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&

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**MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT
(2005)**

**DEVELOPMENT OF TAILOR – MADE ACCOUNTING
MANUAL FOR LAELA SECONDARY SCHOOL**

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**A PROJECT TITLED “DEVELOPMENT OF TAILOR-MADE
ACCOUNTING MANUAL FOR LAELA SECONDARY SCHOOL”
SUBMITTED IN PARTIAL FULFILLMENT FOR THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE
IN COMMUNITY ECONOMIC DEVELOPMENT IN THE
SOUTHERN NEW HAMPSHIRE UNIVERSITY AT THE OPEN
UNIVERSITY OF TANZANIA.**

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July, 2005**

SUPERVISOR CERTIFICATION

I, the undersigned, certify that I have read and hereby recommend for acceptance by the Southern New Hampshire University at the Open University of Tanzania the project entitled;-

Development of a tailor-made Accounting manual for Laela Secondary School, in partial fulfillment of the requirements for the Masters Degree of Science in Community Economic development of the Southern New Hampshire University.




.....

Noel Kazimoto

Date: 22 / June / 2005

DECLARATION

This document is as a result of own original work, it has not been submitted for similar degree in any other University

Candidate 

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DEDICATION

This work is dedicated to my in-law “Bibi Betty” May her Soul rest in eternal peace.

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I wish to thank the Executive Board committee of Laela Agriculture Centre for agreeing to pursue this course and covering most of the training costs. The management team of LAC deserves special thanks for shouldering some of my duties while attending this course. I very much appreciate the cooperation received from the host organization especially Sister Gwera, the headmistress and Mr D. Mkulima.

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July, 2005

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ACRONYM

A/C	Accounts
AIS	Accounting Information System.
CBO's	Community Based Organizations
CCM	Chama cha Mapinduzi Tanzania
CED	Community Economic Development
CR	Credit
DR	Debit
FASB	Financial Accounting Standard Board
FIFO	First In First Out
GAAP	Generally Accepted Accounting Principles.
GRN	Good Received Note
HBS	Household Budget Survey
IG A's	Income Generation Activities
IAS	International Accounting Standards
JV	Journal Voucher
LPO	Local Purchase Order
LSS	Laela Secondary School
NGO	Non Governmental Organization
NBAA	National Board of Accountants and Auditors in Tanzania.
NBC LTD	National Bank of Commerce Limited.
NIC	National Insurance Cooperation

NSSF	National Social Security Fund
NEA	National Education Act in Tanzania
PAYE	Pay as You Earn
PV	Payment Voucher
SPSS	Statistical Package for Social Scientist
SUDET	Sumbawanga Development Trust
TZS	Tanzanian Shillings
URT	United Republic of Tanzania

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Abstract

This is a report of the project titled “Development of Tailor-made Accounting Manual for Laela Secondary School” submitted in partial fulfillment for the requirement for the degree of master of science in Community Economic Development in the Southern New Hampshire University at the Open University of Tanzania.

Laela Secondary School (LSS) is located in Laela village in Sumbawanga district, Rukwa region. Laela village is located along Sumbawanga - Tunduma road, about 100 km from Sumbawanga town and 230 km from Mbeya municipal. The inhabitants of the area are predominantly Wafipa and farming is their major occupation.

The objective of Laela Secondary School is to provide secondary education in the Laela parish mandate area encompassing 25 villages. The area has no other secondary school despite the fact that each village has at least one public primary school.

The main activity of the Laela Secondary school as the name suggests is to provide secondary education to children who have finished primary school. LSS was started in 1992 and is owned and managed by the Catholic Diocese of Sumbawanga. The registration number of the school is S 503.

The needs assessment was conducted in participatory manner whereby participants, used participatory tools to identify priority problem facing the school. Moreover an in-depth insight of the priority problem identified was analyzed in order to come up with an effective solution. The exercise was accomplished by conducting a survey in which questionnaire was used to collect information. The data collected were analyzed using SPSS software.

The survey using structured questionnaire was complemented by conducting key informant interviews, whereby the identified people with knowledge and experience with the project subject were interviewed. Other methods used include observation and document reading.

The important findings were that 90% of the informed respondents were of the opinion that the school accounting procedures were not written and known to all concerned while 10% agreed. 71% of respondents were not sure if there were any reports produced from the operation of the IGA's of the school. 24% were of the opinion that the reports were produced twice in a year but they were not distributed to all stakeholders while 5% agreed that reports were produced twice and distributed to all stakeholders.

Research findings have revealed that lack of accounting manual has caused poor budgeting, low school fees and poor decision making by board and management due to lack of proper information. This has resulted into financial problems to the extent that the school cannot pay competitive remuneration to its staff and thus teachers are few. Few teachers at LSS have resulted into poor performance of students in final exams and this does not attract other students to join this school. A tailor-made accounting manual for the LSS has been prepared covering the organization of accounting department, routine accounting procedures, accounting for stocks, accounting for fixed assets, budgeting and financial reporting. The proposed accounting manual has been accepted by the school and put into use.

CHAPTER 1: INTRODUCTION

This is a report of the project titled “Development of Tailor-made Accounting Manual for Laela Secondary School” submitted in partial fulfillment for the requirements for the degree of master of science in Community Economic Development in the Southern New Hampshire University at the Open University of Tanzania.

The purposes of this project to participant are the following:-

1. To create the environment to learn from practitioners and communities in the field.
2. To offer the chance to test and practice skills and techniques acquired during the course of their study.
3. To create the opportunity to collect information and verify assumption through quantitative and qualitative methodologies.
4. To offer the opportunity to asses the impact of development initiatives on poverty using Participatory Action Research at community level.

The first part of this report covers the general information about Laela Secondary School (LSS) mandate area. The geographical location, physical features, people leaving in this area and their main activities are mentioned in this part. The historical background of the school including its inception, ownership, management, objectives, and its activities is briefly mentioned here and a detailed background is appended.

In this part of the report also narration on the needs assessment is given whereby by using participatory tools participants came up with the priority problem facing the school. The core problem is defined here, the project objectives listed and the work plan for the implementation of the project is also included.

The second part of this report covers literature review of the study topic. The review is divided into three main areas which are; theoretical, empirical and policy review.

The fourth section of this report is the research methodology. The research methodology include five major parts including;- 1) research design, 2) research approach and strategy, 3) sampling technique, 4) data collection methods and 5) data analysis process. The fifth part contains the findings of the research. First the nature of respondents is provided, opinions of respondents are analyzed, major problems of the school are provided and discussed and conclusion and recommendation are provided here.

The final part of this report is a brief explanation on the implementation of the major findings. The proposed tailor-made accounting manual for LSS is appended in this report.

1.1 A brief background of LSS

1.1.1 Location and physical features of Laela Secondary School mandate area.

Laela Secondary School (LSS) is located in Laela village in Sumbawanga district, Rukwa region.

Laela village is located along Sumbawanga - Tunduma road, about 100 km from Sumbawanga town and 120 km from Tunduma town. The local people are predominantly Wafipa and farming is their major occupation. Appendices iii and iv are the maps of Tanzania and Rukwa respectively showing the location of Laela village.

Altitude in Laela varies between 1200 and 1800 m. The mean annual rainfall is 800 mm and the mean annual temperature is about 20 C.

1.1.2 Background information about LSS

In February 1992 Laela Secondary School was opened by condjutor Bishop of Sumbawanga T. Ngalalekuntwa. In March 1994 the school was officially registered as a private secondary school owned by Sumbawanga Development Trust (SUDET) and managed by The Bishop of the Catholic Diocese of Sumbawanga. The registration number of the school is S 503.

In the year 2000 SUDET decided to hand over the ownership of school to the Bishop of Catholic Diocese of Sumbawanga after failing to meet its obligations as the owner. The carrying capacity of LSS is 320 students from form one up to form four.

1.1.3 The objective and activities of LSS

The objective of Laela Secondary School is to provide secondary education in the Laela parish mandate area covering 25 villages as there is no other secondary school in the area despite the fact that each village has at least one public primary school.

The main activity of the Laela Secondary school as the name suggests is to provide secondary education to children who have finished primary school. The school being a commerce bias, concentrates on commerce subjects. Figure 2 in appendix xii is a photograph of a CED course participant, some students and management team of LSS taken in front of LSS classrooms.

1.1.4 LSS academic performance

The first batch of 39 form IV students graduated in 1995 whereby 79% of these students passed the exam and the school ranked the second in the entire Rukwa region. For the first three years the performance of school was good till 1995 when the performance started to drop mainly due to lack of funds to run the school.

The reason for declining trend of students as mentioned by interviewees were; poor performance of school that does not attract others to join the school in form two and for four exams, lack of qualified teachers, lack of funds to run the school, poverty level and ignorance level of local people as they do not see the importance of educating their children. A more detailed historical background of school is as in appendix v

1.2 Problems and needs of Laela Secondary School

1.2.1 Problems and needs

In order to get thorough understanding of the problems and needs of the school a set of questions were carefully designed and administered to a sample population representing all stakeholders of the school (see appendix viii).

The stakeholders of the school include the diocese, board, staff, students, parents, local government and the community. Representatives from each group of stakeholder were invited in this session to ensure fair representation of views.

A trend line tool was used whereby each group of stakeholder was asked to give their opinion on major changes regarding the school resources and activities for the past 3 years. The groups also used SWOT analysis tool on the school resources, policies, systems, governance, management and external environment to identify possible strengths, weaknesses, opportunities and threats. Moreover they were asked to give their views of what changes they expected in future considering the available resources and the way the activities are carried out at the school. These sets of tools were used to enable the participants look at many internal and external factors affecting the progress of their school and make them able to capitalize on strengths and opportunities while at the same time minimizing the effects of weaknesses and threats. Through these exercises a number of weaknesses and threats of the school were identified by the participants as follows;-

- i. School does not have sufficient funds
- ii. School does not maintain proper financial records
- iii. School does not have enough teachers
- iv. Community members are poor
- v. Community members do not value education.

Through ranking exercise the participants gave highest score to the problem of financial records and it was agreed in plenary to prepare a tailor-made accounting manual so that LSS can account properly for its funds. Figure 3 in appendix xii, shows the CED course participants facilitating one of the needs assessment session in LSS.

1.2.2 Problem statement

Since its inception in 1992, LSS has failed to achieve its objective of providing ordinary level secondary education to Laela community and Tanzanians in general. The main reason for its failure is lack of accounting manual that caused among others; poor budgeting, charging of low school fees, collapse of the school IGA's, lack of information for decision making, misallocation etc. With the exception of the first three years when the general performance of school continued to rise, in subsequent years the trend continued to decline. The prevailing infrastructures that include conducive learning environment, ample land, buildings and learning facilities suggest good opportunities for the school to achieve its intended objective. Lack of another public or private secondary school in the neighbourhood gives LSS a monopoly position in providing this important service to people of Laela area.

Efforts have been put forward to save the school from further deterioration like changing the ownership and top management of school but with little or no success at all. Moreover at different period, grants were sought and delivered to the school but after some time the worsening situation continued. This call for the school to look at its policies and systems if are supportive to the proper running of the school.

Specifically there arise a need to study the accounting system of the school and suggest some improvement so that it can be supportive to management in making the right decisions.

1.3 Development of a work plan

The work plan was developed in participatory manner by CED course participant and the management team of the school that included the head of school, second master and school bursar. A computer software known as Microsoft Project was used to prepare the work plan as seen in appendix vi.

1.4 The general and specific objectives of Project

The general objective is to ensure that Laela Secondary School is operating efficiently towards attaining its objective of providing secondary education by having in place an effective system of accounting.

The specific objectives are the following;-

1. To study the root cause of problems encountered by LSS,
2. To study the current accounting system of LSS,
3. To identify some areas of improvement in the current accounting practice of LSS,
4. To prepare a tailor-made accounting manual for LSS,
5. To orient the relevant staff of LSS on the use of the manual,
6. To evaluate the application of the manual.

CHAPTER 2: LITERATURE REVIEW

1. Theoretical Review

1.1. Definition of Accounting

Patil V. A. and Korlahalli J. S. (1991) defines Accounting as the science of recording and classifying business transactions and events, primarily of financial character, and the art of making sufficient summaries, analysis and interpretation of those transactions and events, and communicating the results to persons who must make decisions or judgments.

Gerffrey Whilehead, (1987) defines accounting as follows;- Accounting is the art of controlling a business by keeping accurate book keeping records, measuring and interpreting the financial results of the business by using the information in these records, and communicating the results to management and other interested parties.

According to Kermit D. Larson, (1989); Accounting is a service activity. Its functions is to provide quantitative information about economic entities. The information is generally financial in nature and is intended to be useful in making economic decisions. Accounting reports are used in describing the activities and financial status of many different kinds of economic entities. They include hospitals, schools, cities, government agencies and profit oriented business. In making decision about economic entity, individuals must begin by asking questions about the entity. The answers to many such questions are found in accounts reports.

If for example the entity is a business, the manager of the business would look at accounting for answers to the questions such as;-

What are the resources of the business?, what debt does it owe?, does it have earnings?, are expenses too large in relation to sales?, is too little or too large merchandise being kept?, are amount owed by customers being collected rapidly?, will the business be able to pay its debt as they mature?, should the plant be expanded?, should a new product be introduced?, should selling price be increased? etc.

In addition the grantors of credits such as banks, whole sale houses, and manufacturers use accounting information in answering such questions as;-

- i. Are the customers earning prospects good?
- ii. What is its debt paying ability?
- iii. Has it paid its debt promptly in the past?
- iv. Should it be granted additional credit?

Likewise the government units use accounting information in regulating business and collecting taxes. Labour unions use it in negotiating working conditions and the wage agreements. And last but not least among the users of accounting information are individual investors who make wide use of accounting data in their investment decisions.

1.2 Accounting system.

The on-line reference; www.labyrinthinc.com, define accounting system as follows;-

An accounting system is comprised of accounting records (checkbooks, journals, ledgers, etc.) and a series of processes and procedures assigned to staff, volunteers, and/or outside professionals. The goals of the accounting system are to ensure that financial data and economic transactions are properly entered into the accounting records and that financial reports necessary for management are prepared accurately and in a timely fashion.

1.2.1 Components of an Accounting System

Traditionally, the accounting system includes the following components:

A. Chart of Accounts

The chart of accounts is a list of each item which the accounting system tracks.

B. General Ledger

The general ledger organizes information by account. The chart of accounts acts as the table of contents to the general ledger. In a manual system, summary totals from all of the journals are entered into the general ledger each month, which maintains a year-to-date balance for each account.

In a computerized system, data is typically entered into the system only once.

C. Journals and Subsidiary Journals

Journals, also called books of original entry, are used to systematically record all accounting transactions before they are entered into the general ledger.

Journals organize information chronologically and by transaction type (receipts, disbursements, other).

There are three primary journals:

The Cash Disbursement Journal is a chronological record of checks that are written, categorized using the chart of accounts.

The Cash Receipts Journal is a chronological record of all deposits that are made, categorized using the chart of accounts.

The General Journal is a record of all transactions which do not pass through the checkbook, including non-cash transactions (such as accrual entries and depreciation) and corrections to previous journal entries.

The most common examples of subsidiary journals include:

The Payroll Journal, which records all payroll-related transactions. This may be useful as the number of payroll transactions grows and becomes too large to handle reasonably within the cash disbursements journal.

The Accounts Payable Journal and Accounts Receivable Journal track income and expense accruals. These are useful for grouping income and/or expense accruals which are too numerous to track effectively through the general journal. Some accounting packages require you to set up all bills as accounts payable and all revenue as accounts receivable, eliminating the cash disbursements and receipts journals altogether.

The process of transferring information from the journals to the general ledger is called posting.

D. Checkbook

In very small organizations, the checkbook may serve as a combined ledger and journal. Most financial transactions will pass through the checkbook, where receipts are deposited and from which disbursements are made. Smaller organizations receiving few or no restricted contributions find it easier to keep track of financial activity by running all of their financial transactions through a single checking account. Very small organizations, with few deposits and disbursements, may prepare reports directly from the checkbook after the balance has been reconciled with the bank balance.

1.3 Chart of Accounts

The NMGDPA of New York, (2005) narrates on What Should the Chart of Accounts Include:-

The chart of accounts, which is a list of each account that the accounting system tracks, should be designed to capture the financial information needed to keep track of financial information and make good financial decisions. Only information recorded with an account code from the chart of accounts will be recorded into the financial records, and from there into financial reports.

The chart is divided into five categories: assets, liabilities, net assets or fund balances, revenues, and expenses. Each account is assigned an identifying number for use within the accounting system. Aside from certain conventions regarding numbering and the order in which information is presented, chart of accounts can be tailored into organization,s specific needs.

In order to decide what to include in the chart of accounts each of the following questions need be considered:-

- (a) What reports are to be prepared?
- (b) What financial decisions, evaluations and assessments are to be made on a regular basis?
- (c) What level of detail is required?
- (d) What is the capacity for tracking financial information?

The best way to design a chart of accounts is to first consider what reports are to be prepared to satisfy external requirements and help in internal management assessment and decision-making. A good rule of thumb is to keep the chart of accounts as simple as possible, and revise it as the need for information increases over time.

What are the Features of a Simple Chart of Accounts?

Account categories are presented in a standard order, beginning with the accounts presented in the Statement of Position (Balance Sheet.) These are:-

Assets. Assets are the tangible items an organization has as resources, including cash, accounts receivable, equipment and property. Assets are usually listed in descending order of liquidity. This means that cash and other assets which are easily converted to cash are listed first, and fixed assets such as property and equipment are listed last.

Asset accounts usually start with the number "1."

Liabilities. Liabilities are obligations due to creditors, such as loans and accounts payable. Current liabilities, those obligations which fall due within the next year, are usually listed first, followed by long-term liabilities.

Accounts payable and payroll taxes payable are usually listed before other payables.

Deferred revenue and other liabilities are often further down on the list. Liabilities often begin with the number "2."

Net Assets (or Fund Balances). Net assets, formerly referred to as the fund balance(s), reflect the financial worth of the organization. They represent the balance remaining after obligations are subtracted from organizations assets. Income and Expense accounts follow the Statement of Position Accounts.

Income includes all inflows to an entity that increase the capital or net asset of the entity.

Expenses are costs incurred in an entity's operations and service delivery.

It should be noted that account numbers proceed from lowest to highest, with room between numbers in each category. This allows the expansion of the level of detail presented in the chart of accounts as the activities grow. Certain related accounts are grouped together with related numbers.

1.4 Accounting Procedures Manual

The on-line reference; www.labyrinthinc.com, defines accounting procedures manual as a record of the policies and procedures for handling financial transactions. The manual can be a simple description of how financial functions are handled (e.g., paying bills, depositing cash and transferring money between funds) and who is responsible for what. The accounting procedures manual is also useful when there is a changeover in financial management staff.

The basic purpose of the Accounting Manual is to provide accounting officers with direction and guidance in connection with those accounting transactions, procedures, and reports that should be uniform throughout an entity.

The URT, Prime Minister and First Vice President's Office issued a Local Authority Accounting Manual in July 1992. The primary objective of this accounting manual is:-

- To ensure that all transactions that give rise to receipts and payments of income and expenditure, assets and liabilities are accurate and properly recorded.
- To provide local authorities with timely and reliable information for the running of their day to day activities.
- To provide a sound framework for financial control with local authorities.

KAMA, (2003) reports that the elements of accounting manual for small NGO include:-

- a) The organization structure
- b) Job description of finance department personnel
- c) Accounts books and documents
- d) Chart of accounts
- e) The accounting system operated by the organization
- f) The preparation of budgets
- g) The provision of information to management on the performance of various activities of the organization
- h) The control of assets and liabilities including fixed assets of the organization.

2. Empirical Review

Finney and Millers, (1974), report on Accounting Research Study (ARS) no. 7 as announced by American Institute of Certified Public Accountants (AICPA);- Two expressions of GAAP (Generally Accepted Accounting Practices) are provided by APB (Accounting Principle Board) statement no. 4 and Grady's Accounting Research Study no. 7. The former divide the GAAP into three levels: pervasive principles (pervasive measurement principles and modifying conventions), broad operating principles (general rules derived from the pervasive principles that governs the application of the detailed principles) and detailed principles (numerous rules and procedures). ARS no. 7 specifies objectives of financial accounting and then discusses the GAAP that apply to each of those objectives.

- i. Objective one: Accounting for sales, expenses, gains, and losses in such a manner as to present fairly results of operations for the period or periods of the time covered.
- ii. Objective two: Account for equity capital invested by stockholders through contribution of assets or retained earning in a meaningful manner on a cumulative basis and as to changes during the periods covered. The account structure and presentation in financial statement of a business entity are designed to meet statutory and corporate charter requirements and to portray significant financial relationships.

- iii. Objective three: Accounts for assets invested in the enterprise by stockholders (through property contributed or retained earnings) and creditors, in a meaningful manner, so that when considered with the liabilities and equity capital of stockholders there will be a fair presentation of the financial position of the enterprise both at the beginning and end of the period. It should be understood that the financial position or balance sheet statement do purport to show either present values of assets to the enterprise or values which might be realized in liquidation.
- iv. Objective four: Accounts for all known liabilities in a meaningful manner in order that their summarization, considered together with statement of assets and equity invested by the stockholders will fairly present the financial position of the enterprise at the beginning and end of the period.
- v. Objective five: Financial statement should comply with the applicable reporting standards included in generally accepted auditing standards. Reporting to investors should be performed on an entity basis.

FASB (1993), established accounting standards number 116 for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, are recognized as revenues in the periods received at their fair values. Contributions made, including unconditional promises to give, are recognized as expenses in the period made at their fair values.

This statement requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

This Statement allows certain exceptions for contributions of services and works of art, historical treasures, and similar assets. Contributions of services are recognized only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of works of art, historical treasures, and similar assets need not be recognized as revenues and capitalized if the donated items are added to collections held for public exhibition, education, or research in furtherance of public service rather than financial gain.

This Statement requires certain disclosures for collection items not capitalized and for receipts of contributed services and promises to give.

Kalembo, S. J., (2004) studied factors affecting the management of account receivable and how they impact cash and current liabilities. (A case study of Ngorongoro Conservation Area Authority {NCAA} in Tanzania). The main objective was to examine factors influencing, negatively, the management of accounts receivable in NCAA with a view of suggestion proposal on how best to manage the receivables and reduce the negative impact they have on cash and short time payables.

The study revealed that;-

- i. dormant account, inconsistent payers and disruption of cash flow gave evidence of irregularities in receivables.
- ii. NCAA has been using capital to finance fixed assets
- iii. NCAA financial regulations require an update and exposure to staff members.
- iv. Politics should not be allowed to creep up into the running of the affairs of NCAA.

The National Board of Accountants and Auditors (NBAA) is charged with the responsibility of developing, regulating, and promoting the accountancy profession in Tanzania. According to Tanzania financial Accounting Standards (TFAS), (2003); has issued 30 standards that have been researched and prepared in compliance with international standards.

Among the standards include TFAS no 1: Presentation of Financial Statement.

The aim of this standard is to prescribe the basis for presentation of general – purpose financial statements, in order to ensure comparability both with the entity's own financial statements of the previous periods and with the financial statements of other entities. To achieve this objective, this standard sets out overall considerations for the presentation of financial statements, guidelines for their structure and the minimum requirements for the contents of financial statements.

The objective of general purpose financial statements is to provide information about the financial position, operating performance and the cash flow of an entity that is useful to a wide range of users in making economic decisions.

The statements also show the results of management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about entity's assets; liabilities; equity; income and expenses, including gains and losses; and cash flow.

According to TFAS no. 1; a complete set of financial statement should include the following components;-

- (a) Balance sheet
- (b) Income statements
- (c) Statement of change of equity
- (d) Cash flow statement
- (e) Director's report
- (f) Statement of Accounting Policies and Explanatory notes.

3. Policy Review

Accounting Principle Board: An accounting Principle Board (APB) was found by the AICPA to replace the committee on accounting procedure. Between 1959 and 1973 thirty one APB Opinions and four APB statements were issued by the board. In addition, fifteen Accounting Research Studies on various topics were commissioned and published by the board.

Financial Accounting Standard Board was formed in 1973 to replace the APB.

It should be known that each country has its own accounting body, which regulates preparation and publishing of financial statements. In addition to the country rules and regulations there are also international standards, e.g. the International Accounting Standards (IAS), which also need to be followed.

According to NBAA, (2003). The Tanzania Accounting Standards are being issued by (NBAA) under the authority vested on the board by section 4(e) of the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by the Auditors and Accountants (Registration) (Amendment) Act No. 2 of 1995.

NBAA states the objective of issuing these standards as:-

- i) Adequate accounting and related records are properly maintained in accordance with these standards;
- ii) Financial statements show a true and fair view of the operating activities and the cash flows of an enterprise during an accounting period and the financial position of the enterprise as at the end of the accounting period;
- iii) Highest professional standards are maintained in the performance of the accounting and auditing functions.

According to Tanzania Doing the Business Guide, (2003). The NBAA has issued the Tanzania Financial Accounting Standards (TFAS) and Tanzania Auditing Standards (TAS) to be applied in the preparation of financial statements and in auditing of accounts, respectively.

The requirement for preparation of financial statements by companies is contained in the Companies Act 2002. The prime requirement of the Companies Act, 2002 is that financial statements should give a true and fair view of a company's financial position, results for the period and cash flow during the accounting period.

The requirements of the Companies Act, 2002 are supplemented by the TFAS and Tanzania Statement of Recommended Practice (TSRP) issued by the NBAA. TFAS detail accounting principles and rules to be followed by all companies, unless otherwise stated. Any departure from them has to be disclosed and explained. Where accounting guidance is not contained in a local standard, NBAA requires that guidance contained in International Accounting Standards be used.

The reporting currency in Tanzania is the Tanzania shilling. Transactions of an entity that involve foreign currencies must be translated into Tanzania shillings by following the requirements of TFAS No.2, Accounting for Foreign Currency Transactions.

Accounting records: Section 151 (1) of the Companies Act, 2002 requires a company to keep proper accounting records that disclose with reasonable accuracy, at any time, the company's financial position; and enable the directors to ensure that any financial statements prepared from the records give a true and fair view of the company's state of affairs and its profit.

The accounting records shall be kept at the registered office of the company or at such other place in Tanzania as the directors think fit, and shall be at all times open to inspection by the directors. The Act provides for the records to be preserved for six years from the date on which they are made up, but it should be noted that the record-keeping requirement required by the tax legislation is longer. (Bank records have to be maintained for 10 years).

Companies must also maintain the following statutory books: register of members; minute books of meetings of directors and shareholders; registers of directors and secretaries; register of directors' interests in shares and debentures; register of charges such as mortgages or debentures, if any; and register of debenture holders, if any.

Accounting period. The company's first accounting period shall be a period of more than six months, but not more than eighteen months, beginning with the date of its incorporation. Its subsequent accounting periods shall be successive periods of twelve months beginning immediately after the end of the previous accounting period.

Financial procedures in secondary schools.

The ministry of Education and Culture in Tanzania, (1997) narrate that each school is required to meet the following obligations for efficient and effective management of school funds;-

- i. To have in place a financial regulation for the use of school funds
- ii. To have in place account books for recording financial transactions such as vote book, imprest book, cash book, cheque book, payment vouchers, receipts, general ledger and register for school fees.

There must be a specific person (an accountant) dealing with financial issues in the school and this person must be audited regularly by the head of school.

There should be a procedure to communicate financial report to the stakeholders.

Accounting for Non Governmental Organizations.

NBAA, (2003) has recommended the basic record keeping and accounting practices for Non-Governmental Organizations. The purpose of Non-Governmental Organization accounting is to record financial information so that it can be used as a basis for managing NGO affairs, to control and prevent waste and inefficiency in the NGO and as a means to be accountable to its members, regulatory organizations and the general public.

In order to meet the minimum record keeping requirement NGOs are required to maintain the following basic records/statements;- combined cash book and ledger, petty cash summary book, fixed asset register, receipt and payment cash book, receipts, petty cash voucher, members register, stock taking, bank reconciliation, income and expenditure statement, accumulated fund, balance sheet, cash flow statement and performance evaluation of NGOs.

CHAPTER 3: RESEARCH METHODOLOGY

1. RESEARCH DESIGN

The general objective of this research is to ensure that Laela Secondary School is operating efficiently towards its objectives by having in place an effective system of accounting.

The specific objectives are the following;-

- a) To identify and ascertain the core problems of LSS
- b) To study the current accounting system of LSS and its effect on the performance of the school
- c) To prepare a tailor-made accounting manual for LSS
- d) To train the relevant staff of LSS on the use of the manual
- e) To evaluate the application of the manual

This research results are aimed at assisting the management team of LSS in managing school affairs better and as a control tool on the part of the board and the owner of school.

The research was conducted during the 18 months period when the researcher was pursuing a CED course, beginning in September 2003 to January 2005. The most demanded resources were time needed to conduct the research, money required for stationers and transport.

2. Research Approach and Strategy:

In order to carry out successful research the source of information were considered. These sources included existing information in the school reports, minutes, accounts records, enrollment reports and examination reports. Other sources of existing information gathered in library and on line references included research reports, policy and theoretical documents. Moreover other schools and similar institutions were visited searching for accounts records and procedure manual.

Different groups of people were considered for providing information including stakeholders of LSS, accountants and heads of other schools and similar institutions, local leaders and government staff. Pictorial records such as organization charts, student attendance roaster and other graphics were considered. Observation was also considered as a good and important source of information of physical surroundings, verbal and non-verbal behavior and relationships.

3. Sampling Techniques:

In order to get a fair representative of LSS community various stakeholders were considered. The purposive sampling method was used and different stakeholders of school were identified as teachers, support staff, students, parents, board members and the local government.

This method is used so as to ensure that views of each sub group that has different interest and knowledge about the school will be captured. Within each sub group a simple random sampling method was employed to select the respondents.

The sample size for questionnaire survey comprised of 41 respondents representing 15% of the population. 11 respondents participated in the key informants interviews.

4. Data collection methods:

A combination of methods was used to collect both qualitative and quantitative data and information. These methods include:-

4.1 Primary data.

1. Survey using self administered questionnaires: The reason for preparing a self administered questionnaire was because of the cost element in both time and money. Self administered questionnaire is still preferred although it is difficult to get peoples views other than those mentioned during the filling of questionnaire as there is no possibility of probing. Before full administration of questionnaire it was put on trial. The aim of pre testing was to find whether the questionnaire will gather the needed information and the appropriateness of the questions to the respondents. A sample questionnaire is seen in appendix viii.
2. Key informants interview: Interviews were conducted to people with special information such as accountants. A checklist was prepared beforehand to facilitate the interview as seen in appendix ix.
3. Observation: This method was used while at the school compound by seeing and listening to staff and students.

4.2 Secondary data.

- Document review: A number of printed materials were reviewed to collect information and data which is not captured by other methods and to clarify and cross check the information and data collected by other methods on the school performance. Moreover printed materials were consulted on financial accounting at school and elsewhere.

5. Data analysis:

The chosen variables were used to analyze the data on descriptive statistics such as mean, frequencies and various charts. The descriptive statistics provide the tool for organizing and analyzing numerical data. It helps to describe things numerically. The frequencies tell us how many times something occurred or how many responses fit into a particular category. The mean is obtained by summing up all the scores and dividing by the total number. The analysis was done using a computer software program known as the Statistical Package for Social Scientist (SPSS).

Before entering the data in the computer coding was done whereby respondents were identified by numbers and variables were determined. Responses for each variable and respondents are fed into the computer and analysis is done automatically by key command on the computer.

SWOT analysis was used to determine Strengths, Weaknesses, Opportunities and Threats of important variables. Other data were analyzed manually by making comparison, supporting and qualifying the research.

CHAPTER 4: FINDINGS

1. Nature of respondents:

A total of 41 respondents participated in the research whereby these groups represented 15% of the total current stakeholders of LSS.

1.1 Age of respondents. The age distribution of respondents is as shown in table 2 below:-

Table 2; Age of respondents

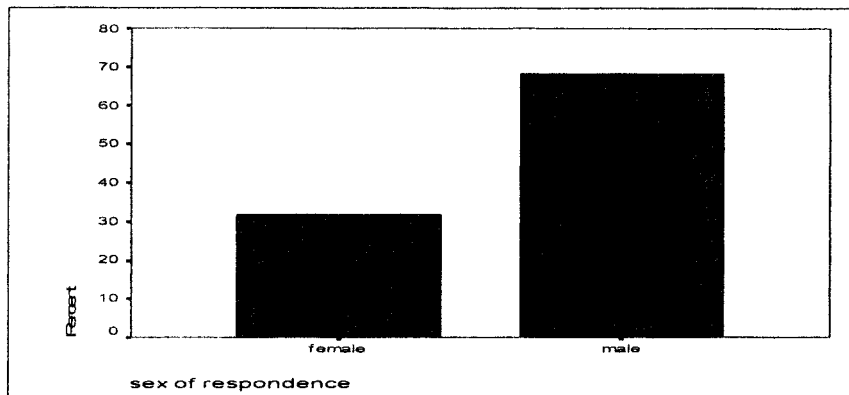
	Frequency	Percent	Valid Percent
Below 21 years	15	36.6	36.6
21 to 35 years	5	12.2	12.2
36 to 45 years	8	19.5	19.5
Above 45 years	13	31.7	31.7
Total	41	100.0	100.0

Source; LSS Research, April 2004

The largest percent age group was below 21 years because, of all stakeholders of the school the students represent a largest group (37 %). The second largest group (32%) was the age group of above 45 years, the third large age group (20%) was between 35 to 45 years and the lowest percent (12%) were between 21 to 34 years. Generally youths, young people and elder people were fairly well represented.

1.2 Sex of respondents; Male respondents were 68% and female respondents were 32%, revealing the actual African poor gender relations especially in rural areas as seen in figure 1 below;-

Figure 1: Sex of respondents



Source; LSS Research, April 2004

1.3 Stake holders of the school; Main stakeholders of school were included in the research whereby parents and students respondents represent a higher percentage because they are the larger groups. Parents and students group each represented 37% , thus making a total of 74% of all respondents. Other stakeholders include board members; (7%), teachers; (7%), support staff; (7%) and government leaders; (5%) as seen in table 3 in appendix x. All these groups were included because they have different interests in the school and hence their opinion about various issues about the school may be different.

1.4 Level of education; At least all respondents could read and write. 49% of respondents were pursuing ordinary level secondary education, 22% had attained primary level education, 20% had diploma certificate in education, 7% had pursued literacy education and 2% were form six graduates as seen in table 4 below.

Table 4: Level of education

	Frequency	Percent	Valid Percent
Literacy education	3	7.3	7.3
Primary education	9	22.0	22.0
Ordinary level	20	48.8	48.8
Advance level	1	2.4	2.4
Diploma level	8	19.5	19.5
Total	41	100.0	100.0

Source; LSS Research, April 2004

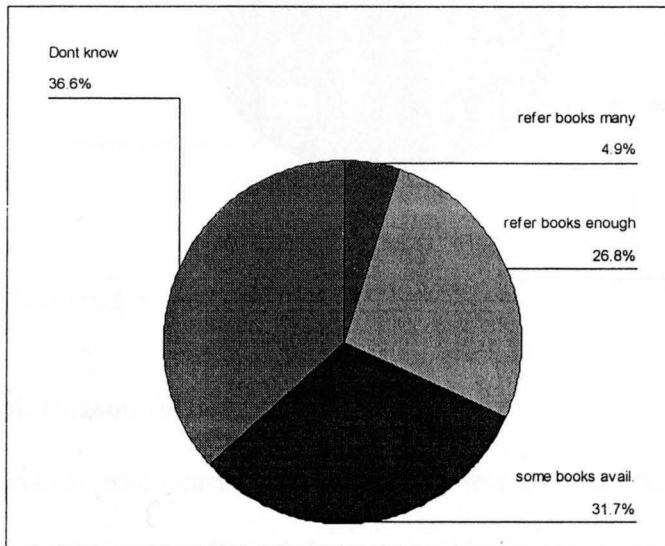
Since all respondents were able to read and write, were able to respond to the questionnaire without or with little assistance.

2. Availability of reading materials:

All parents (37%) were unaware of the availability of reference books at the school, indicating that parent days probably are not held in these days. 32% accepted that some reference books are available, 27% accepted that reference books are enough and 5% were of the opinion that reference books are plenty as seen in the figure 4 below.

This result indicates that at least reference books in LSS are available unlike in many other secondary schools in Tanzania where parents are requested to contribute for books.

Figure 4: Availability of reference books



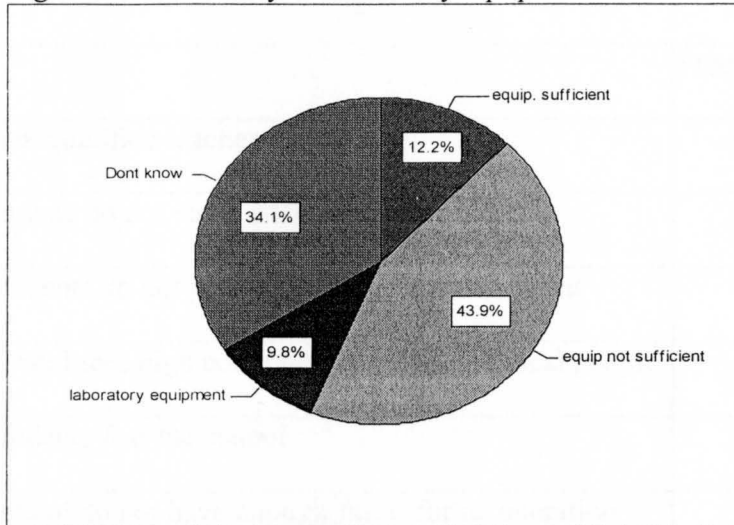
Source; LSS Research, April 2004

3. Availability of laboratory equipment:

44% of the respondents had the feeling that the school does not have sufficient laboratory equipment while 34% were not informed as they don't know if the school had sufficient equipment. 12% gave the opinion that laboratory equipment were sufficient while the remaining 10% had the opinion that laboratory equipment were many as seen in figure 5 below.

Considering the poor condition of many schools in Tanzania one can conclude that at least LSS have some reference books, laboratory equipment and other infrastructures (refer appendix v) and cannot be considered as a root cause of the problem of school.

Figure 5: Availability of laboratory equipment



Source; LSS Research, April 2004

4. Reason for few students;

As observed earlier the school has few students compared to its capacity. According to table 5 below 37% of the respondents mentioned few qualified teachers as main reason of few students at the school. Other reasons for few students are as mentioned in the table 5 below:-

Table 5: Reason for few students.

	Frequency	Percent	Valid Percent
Few qualified teachers	15	36.6	36.6
Parents do not value education	7	17.1	17.1
Students do not perform well in national exams	6	14.6	14.6
School fees high compared to income of local people	4	9.8	9.8
Students fear the school	2	4.9	4.9
School do not have enough funds for its operation	3	7.3	7.3
The school is poorly managed	1	2.4	2.4
Frequent change of management	3	7.3	7.3
Total	41	100.0	100.0

Source; LSS Research, April 2004

4.1 Number and qualifications of teachers at LSS: According to the regulations of the Ministry of Education and Culture an ordinary level school of commerce bias with two streams should have at least 19 qualified teachers. Moreover the Education circular number 4 of 1979 stipulates that 25% of teaching staff should be university graduates. Table 9 in appendix x shows the number and qualifications of teachers at LSS who have stayed there at least six months. The data show that LSS has not been able to meet neither the minimum number nor the minimum qualifications of teachers required.

Moreover form six graduates who constitute the majority of training staff in year 2001 to 2004 are not regarded as qualified teachers. The school had the lowest number of qualified teachers (6) in 1997 and highest number (10) between year 1998 to 2000.

Teachers are the backbone of any school. Low number of teachers at LSS coupled with low qualifications have great effect on the students performance.

4.2 School performance in National examination: LSS performance according to form iv results since 1995 to 2003 is as shown in table 10 below.

Table 10: LSS performance according to the form iv results since 1995 to 2003.

Grade/Year	1995	96	97	98	99	00	01	02	03	Total	Percentage
Division I	-	-		-	-	-	1	-	-	1	0.3
Division II	-	1		2	2	-	-	-	1	6	2.2
Division III	3	7		1	2	3	6	4	3	29	10.4
Division IV	28	25		18	31	28	9	13	12	164	58.8
Failure	5	18		7	2	11	13	14	1	71	25.5
Absent	2	-		1	-	-	-	4	1	8	2.8
Total	38	51		29	37	42	29	35	18	279	100

Source; LSS Research, April 2004

Generally the performance of form four students in national final exams is poor as most of the students get lower grades. The data show that less than 3% of all graduates got higher grades (division I & II) and 10% got division III.

The largest group of these students (59%) got division IV which is considered as lower grade and 26% were failures. This supports the argument above that poor performance of students is mainly attributed to lack of enough and qualified teachers. Other factor which can contribute to poor performance is the selection criteria of new comers to this school. Since the school has little credibility and they are in need of students they do not conduct pre-qualifying test like other reputable schools. In other words it enrolls any student without testing one's ability. This has repercussion to the school because it cannot guarantee good performance in final exams and consequently good image of the school in terms of academic performance.

4.3 School performance compared with other schools: Table 11 in appendix x depicts the performance of LSS in national form four examination when compared with other schools. LSS produced its first batch of form four graduates in 1995 and it was ranked number 271 out of 464 ordinary level secondary schools in Tanzania. This can be counted as a fair performance taking into consideration that it was its first experience and one should expect there was a room for improvement in the following years. However this has not been the case for LSS because according to the table 11 it shows that the performance continued to drop. In the year 2001 and 2003 the performance appears to improve as it is ranked below 50% (i.e. 37th and 38th out of 100 schools) but this is because the comparison was only for schools that had 35 candidates or less. Moreover in year 2003 the performance was worse than in year 2001, an indication that the performance was also dropping.

4.4 Number of students: Table 6 below shows total number of students at LSS as from 1995 to 2004.

Table 6 Total number of students at LSS as from 1995 to 2004.

Year	Number of Students			Gap
	Boys	Girls	Total	
1995	120	91	211	109
1996	156	138	294	26
1997	88	70	158	162
1998	82	67	149	171
1999	70	90	160	160
2000	90	90	180	140
2001	94	67	163	157
2002	97	58	137	183
2003	79	58	137	183
2004	59	41	100	220

Source; LSS Research, April 2004

It will be remembered that the school has the capacity of taking 320 students in a year. According to the data in table 6, this objective is not attained despite the fact that the school has been operating for more than 12 years. In the year 1996 LSS almost reached full capacity when the number of students was 294 probably because the previous year's form four results were at least encouraging especially in comparison with other schools in Rukwa region. The data show that generally the number of students is decreasing and in year 2004 the school had only 100 students which was the lowest record followed by year 2002 and 2003 where the number of students was only 137 in each year.

It is not surprising to observe ever decreasing number of students at LSS because of poor performance in form four exams. Poor performance of students is attributed to few and unqualified teachers.

Form one enrolment: Buijsrogge, (1996) reported that recruitment at LSS takes place in two ways:

1. Those who apply directly to the school. Some pass an entry examination but this is not always the case.
2. Those who after the standard 7 examination at district level are divided over to different secondary school. The school accepts them in as far places are available.

These recruitment strategies were successful only in the early years of the school existence in 1992, 1993 and 1996 when the school enrolled more than 100% (when considering 40 students pre stream) of form one students required as seen in table 7 below.

Table 7: Form one enrolment at LSS since 1992 to 2004

Year	1992	93	94	95	96	97	98	99	00	01	02	03	2004
Boys	43	42	23	40	42	32	20	35	35	35	16	21	29
Girls	41	39	24	23	41	27	37	15	17	34	11	28	22
Total	84	81	47	63	83	59	57	40	52	69	27	49	51
%	105	101	59	79	104	74	71	50	65	86	34	61	64

Source; LSS Research, April 2004

The rest of the years the enrolment was less than 100% and the lowest enrolment of 34% was recorded in the year 2002. The decline in enrollment of form one over the years is caused by poor performance of the school in final exams in that parents are afraid that their children will also not perform well.

4.5 Local parents and education: Findings in table 5 above revealed that 17% of respondents were of the opinion that the reason for few students in LSS is that parents in this area do not value education. This opinion may be true since the school is located in remote area where it is difficult to identify people who have attained better life through education so that other people can emulate. But the fact that the school is not restricted from accepting students within Laela area this point is not valid.

4.6 School fees: The findings in table 5 above, show that about 10% of respondents commented that the school has few students because the fees that is charged is relatively high compared to income of local people. LSS has been charging the following fees since its inception; Between 1992 to 1993 the tuition fees per student per year was Tsh. 30,000, between 1994 to 1997 was Tsh. 40,000, and between 1998 to 2002 was Tsh 95,000 including hostel fees. In year 2003 the fees were revised again to Tsh 200,000 including boarding charges. The criteria used to determine the fee of Tsh 200,000 was mainly based on the ability or willingness of parents to pay instead of considering the real costs of operation.

This means that no concrete budgeting was carried out to show if the revised amount for the expected number of students will be able to cover operational costs.

A neighbour private school in Sumbawanga town called Chem Chem is charging Tsh. 300,000 (tuition and boarding) fees per student annually. According to the bursar of that school the amount of Tsh. 300,000 does not cover all costs of operations and they are depending on other external sources. Unlike LSS this school does not have a shortage of students at all.

Another private school called Panda Hill and owned by the diocese of Mbeya was charging Tsh 450,000 since 1997 and currently it is charging Tsh 530,000 per student per year. Both fees include tuition and boarding charges. According to the bursar, this school intends to increase further the fees so as to meet the ever-increasing running expenses. Panda Hill does not have problems of getting students despite higher fees.

The government has recommended an increase of fees for private secondary schools from Tsh 150,000 to Tsh 380,000 inclusive of boarding costs through circular letter number 19 of year 2002 issued by ministry of education and culture. The effective date for the circular was on the 1st of January 2003. The circular indicated the reason for the increase of fees was due to continuous increase of the operational costs and increase of price of important items.

The fees charged by LSS are quite low compared to other private school in the Southern highland. If the management of this school had in place a proper budgeting procedure would enable them to forecast properly the costs of operations.

If the costs of operation of school are well known then it is easy to determine realistic fees since it is the major source of income for this school. Moreover if the past financial records were properly maintained, compiled, analyzed and interpreted they could form a reference for the management to learn from the past and make realistic projections for the future. In other words lack of accounting procedure manual has failed LSS from estimating realistic school fees.

5. Reason for few and unqualified teachers:

Respondents gave their opinions on why the school has few and unqualified teachers as shown in the table 8 below. 49% of respondents were of the opinion that the payment of low salary was the reason for few and unqualified teachers. 27% mentioned lack of enough funds (due to few students at the school) causes few and unqualified teachers. 12% of respondents mentioned the uncertainty of salary payment as the cause of few and unqualified teachers.

The top three reasons which received highest scores are related to poor financial position of the school. Moreover lack of basic services such as medical care to staff can also be attributed to poor financial position of the school. 7% of the respondents commented that since diocese has no training centre of its own has led to few teachers at LSS. Probably this opinion was given by respondents who still believe that the diocese is very rich and can do everything for them. With current world trend of liberalization and globalization teachers are always available but at competitive price.

The above findings indicate that the main reason for few and unqualified teachers are linked to failure of the school to pay attractive remunerations to its employees.

Table 8: Reason for few and unqualified teachers.

	Frequency	Percent	Valid Percent
Teachers are paid low salary	20	48.8	48.8
School does not have enough funds due to few students	11	26.8	26.8
Date of salary payment uncertain	5	12.2	12.2
Diocese does not have its own training centre	3	7.3	7.3
Staff has no basic services	2	4.9	4.9
Total	41	100.0	100.0

Source; LSS Research, April 2004

6. Reporting for Income Generation Activities:

Reports are very essential in monitoring the progress of any activity. When the respondents were asked to give their opinion on reporting for IGA's of the school (table 12; below) 71% were not sure if reports were prepared. 24% were of the opinion that reports were prepared at least twice in a year but were not open to all. A small percent of the respondents (5%) agreed that reports were prepared often and distributed to stakeholders.

Table 12; Reporting for Income Generation Activities

	Frequency	Percent	Valid Percent
Reports prepared twice or more to stakeholders	2	4.9	4.9
Reports prepared twice or more in a year but not distributed	10	24.4	24.4
Not sure if reports are produced	29	70.7	70.7
Total	41	100.0	100.0

Source; LSS Research, April 2004

Buijsrogge, (1996) reported: “In the beginning of the year budget is worked out by the headmaster his deputy and the bursar. As the accounts of school are presented now it is not possible to assess whether these projects are profitable and how profitable they are. Income and expenses of school should be clearly distinguished from income and expenses of IGAs. Monthly reports should be compiled to six months and yearly reports and to be presented to board and manager”.

These views concur with the opinions of respondents that financial recording and reporting is not done properly. Moreover the above findings show that participation and transparency is lacking, misappropriation of funds cannot be ruled out and misallocation of funds is very likely.

7. Leadership and management:

The opinion on leadership and management were given by workers and board members as other groups of respondents could not respond to these questions in pre testing exercise. The general trend as indicated in table 14 to 19 in appendix x; it appears that most of the systems and procedures are either not followed or not there at all.

7.1 School Board: When asked if school board had received training so that it can perform its functions better, workers and board respondents said no (table 14, appendix x). LSS has a board that is made according to the National education act number 25 of 1978. According to this act the board has 27 members including;-

- 1) One member representing the founder of school
- 2) Regional education officer who represents the commissioner of education
- 3) Head of school who becomes a board secretary
- 4) Teachers representative
- 5) 6 members who are proposed by regional education secretary and approved by the regional commissioner
- 6) 5 members proposed by head of school and approved by district education officer
- 7) 2 co-opted members
- 8) 5 members appointed by the owner of school for non-governmental schools
- 9) 5 members appointed by the regional education officer

The major functions of the board are:-

- a) Board has the authority to supervise management and development plans of the school,
- b) to control the discipline of teachers and students and
- c) to control the finances of the school.

According to the act the board is supposed to meet 4 times in a year. Records in LSS indicate that the board was holding its meeting only once per year from its inception till year 2000.

Between year 2000 till 2002 there were no meetings held because the previous board had finished its term of office and it was alleged that the ministry did not approve new board members.

In October 2003 new board was formed and approved by the Regional Commissioner according to current regulation. New board is convening its meetings regularly according to the regulations.

Board in any organization is an essential organ for supervising the management. In order that board is able to perform its function well members should be trained on their roles and functions.

It should also be noted that for the board to make the right decisions, particularly with regard to finances they have to receive timely and precise data and information from the management. Management has failed to supply timely and precise information because interpretation and reporting procedures are lacking.

On the other hand irregular board meeting in the past may have contributed to poor performance of the school in that there was no effective organ in place to control the management on the use of funds.

7.2 Job description: When respondents were asked to give their opinion whether job description were written and on use or not, 67% said no while 33% agreed (table 15, appendix x). The reason for this is that job descriptions were available only for teachers. Other support staff including the school bursar had no job description, or if available then they were not open to workers. Job description is important as it shows among others; authority level and the obligations of the worker to the organization.

Lack of job description can lead to workers mixing jobs, interfering tasks of others and some workers doing more or less work and hence inefficiency. A sound accounting manual contain job description at least of account department workers. By having job description a worker can recognize her/his position in the organizational hierarchy. However in LSS the organization structure seen in appendix v, figure 6 does not show span and authority relationship in the internal organization. Organization structure is part and parcel of an accounting manual as it indicates the hierarchy, span of control, authority level, and accountability.

8. Accounting procedures:

Respondents were asked to give their opinion on the school financial accounting procedures. 90% of those informed were of the opinion that the school accounting procedures were not written and clear to all concerned while the remaining 10% agreed.

(refer table 20 below)

Table 20: Accounting procedure written and clear to all concerned

	Frequency	Percent	Valid Percent
True	1	2.5	11.1
Not true	8	19.5	88.9
Total	9	22.0	100.0
Not applicable	32	78.0	
Total	41	100.0	

Source; LSS Research, April 2004

8.1 The current accounting system at Laela Secondary School.

8.1.1 Personnel of accounting section are the headmistress and the accounting clerk.

The account clerk has the following duties;

- 1) collects the revenues of the school
- 2) purchases of the routine school requirements
- 3) maintains the store of the school
- 4) Signatory of cheque book for the school

Qualifications and experience;- Form four graduate with training in education as a teacher. Has a long time experience of more than twenty years in handling cash in four institutions of the Catholic diocese of Sumbawanga.

There is no written job description given to account clerk. However she receives directives from the head of the school on what to be done. Other instructions received were provided by her predecessor two years ago on how to maintain the accounting records of the school.

Head of school;

- a) Has the authority on the use of school funds
- b) Put to custody the school revenue
- c) collect revenue of the school.
- d) Record the transaction in the record book mentioned by the head of school.
- e) Provides the account clerk with petty cash to meet routine expenses.
- f) Signatory of cheque book.

81.2 Account books and other documents

Source documents: Basically these are the books in which the entries are made prior the posting into the ledger. In the case of LSS normal exercise books are used in place of receipts for collection of cash and payment voucher for paying cash. Invoices and delivery notes are not used at all even though some items such as farm inputs are bought on credit and at times meat may be sold on credit.

The account books that are usually maintained include cash book, musterall and general ledger. The cash book and cash analysis books that were found at the school are not used by the account clerk on the claim that it involves a lot of paper work. Instead a normal exercise book is maintained in place of a cash book. There was no evidence of the use of internal transfer vouchers for the recording of the internal transactions effected. For example movements of stocks are only recorded but they are not passed in the internal transfer vouchers. Likewise the assets that are bought on cash are recorded in the cash book only but there is no further treatment of posting to individual ledger accounts because ledgers and the account codes are not in place.

8.1.3 Salary accounting

The accounts clerk prepares the salary payment after receiving instructions from the head of the school on the amount to be paid for each worker as extracted from letters of appointments.

Salaries are prepared by using the teachers and non teachers monthly deduction form that records the name of employee, monthly salary, the necessary deductions for each employee and the net salary. After arriving at net salary for each employee the account clerk prepares a payroll.

Basically it contains the names of payees, net salary and a space for each payee to put a signature after receiving the payment. The prepared payroll is then sent to head of school for cross checking the calculations. The head of school will release cash equal to the total amount of net salary shown in the payroll after verifying the calculations. However the designed form does not show a space for authorization. The account clerk will effect payment after each employee has signed the payroll. The total amount of the net salary that is paid out is recorded in the record book maintained by the account clerk. However no journal voucher is passed to show the treatment of the deductions made such as NSSF contributions, payee etc.

8.1.4 Accounting for cash collection from income generation projects;- The cash collection in each project is collected by operator of that project. The collections are recorded in the record book and sent to account clerk or head of the school at the end of each working day. The account clerk/head of school will collect the cash from the operator of the project and record the same amount in his/her recording book.

8.1.5 Cash collection from student fees

The students are required to bring at least half of the fees at the beginning of the school year. Fees are either received by the head of the school or the account clerk whereas each of them has a recording book showing the collections.

The account clerk upon receiving the fees will write a receipt (actually it is not a receipt but a cash sale) that is provided to the student as an evidence that the fees have been received. The “receipt” provided are not pre numbered and do not bear the stamp of the school.

Moreover the account clerk will enter the same amount collected into her cash record book together with other cash transactions so that she can at any time determine the cash in hand.

8.1.6 Farming accounting; The farming accounting for the school include crop growing and animal rearing.

There is a teacher who is in-charge of farm operations. He/she prepares the budget of farm activities and submits it to the head of the school. After scrutiny by the head of the school the money for farm operations is given to the in-charge by installment. The farm in-charge does not sign any document as evidence of receiving cash for farm activities. It is believed that the in-charge will use the money according to the work done in the field. There are no records kept for those (casual laborers) paid as it is usually the case. With this kind of procedures misappropriation and cheating is likely to occur.

After harvesting the yields are recorded in the store record book and entered in the store ready to be used by students as their food. However no journal entry is passed to indicate how much in terms of money was transferred from farm project to the store. Likewise when there are requirement in the kitchen, cereals are transferred from the main store to the small kitchen store.

The cereals taken from the main store are recorded in the store record book indicating the date, type of cereal and amount but without showing the value of the cereals. Again no journal voucher is passed to show how much food expressed in monetary terms is spent to feed the students.

In the case of selling livestock products such as pork, meat, milk, culls etc. the cash is collected by the livestock keeper and record in his/her record book. The livestock keeper will then remit the collected sum to the account clerk or head of the school together with his/her record book. The head of school/account clerk will check the arithmetic sum and compare with the sum being remitted. Then the cash is collected and recorded in another record book handled by the account clerk/head of school. It should be noted here that both account clerk and the head of the school have different books for recording cash transactions, an indication of the element of mistrust. Moreover when cash is received from projects the account clerk does not put the initials in the record book of the in-charge of the project. Likewise the project in-charge does not get the receipt showing that the account clerk has received cash from the project.

8.1.7 Approval for payment

Since the head of the school is currently the custodian of the school cash no large sum of cash can be paid without her approval. However when payments are effected by the account clerk the approval from the head of the school is usually verbally as the payment document is not returned for approval before the actual payment.

8.1.8 Internal check procedure on the accounting system:

The division of work between the account clerk and the head of school does not offer room for internal control since the latter has both the authority and at the same time the custodian of cash.

8.1.9 Budgeting and reporting: As mentioned in finding number 6 above, budgets are prepared by the head of school, assistant head of school and bursar. This budget is neither sent to board or owner for approval. Financial reports are prepared by bursar on monthly basis following the designed format as shown in appendix x, figure 7. However the report exclude non cash transactions and it is not compiled to quarterly and yearly reports. Lack of proper financial records has failed the school from preparing financial statements and financial ratios for interpretation. Management and the board cannot make informed decisions because of lacking right information.

9. General opinion of respondents on possible solution to the problems of LSS:

These opinions are as ranked in table 21 below and when clustered the solutions can be put into two broad categories of strengthening management by putting up systems and procedures particularly the accounting manual and fundraising that also featured in the needs assessment analysis. However fundraising is not advisable at the moment without having in place proper accounting procedures that will facilitate preparation of proper budget and cash flow.

Table 21: Opinion of respondents on possible solution

	Frequency	Percent	Valid Percent
Management should supervise properly the IGA's	11	26.8	26.8
Increase salaries of teachers	8	19.5	19.5
School to look for donors	5	12.2	12.2
School income and expenses put in writing and in transparency	5	12.2	12.2
School to have rules and procedures in place	3	7.3	7.3
School to employ qualified and competent staff	7	17.1	17.1
School handed to government or any able congregation	2	4.9	4.9
Total	41	100.0	100.0

Source; LSS Survey, April 2004

10. CONCLUSION

This study has revealed that lack of accounting manual has contributed to the poor performance of school in the following ways:-

1. Failure to prepare realistic budget due to lack of accounting manual has led the school to charging very low fees that cannot meet the operation costs. This is the reason why the school cannot pay its staff competitive remuneration and as such cannot attract qualified teachers. The school has had few and unqualified teachers because of poor remuneration. Few and unqualified teachers cannot teach well and this results into poor performance of students in their final exams. Poor performance of students in final examinations does not attract students to join this school and this result into shortage of students.
2. Failure to run income generating activities (IGA's). All IGA's of school have collapsed due to lack of accounting manual. Since no proper records were kept for operation of these projects it was not possible to determine the profitable projects so that unprofitable one could be eliminated. In this way the school has lost an opportunity to generate income which is very much needed to support financial sustainability of school.

3. Management and the board cannot make informed decisions because of lacking reliable information and at the right time. Lack of proper financial records has failed the school from preparing financial statements and financial ratios for interpretation. These are the kind of information needed by the management and board to make decisions.
4. Misappropriation: Lack of accounting manual has provided loop-holes for cheating and misappropriation as fund control mechanisms are not in place.
5. Lack of accounting manual has resulted into recruiting untrained accounting personnel. Accounting manual show the accounting procedures in the organization and this hint the scope and magnitude of the work involved. Information about the scope and magnitude of the work involved determines job description and hence the caliber of personnel required.
6. Inefficiency. Lack of accounting manual has led to inefficiency in that job description particularly of accounting personnel is lacking. This has caused interference in the duties of one another or not knowing what to do or doing less work.
7. Lack of proper organization structure: Lack of effective organization structure has led to misuse of power and poor accountability as workers do not know their position in the organization hierarchy.
8. Poor accountability: Lack of accounting manual has failed the accounting personnel to record, analyze and prepare financial report for stakeholders of the LSS.

9. Transparency: Failure of LSS to produce financial report to management and to outsiders has led to lack of confidence to the school administration. When stakeholders lose confidence they promote a bad name for the school and this does not attract new students
10. Misallocation of funds: Lack of accounting manual has led to misallocation of funds because proper records are not kept so that expenditures and revenue can be tracked against budget.
11. Participation: Lack of accounting manual has led to poor budget preparation in that only three people (headmistress and her assistant and bursar) are involved. Head of departments does not sit with their staff to prepare departmental budgets.

11. RECOMMENDATIONS

Preparation of a tailor-made accounting manual is expected to contribute to the efficient running of LSS by:-

1. Preparation of realistic budgets that relate income and expenditure. The school will be able to charge realistic fees that when combined with other sources of income will be able to meet the operational costs including prompt payment of competitive remuneration to workers.
2. Producing of reliable and timely reports to management and board for decision making. With availability of accounting manual it will be possible to produce reliable and timely reports so that correct decisions can be made by decision making bodies.

3. Availability of accounting manual will make it possible the documenting of accurate financial records of IGA's and carrying out the analysis to determine profitability of each project. The unprofitable projects that used to consume profits of other projects will be eliminated and contribute to financial sustainability of school.
4. Accounting manual will eliminate the possibility of misappropriation by putting in place sound accounting procedures and control mechanism that do not provide loop-hole for misappropriation.
5. Accounting manual leads into the recruitment of accounting personnel who match with the type of job to be accomplished.
6. Accounting manual promotes efficiency by providing clear and sound accounting procedures including job description of concerned staff. The inclusion of organization structure that show who is where in the organizational hierarchy further promote discipline and thus enhance efficiency.
7. Transparency. Accounting manual will make it possible to record, classify, analyze, interpret and report financial transactions to all concerned stake holders and hence enhance transparency.
8. Accounting manual will eliminate misallocation because it provide procedures and mechanisms that does not leave room for funds misallocation.
9. Accounting manual will enhance participation by providing clear instructions that indicates who will participate in the budget preparations, assessment of profitability of projects and carrying out of stock taking.

CHAPTER 5: IMPLEMENTATION OF RECOMMENDATIONS

The accounting manual was prepared following the request made by the management of Laela Secondary School (LSS). Their request was supplemented by in depth study that revealed lack of proper financial records, accountability, transparency and lack of financial reporting and evaluation have contributed to the failure of school to achieve its objective of providing secondary education. It is difficult for the school to measure its performance without maintaining proper financial records because most of its activities are finally expressed and are measured in monetary terms.

1. Preparation of the manual

A number institutions, literatures and individuals were consulted before preparing this manual. The aim of consultation was to gather information and experiences on what has been written and put into practice regarding accounting procedures. Four secondary schools in the Southern highlands area of Tanzania and two accounting firms were consulted. The management of LSS was involved in every stage in the course of preparation of the manual.

This manual mainly adheres to Tanzania Statement of Recommended Practice No. 2: Basic Record keeping and Accounting Practices for NGO's in Tanzania. It is prepared on consideration that LSS has no accounting system at all that complies with official standards and as such the proposed manual is made simple but it enhances transparency, accountability and financial reporting.

2. The main section of the manual as seen in appendix xiii are:-

- A. The proposed organization structure of the school
- B. The sources of fund for the school
- C. The accounts codes
- D. Basic accounting routines
- E. Preparation and control of annual budgets
- F. Accounts preparation
- G. Accounting for fixed assets.

3. Orientation of LSS staff on the use of manual

The orientation on the use of this manual was conducted in the last week of February whereby it took 1.5 hours each day for five days. The participants in the orientation were the head of school, bursar, academic master and staff representative.

4. Adoption of the manual

The economic and planning committee of the school instructed the management team to apply the manual immediately after the orientation. The manual was put into use in the beginning of March 2005.

The remaining activity is the evaluation of the manual on its effectiveness which may be performed after a period of at least four months from the date of commissioning the manual.

5. Recommendations

A simple, but adequate accounting manual for LSS has been proposed and adopted. The important parts of this manual include the organization structure, sources of funds, chart of accounts, routine accounting procedures, accounting for fixed assets, budgeting, financial report preparations and reporting.

Preparation and adoption of accounting procedure manual for the LSS is but one step forward toward the achievement of school objectives. It is important that the evaluation is done to determine if the manual will serve the intended purpose after the elapse of considerable time. Since the management is already acquainted to the manual it is suggested that the accountant has to ensure that the manual is put into the application whenever a transaction is effected. Likewise the head of school should supervise the application of the manual by weekly checking the recording of transactions in appropriate books and fulfilling the role of authorization whenever a transaction is made.

The school board, been the main governance organ, has the overall responsibility of ensuring the application of the manual. The board may insist receiving quarterly financial reports prepared following the guideline stipulated in the manual as a way of monitoring its application. For an effective monitoring of the application of the manual by the board it must have members who have accounting expertise in their team.

The evaluation may commence after the elapse of at least a year to see if the more qualified teachers are available and receiving competitive remunerations. Other indicators for evaluation could be students performance, number of students enrolled etc.

It must be emphasized that Board is a very crucial organ for any organization. There is a need to strengthen the school board by providing it with necessary board training so that it is able to perform its function including supervision of application of the accounting manual. The role of the diocese as owner and manager of the school is not very clear. At the moment the diocese supervises its education institutions through the diocesan education board but the role of this organ is not clear as well. There is a need for the diocese to define clearly the role of the diocesan education board so that it is able to contribute to the development of education institutions of the diocese. One of the important role of this board could be the development of education policy for the diocese that is currently lacking. Membership to this board should be mainly guided by the functions of the board.

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