donor.

The study revealed donor regularly review expenditures against approved budgets. And the management make the staff accountable for monitoring budget.

The study revealed when preparing budget, they face challenge with external factors like limitation of funding, price of goods and Services fluctuation which make the price of commodities unpredictable.

The study also revealed integrating donor interest with government regulation is a challenge for them.

### ***5.2 Conclusion***

EECMY-DASSC budget preparation process was participatory involving the right persons like program and finance staff and very much acknowledged by the staff. The organization also have practice on monitor budget by preparing budget verse actual report quarterly and they conduct meeting and discuss on the variance. EECMY DASSC was using donor guideline and procedure for preparing budget. The organization don't have manual or guideline for budget preparation prepared by them. They have principle which is not in written but they know it through the experience since most of the staff stayed in the organization for long period of time. Management also make staff accountable for monitoring budget. There are challenges identified when preparing budget.

The knowledge obtained from this assessment is following donor guideline or procedure to prepare the budget and to use different format is challenging. Reconciling the interest of different parties' donors and government is challenging for EECMY-DASSC. When budget preparation calendar was not done staff will be overburden and this could have an impact on the budget prepared.

EECMY-DASSC have limitation where they need to make improvement, these are there are times same expenditure are reported to different donors which could destroy the goodwill, trust

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## **Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC**

the donor have on the organization and this practice could impact on the future funding. They must also closely monitor the external factors and develop strategy how to raise funding to overcome fund limitation. They need to have budget preparation manual and calendar.

### ***5.3 Recommendations***

Based on the findings the following possible recommendations are forwarded to EECMY DASSC to overcome the challenges of budget preparation and monitoring practice:

- The researcher recommends, EECMY DASSC need to develop their own guideline or manual by taking into consideration their major donor requirement and which could be acceptable by another donor for preparing budget.
- The Head office must closely monitor the branch offices expenditure. By visiting the branch offices quarterly, or semi-annually and review their expenditures report with the source document and the HO must assure special paid stamp to be used on the fiscal document to differentiate expenditure of different donors.
- The researcher also recommends EECMY-DASSC to prepare annual work plan, which show time schedule for budget preparation, report writing, budget monitoring, and auditing. The plan must be shared to all offices to solve the challenge the burden the staff felt at time of budget preparation.
- The researcher recommends, EECMY-DASSC to develop mechanism like having data base for price list which could be updated continuously and revise their budget accordingly to control the external factors.

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**Assessment on Budget Preparation and Monitoring Practice: The Case Of  
EECMY-DASSC**

Addis Ababa University  
College of Business and Economics  
Department of Accounting and Finance

Dear Respondents,

The objective of this questionnaire is to secure the necessary and relevant first-hand information that may be useful to conduct a thesis on “Budget preparation and monitoring practice in case of EECMY-DASSC”. The study is purely for academic purpose. Please answer the questions freely. You cannot be identified from the information you provide, and no information about individuals will be given to EECMY-DASSC.

ALL THE INFORMATION YOU PROVIDE WILL BE TREATED IN THE STRICTEST CONFIDENCE The questionnaire should take you about ten minutes to complete. Please answer the questions in the space provided. Try to complete the questions at a time when you are unlikely to be disturbed. Also, do not spend too long on any one question. Your first thoughts are usually your best! Even if you feel the items covered may not apply directly to your working life, please do not ignore them. Your answers are essential in building an accurate picture of the practice that are important to improving.

WHEN YOU HAVE COMPLETED THE QUESTIONNAIRE, PLEASE RETURN IT TO ME BY EMAIL. I hope you find completing the questionnaire enjoyable and thank you for taking the time to help me. If you have any queries or would like further information about the paper, please telephone me on 0917 810170 or email me on rahelrefissa@yahoo.com. Thank you for your help.

Instruction:

- Highlight the box or make a tick ✓ in the box for your choice of fact.

**Section I: Personal Detail**

1. Write your branch office \_\_\_\_\_

2. What is your position in your institution?

Program Manager/officer

Finance Manager/Officer

Procurement and logistic officer

Human Resource (HR) Manager/Officer

Others (specify) \_\_\_\_\_

3. What is your qualification?

## Assessment on Budget Preparation and Monitoring Practice: The Case Of EECMY-DASSC

Diploma       BA       MA       PHD

Other (specify).....

4. How many years of experience do you have in this position?

Less than 1 year                       1-3 years   
 3-5 years                                       More than 5 years

### Section II

S/N	Description	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
	<b>Behavior on procedure or guideline for budget preparation</b>					
1	EECMY-DASSC have procedure or guideline for budget preparation					
2	EECMY-DASSC have own format for preparing budget					
3	Every staff in the organization are aware of procedure or guideline for budget preparation					
4	The guideline or procedure will be update when necessary					
5	There is procedure how to allocate common costs to different projects					
6	EECMY-DASSC have procedure					

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	or system how to allocate staff cost contributing to different projects					
7	EECMY DASSC have data base for different cost which could be used at time of budget preparation					
8	EECMY DASSC have checklist to make sure anything is not missed in the budget.					
9	EECMY-DASSC have procedure for quality assurance budget prepared by branch offices before shared to donor.					
	<b>Opinion on participatory budget preparation</b>					
10	EECMY-DASSC participate relevant staff on the donor specific budget preparation					
11	EECMY-DASSC participate relevant staff on the overall annual organization budget preparation					
12	Budget is prepared based on the need assessment					
13	For budget preparation appropriate time is allocated					
14	Staff involved in the budget preparation have right knowledge and information					
15	Involving the person who is going to be responsible on project execution on budget preparation					

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	will make the implementation easy and give the feeling of ownership					
16	The budget preparation process of EECMY-DASSC is easy.					
17	Budget is prepared in detail with time schedule					
	<b>Monitoring practice</b>					
18	EECMY-DASSC have procedure for budget monitoring					
19	Donor funds are used for the purpose it was meant					
20	There is time same expenditure are reported for different donor					
21	Donor has a system of regularly reviewing expenditures against approved budgets					
22	EECMY-DASSC spend its fund based on its project time schedule					
23	EECMY-DASSC do periodic meeting(discussion) with relevant staff on budget verse actual expenditure variance					
24	EECMY-DASSC management continuously monitor the approved budget with actual expenditure					
25	EECMY-DASSC management make the staff accountable for monitoring budget					

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**Assessment on Budget Preparation and Monitoring Practice: The Case Of  
EECMY-DASSC**

**Interview questions for budget preparation and monitoring Practice of the  
EECMY-DASSC**

1. What is your position in the organization?

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2. How many years of experience do you have in the organization? \_\_\_\_\_

3. Have you ever participated in budget preparation? If Yes, how do you prepare budget?  
Do you use any procedure or guideline?

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4. Do you believe your budget preparation process is participatory? Do you participate the  
right persons?

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5. What kind of challenge do you face when preparing a budget?

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6. How do you monitor your budget?

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7. Do you have any suggestion on the budget preparation and monitoring practice?

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