

# AccountAble

Grant Budget

Issue 37 for August 1997

Budgets are sensitive documents. The Government of India takes extraordinary precautions to ensure that budgets are not leaked before the Big Day. People are locked up in their offices. Armed guards are posted. But once the Finance Minister lets the cat out of his bag, the circus starts. There are speeches, analyses, accusations, clarifications....

The NGO budgeting process is simpler. A Budget is treated with the contempt it deserves till approved.

If it is approved, it will be locked up in the Director's safe for one year to ensure complete [lack of] transparency. It will be taken out when the Final Report is to be prepared for the Agency. By then it is too late...

Let us see if we can do something to restore the Dignity of Budgeting.

## What is a Budget

### Different things to Different People

You can view Grant Budgets (or budgets for short) from different perspectives:

#### In the Funding Agency:

- **Jack-the-Ripper View:** Budget is Something that needs a lot of cutting and slashing
- **Managerial View:** Budget is the Means to getting rid of our funds.
- **Philosophical View:** Budget is a Meaningless Mass of jumbled figures.
- **The Sadistic Auditor's View:** Budget is a Delightful Mechanism to inflict intolerable torture on the NGO for the unpardonable sin of working in an inaccessible region by pointing out inevitable variances.
- **Technocratic View:** Budget is a means of allocating scarce resources to achieve meaningful results with Maximum Efficiency.

#### At the NGO:

- **The Scriptural View:** Budget is a Holy Document.
- **The Tantric View:** Budget is a Mystical Mantra which will lead to everlasting peace, harmony and an endless flow of funds.
- **The George Bush View:** Budgets are Missiles fired to scare the Agency into releasing funds.
- **The Consultant's Confusing View:** Budgets are Action Plans resulting from a participatory process with the people and the program team.
- **The Creative Accountant's View:** Budget is a means of Writing Account Books without vouchers.

### Side Effects of a Budget

Whatever a budget may be, everyone agrees that it is a most desirable thing to have. But like all desirable things, it can create problems also. Biggest problems come up at the end of the year or during evaluation.

When you agree to a budget, you often think of only the total figure. But the total figure is made up of many smaller sub-totals. Each sub-total itself is made up of smaller line items.

Therefore, when you agree to the budget, you are also agreeing to the line items. The line items are based on some calculations (for example, 10 teachers x Rs.800 p.m x 12 months = Rs.96,000).

Now suppose, at the end of the year, if your accounts show payment to 8 teachers @ Rs.1,000 per month. Don't you think an auditor or evaluator is going to comment on that?

### Why does this happen?

There may be several reasons:

- 1 A budget means looking into the future. There are bound to be some variations.
- 2 The budget was not prepared or finalized carefully. We concentrated only on getting the total figure right.
- 3 The program coordinator did not get a copy of the budget. He / she planned only for 8 teachers.
- 4 The Accountant did not have a copy either and did not object to payment @ Rs.1,000 p.m. You can't really do anything about the first. Let's see how the others can be taken care of.

**budget** n. 1. an estimate of the amount of money to be received and to be spent for various purposes in a given time.

The word 'budget' was first used in a financial sense in 1764.

It originally came from the French word *bougette* which means bag or pouch (15th Century).



## Towards clearer budgets

There are many ways to make budgets. Some need one line and others need several reams of paper. Even so, there are ways we can make clearer and more useful budgets.

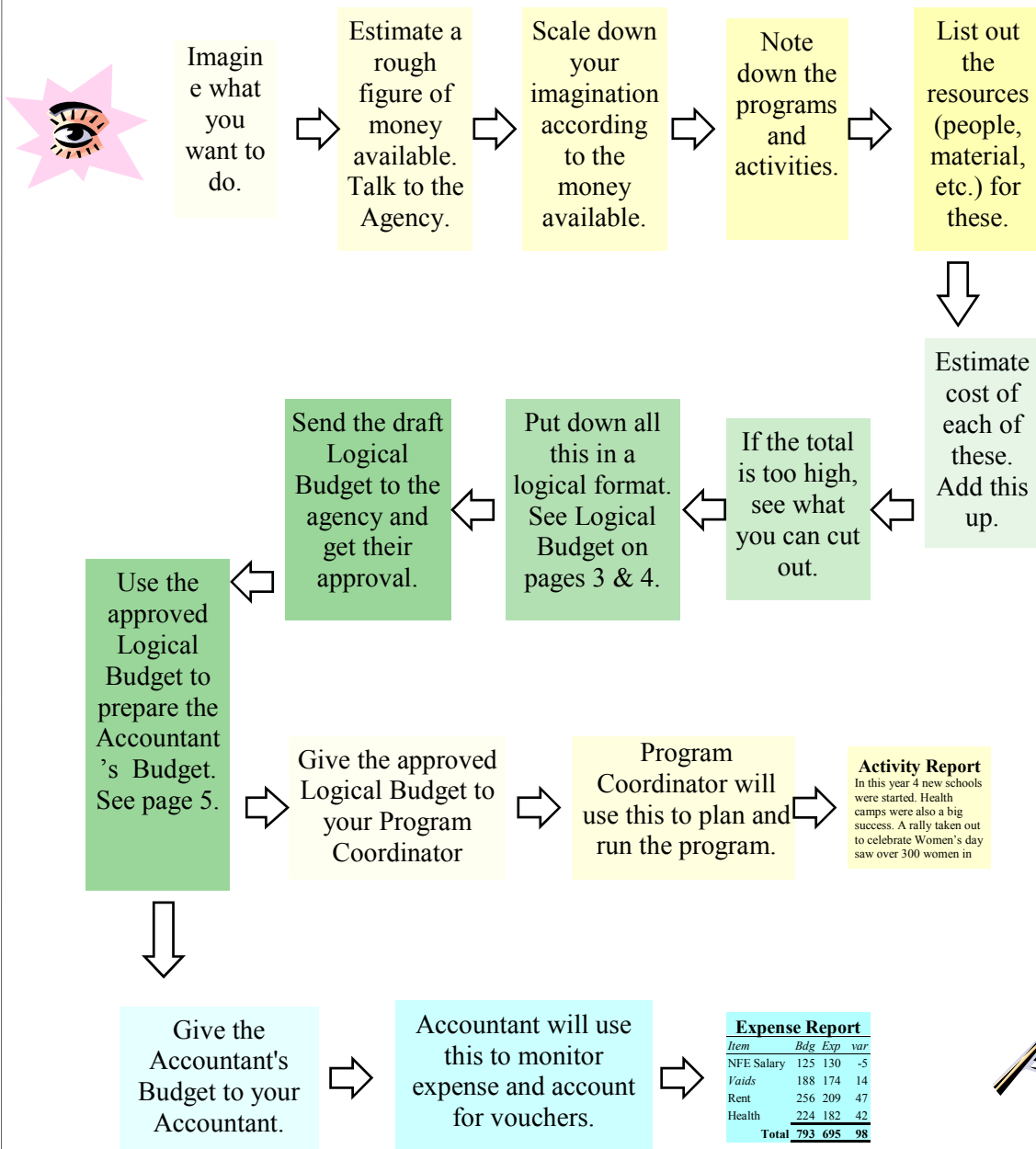
Vision: You start with a vision. This vision will help focus your discussions. Talk to the people and your team. They will help you understand what is practical and what is not.

You may want to do a lot of things. But resources (money, material, time) are always limited. Get a rough idea of how much resources you can collect. Talk to the concerned Agency. What is the point in preparing a budget for 16 lacs when the Agency has only 3 lacs?

Detailing the activities is very important. This will help you make better calculations. Present your plan to the Agency so that it all hangs together. One such format is given on pages 3 & 4.

Once the budget is approved, give copies to the Program team and the Accountant (see page 5). It will not only help your program, your reporting problems will also reduce.

The above is presented below in a flow chart:



“ ”

Some [people] go over their budgets very carefully every month, others just go over them.

—Sally Poplin

Never ask of money spent,  
Where the spender thinks it went,

Nobody was ever meant,  
To remember or invent,  
What he did with every cent.

—Robert Frost,  
'The Hardship of Accounting'

**Activity Report**  
In this year 4 new schools were started. Health camps were also a big success. A rally taken out to celebrate Women's day saw over 300 women in

Item	Bdg	Exp	var
NFE Salary	125	130	-5
Vaids	188	174	14
Rent	256	209	47
Health	224	182	42
<b>Total</b>	<b>793</b>	<b>695</b>	<b>98</b>



## The Logical Budget

The Logical Budget helps show the logic or necessity for each activity. This budget starts with the program activity and ends up with an amount. In the logical budget, you should try to be as specific as possible. Avoid general statements like 'upliftment of the poor', 'hundreds of villagers'. Possible headings for this budget are given below:

Name of the program or program-component	You may have many items or activities under each program. Give the logic or necessity or rationale for each separately.	How many persons / households will benefit directly. Be as specific as possible.	Give names of villages. If the school will run in the Community center, say so.	Give number of days / months (under this budget).	Show how the amount was calculated.	Show the amount for each line item here.
				Describe the Line Item		

Lok Jagran Manch Budget for 'Education & Health Program' for the period 1.4.98 to 31.3.99									
Sl	Name of Program	Specific Objectives of this program	Logic / reasoning for each activity / item	Number of direct beneficiaries	Village / location where the activity will occur	Duration of activity	Budget Line Item Narration	Budget Line Item Calculation	Amount (Rs.)
1	NFE Schools	<ul style="list-style-type: none"> <li>To run 12 NFE centers for children from tribal groups.</li> <li>To give basic literacy, general knowledge to</li> </ul>	For teaching the children. Each teacher will work for six hours. One teacher for each school. Senior teachers are paid more.	150 girls; 170 boys	1Jasidih 2Haldia 3Parsidhhia 4Jajori 5Terahawi 6Koldiha 7Jalalpur 8Khapatia	12 months	Salary to 8 Senior teachers	Rs.1000 x 8 teachers x 12 mths.	96,000
2	NFE Schools	As above	As above	60 girls; 80 boys	1Chakrata 2Khekda 3Jewar 4Korwani	12 months	Salary to 4 new teachers	Rs.850 x 4 tchrs. x 12 mths.	40,800
3	NFE Schools	As above	Needed so that it can explain more clearly and show pictures etc.	210 girls; 250 boys	Above 12 villages	Over 12 months	Teaching resource materials (Black-board, charts etc.)	Rs.500 x 12 NFE centers	6,000
4	NFE Schools	<ul style="list-style-type: none"> <li>Increase cross-community linkages</li> <li>Increase competitive spirit</li> </ul>	As Bal mela will run from 10 a.m. to 4 p.m., lunch will be provided to children and organizers	210 girls; 250 boys	At community land in Jajori	1 day	Food etc. for Bal Mela	Rs.20 x 450 children + 12 teachers + 10 others	9,440
5	NFE Schools	As above	Transportation for cooking material, etc. Prizes will be given to children	210 girls; 250 boys	At above	1 day	Transport, stage, prizes for Bal Mela	Rs.4,000 lump sum	4,000
	<b>NFE</b>						<b>Sub-Total</b>		<b>156,240</b>
6	Health	<ol style="list-style-type: none"> <li>Provide basic medical support to people</li> <li>Encourage use of herbs and naturopathy</li> </ol>	PHCs do not exist / work in the region. Private medical treatment is inaccessible / expensive	50 persons x 3 times x 6 villages	1Jasidih 2Haldia 3Parsidhhia 4Jajori 5Jalalpur 6Khapatia	12 months	Stipend to 8 Vaidas	Rs.1000 x 8 vaidas x 12 mths.	96,000

Continued on page 4

## The Logical Budget ...

Continued from page 3

SI	Name of Program	Specific Objectives of this program	Logic / reasoning for each activity / item	Number of direct beneficiaries	Village / location where the activity will occur	Duration of activity	Budget Line Item Narration	Budget Line Item Calculation	Amount (Rs.)
7	Health	Prevent spread of diseases such as polio	Vaccination of children coming to NFE classes and their brothers / sisters	500 children	All 12 NFE villages	Twice	Jeep for Govt. Doctors	Rs.450 x 4 days (3 villages each day) x 2 times	3,600
8	Health	Strengthen basic hygiene and reproductive health	Health workers will inform and motivate women for personal hygiene, health check-up, nutrition and birth control	30 women x 6 villages	Above six villages	12 months	Salary to 3 Community Health workers	Rs.500 x 3 workers x 12 months	18,000
	<b>Health</b>						<b>Sub Total</b>		<b>117,600</b>
9	Administration	Program coordination	Proj. Mgr. will be responsible for coordination and monitoring of program	N.A.	Based at Pilakhua Office. Will cover all 12 villages	12 months	Project Manager's salary	Rs.3,000 x 12 months	36,000
10	Administration	Accountability of funds	Accountant will maintain accounts and provide Agency reports. Will also handle other accounts	N.A.	Based at Pilakhua office	12 months	Salary to Accountant (shared)	Rs.1,000 x 12 months	12,000
11	Admin .	Program and office coordination	Required for correspondence and reports	N.A.	At Pilakhua office	12 months	Postage & Stationery	Rs.300 x 12 months	3,600
12	Admin .	Accountability of funds	For providing audit report regarding Agency funds	N.A.	At Main office	Once a year	Auditor's Fees	Rs.1,500 x once	1,500
	<b>Admin</b>						<b>Sub-Total</b>		<b>53,100</b>

<b>Budget Summary</b>	<b>Rs.</b>	<b>%</b>
NFE	156,240	48
Health	117,600	36
Administration	53,100	16
<b>Total</b>	<b>326,940</b>	<b>100</b>

The Summary and percentages help in understanding the budget.



### Acknowledgement

The practical utility of the Logical Budget was first demonstrated to us by Mr. Vinod K. Dass of CRY, New Delhi.

## The Accountant's Budget



Your accountants may find the Logical Budget a little confusing. For them, the same budget can be summarized in a different way. This will help them make proper vouchers and entries. If your accountants are clear about the budget, your reports to the funding agency will be easier to prepare.

If you use a computer to make your budget, this will be very easy. Use a spreadsheet program such as 'Lotus' or 'Excel' to make your budget. The program will do all the calculations for you. You simply have to type a simple formula such as '=1000\*8\*12'. The program will show '96,000'. It will also add up all the figures for you. Once you put your budget in this program, it becomes easy to make changes.

The logical budget shown on pages 3 and 4 has been re-classified below. See whether your accountant likes this one or the previous one!

Ref	Account Head	Program	Duration	Calculation	Amount
1	Salary to Senior Teachers	NFE	12 months	Rs.1000 x 8 teachers	96,000
2	Salary to new teachers	NFE	12 months	Rs.850 x 4 teachers	40,800
6	Stipend to v aids	Health	12 months	Rs.1000 x 8 v aids	96,000
8	Salary to C.H.Ws	Health	12 months	Rs.500 x 3 workers	18,000
9	Salary to Project Manager	Admin.	12 months	Rs.3,000	36,000
10	Salary to Accountant (shared)	Admin.	12 months	Rs.1,000	12,000
	<b>Salary</b>			<b>Sub Total</b>	<b>298,800</b>
3	Teaching resource material	NFE	Over the year	Rs.500 x 12 NFE centers	6,000
4	Bal Mela Food	NFE	Once	Rs.20 x 450 children + 12 teachers + 10 others	9,440
11	Postage & Stationery	Admin.	Over the year	Rs.300 x 12 months	3,600
	<b>Materials</b>			<b>Sub Total</b>	<b>19,040</b>
7	Jeep for Govt. Doctors	Health	2 times	Rs.450 x 4 days (3 villages each day) x 2 times	3,600
5	Bal Mela Transport, stage, prizes	NFE	Once	Rs.4,000 lump sum	4,000
	<b>Conveyance</b>			<b>Sub Total</b>	<b>7,600</b>
12	Audit Fees	Admin.	Once	Rs.1,500 x once	1,500
	<b>Fees</b>			<b>Sub Total</b>	<b>1,500</b>

Summary	Rs.
Salary	298,800
Materials	19,040
Conveyance	7,600
Fees	1,500
<b>Total</b>	<b>326,940</b>

Your views, comments and questions are welcome. Please send these to:

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The flower called 'forget-me-not' is a symbol of friendship and of true love. It appears in many legends.

According to one of these, all the plants and animals shrank away from Adam and Eve when the two were expelled from the Garden of Eden, except for one tiny blue flower that said, "Forget me not!"

## Forget me nots...

When making a budget, don't forget the following:

- **Inflation:** When you are giving a budget for the first time to an agency, they may take a long time to evaluate and approve your budget. By the time it is approved, your estimated rates will become useless. Renegotiate the budget at the approval stage.  
When budgeting for one year, remember that prices will go up gradually over the year (approximately 10% each year). When budgeting for more than one year, provide for next year's inflation also.
- **Salaries:** Salaries rise because of inflation. But they also rise due to increased experience. Budget extra amounts (5% or so) for salary, over and above the inflation.
- **Accountant's Salary:** Ask for some share of the Accountant's salary in each budget. Each agency that gives funds and expects accountability, should bear some proportion of the accountant's salary.
- **Audit Fees:** Don't forget the auditors either. Their fees will rise when your work increases. Basis of Calculation: Give the basis of calculation of each and every line item. Where it is a lump sum, say so.
- **How much can you grow:** When you prepare a budget, keep both your feet firmly planted on the ground. Overall growth beyond 30% a year will give you head-aches. Quality of your work may suffer.
- **Local Contribution:** Don't give in too easily on this just because the agency insists on this. Assess how much can you really raise in cash? How much in labor? How much in materials?
- **Name of Organization:** Put the name of your organization on top of each of the budget sheets. That way these will not get mixed with others. Also put the name of the program if possible.
- **Budget Period :** Sheets from different years get mixed up very easily over a period. Give the budget period at the bottom of each sheet.
- **Revision Date:** Often you may have to revise your budget several times. Type the revision date at the bottom of each sheet every time. Give this date the first time also.
- **Final Budget:** With so many budgets floating around, it's a good idea to mark the final approved budget clearly as 'Final Budget; Approved on \_\_\_\_\_'.



- *Cost Accounting - A Managerial Emphasis*; 1991; Authors: Charles T. Horngren & George Foster; Pub.: Prentice Hall of India, M-97, Connaught Circus, New Delhi -1; Rs.225
- *Manual on Financial Management & Account's Keeping*; 1989?; Pub.: PRIA, 42, Tughlakabad Inst. Area, Delhi-62; Rs.100?
- *5,000 Sample Grant Budgets*; 2005; Author: John Smith; Pub.: Fraud International, A-4, Nowhere Park, Sin City-49; Rs.8,500
- *Management of Finances in Non-Profit Organisations*; 1994; Author: M. Kandasami, FCA; Pub.: Caritas India, CBCI Centre,