

**ASSESSING THE FINANCIAL MANAGEMENT TRAINING NEEDS
OF NON-FINANCIAL MANAGERS IN PUBLIC UNIVERSITIES IN
KENYA FOR BETTER FINANCIAL PERFORMANCE: A CASE
STUDY OF JKUAT**

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UNIVERSITY.**

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Declaration

'This project is my original work and has not been presented for a degree award in any other university'

Simon G. Kimotho

Signature  : _____ Date 08.01.09

'This project has been submitted for examination with my approval as University supervisor'.

Mr. D. K. Ngaba

Signature  . _____ Date 02.02.09

Dedication

This project study is dedicated to my wife and children. Your existence was an invaluable source of encouragement to me. A memory of how you encouraged me even when my tight schedules could not allow me to be with you is greatly treasured. May the almighty God bless them all.

Acknowledgement

This work could not be complete without the material and moral support from other persons, which was given freely and generously. To all concerned, whether mentioned by name herein or not, I say thanks a lot and God bless you.

My supervisor Mr. Ngaba deserves special thanks and recognition. His constructive criticism and suggestion were all important. Library assistants, the African~~is~~ section of Kenyatta University deserves special thanks for their highly treasured assistance. My wife, two daughters and son were all of great moral support to me.

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Abstract

Financial management involves basically three decisions, mainly financing, investing and dividend decisions. Other managerial functions in financial management include planning, controlling, organizing, and coordinating financial matters within an organization. The financial management therefore involves financial planning, forecasting of cash receipts and disbursements, the realizing of funds use and allocation of funds, and financial control. Every manager at the senior, middle and lower level management will at one time or another is required to make a financial management decision on behalf of the Institution, department or section. It is important that such decisions are made after taking into consideration basic financial management principles. This research is mainly intended to assess the training needs of financial management skills among the non-financial managers in the strategic, tactical and operational positions in the public universities. Such skills would enable them make basic financial decisions within the institution, departments and sections. The research will also determine how lack the financial skills can impacted negatively on performance of managers within the organization. The research will also determine the most favored training method for financial management to non-financial managers. The research targeted the faculties, institutes, directorates and departments of Jomo Kenyatta University of Agricultural and Technology. A sample of employees in the senior, middle and lower level management were used. The data collection instrument used was questionnaire which contained both open and open ended questions. The data collected was analyzed using descriptive statistics. The findings were interpreted, discussed and conclusion made.

The study established that proper and adequate skills in preparation and interpretation of financial reports/statements were an important aspect of financial management. The study established that most of the non-financial managers required training in preparation and interpretation of Balance Sheet statement, Cash flow statement, Retained Earnings statement and Bank Reconciliation.

The study recommends that all the public universities should ensure that all employees especially at managerial level need to be trained on management issues. They need to enroll to the relevant academic programs that will equip them with the necessary knowledge and skills relevant to their profession such as MBA programs. This will ensure that they are effective and efficient in their works which in turn will improve the overall service delivery of the institution.

Definition of Terms

Financial management skills: A piece of financial knowledge or understanding needed to complete a certain task. Such knowledge will be acquired through learning or through undertaking a process over time.

Financial performance: Achievement of a certain financial results in an organization. Good financial performance will be reflected in an increase in revenue, overall reduction in costs and an increase in profitability. A poor financial performance will be reflected in a decrease in revenue an overall increase in costs and a reduction in profitability.

Impact: An effect of a certain decision on the organization. The effect may be positive or negative on the operations of an organization.

Budgeting: The process of stating a plan in quantitative, usually monetary terms, covering a specific period of time, usually one year. In other words, a budget is a systematic plan for the utilization of manpower and material resources. In a business organization a budget represents an estimate of future costs and revenues.

Management: Is the process through which organization resources are planned, organized, controlled, directed and coordinated to achieve specific objectives.

Organization: The planned coordination of the activities of a number of people for the achievement of some common, explicit purpose or goal, through division of labor and function, and through a hierarchy of authority and responsibility.

CHAPTER ONE

1.0 INTRODUCTION

Financial management involves three key decisions which are mainly financing, investment and dividend decisions. Other components of financial management include financial planning, working capital management, long term capital management and financial control.

Every manager's action normally has an impact on the overall well being of the operation and it is essential that in developing organization strategy:

- i) The managers understand the impact of their decisions on the finances of the organization.
- ii) The managers are able to work effectively with the finance professionals in the business.
- iii) The managers are competent in the use of financial techniques necessary in the day to day management and planning for their own departments.

It is important that managers in all levels within an organization are also able to understand and to interpret basic financial information as this can help them in different ways. For example this can help them in:

- i) Looking back at the organization's financial history and records to identify similar situations that could help them draw conclusions and trends from the information.
- ii) Examining published information of other organizations such as competitors, of any indicators, which may aid in decision making.
- iii) Forecasts of the future based on assumptions.
- iv) Using financial data as a means of modeling the effect of different decisions.

Thus managers who are equipped with basic financial principles would be a great asset to any progressive institution as they would be able to make decisions taking into consideration the financial implication.

It is there important for institutions to evaluate financial management skills of non-financial managers with the objective of bridging the gap through relevant training programs.

1.1 Problem Background

For the last five years, the financial performance of JKUAT has been on a declining trend. This is clearly demonstrated by the negative surplus from 2004/5 to 2006/7.

Table 1.0 Surplus / Deficit for 2002/3 to 2006/7

Year	Surplus / Deficit (Kshs)
2002/3	37,170,200
2003/4	39,637,559
2004/5	(111,159,897)
2005/6	(6,183,954)
2006/7	(5,477,429)

The net working capital for the period 2002/3 to 2006/7 also shows a declining trend. The table below shows the net working capital and the current ratios for the period 2002/3 to 2006/7.

Table 1.1 Net Working Capital and Current Assets

Year	Net working capital	Current ratio
2002/3	(15,686,962)	0.93:1
2003/4	44,432	1:1
2004/5	(94,568,713)	0.68:1
2005/6	(146,679,834)	0.44:1
2006/7	(215,109,167)	0.75:1

This has prompted the Kenya National Audit office to continuously qualify the Institution's accounts as technically insolvent unless supported by the Government, Creditors and Bankers. The gross income on the other hand has been increasing as follows:

Table 1.2 Gross Incomes

Year	Amount (Kshs)
2002/3	797,696,756
2003/4	921,623,365
2004/5	1,166,626,118
2005/6	1,582,742,207
2007/8	1,824,511,281

The growing gross income is an indication that the institution has the potential for growth if sound financial management skills are applied. Financial Management role should not be left to the financial managers. All the managers within the institution have a role to play. This is because the decision every manager makes on a daily bases often have financial implication. Some of the decisions that they make and which may have financial implications would include:

- a) Start of new programs without analyzing the break even implication.
- b) the pricing of programs,
- c) the expenditure pattern within the institution and departments,
- d) the internal control systems within the institution,
- e) capital investment decisions,
- f) Financial planning.

It is therefore important to have all the members of management properly trained in financial management through training programs.

1.2 Research Problem

Despite the increase in the number of fee paying students in public universities, many of the universities still continue to experience financial problems. In particular, JKUAT has for the last five years experienced poor financial performance as may be evidenced by reports from Kenya National Audit Office which has qualified its financial statements on the bases of technical insolvency. The Internal Audit department has on many occasions raised audit queries on poor record keeping, poor internal controls, and poor financial

management within departments, faculties, directorates and schools. These anomalies in the process contribute to the overall poor financial performance of the institution.

The concerned managers are in many occasions required to make decisions which have financial implications in the faculties, departments, directorates and the institution at large. A poor decision will affect the overall financial performance of the institution.

There is therefore a need for a study to assess the basic financial management training needs among the non financial managers with the aim of bridging the gap through training programs. This in the process will help public universities to improve in their financial management skills and therefore financial performance.

1.3 Objectives of the Study

The objectives of the study were mainly:

- (a) To assess the financial management training needs among non-financial managers in public universities.
- (b) To find out the effects of lack of basic financial management skills among the non-financial managers to the financial performance of the public universities.
- (c) To seek the best training methods to improve financial management skills among the non-financial managers in public universities.

1.4 Research Questions

The research questions that were answered by this research are:

- a) What are the financial management training needs among the non-financial managers in the public universities?
- b) How has lack of basic financial management skills effected on the financial performance of the public universities?
- c) What are the best training methods that can be used to improve financial management skills among the non-financial managers in the public universities?

1.5 Significance of the Study

The study will be of benefit to the following:

- i) The Public Universities will be able to assess the financial management training needs that are required for proper financial decision making.
- ii) The Public Universities to identify the common basic financial management skills required among the managers in public universities.
- iii) It will help to determine how lack of financial management skills has impacted negatively or positively on the financial performance of the organizations.
- iv) The institutions of higher learning to identify the managers training needs in financial management and therefore come up with a curriculum and programs that will address the needs.
- v) It will help the public universities to determine the best training methods in financial management for their non-financial managers.

1.6 Limitations of the Study

- (i) **Time:** The six months available to do the research could not have been enough. The researcher had to employ two research assistants who hastened the data collection process.
- (ii) **The cost involved:** Given that the research was self-funded posed some financial limitations. The researcher in order to overcome this limitation used less expensive research options.
- (iii) **Sampling:** The researcher had the limitation of ensuring that the sample he used was representative. The researcher in order to overcome this limitation tried as much as possible to ensure that the sample used is representative.
- (iv) **Researcher's bias:** The fact that the researcher is an employee in the same institution posed a bias concern at the data collection stage of the research. However by using research assistants who are mainly not employees of this institution, this problem was curtailed.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definition of Financial Management

According to Irwin (1994), financial management is a part of an integrated management system for any organization and should include setting strategic objectives, planning, forecasting, budgeting, recording financial data, comparing performance against plans and exercising control. According to Rao (2005) financial management involves control and treasury. Control looks at financial accounting, cost accounting, taxes and data processing. Treasury is concerned with cash management, capital budgeting, financial planning, credit analysis, investor relations and pension fund management.

According to Cullen (2003), many sectors of the economy in the last two decades have seen a greater emphasis placed on the management of financial resources. Financial management attributes of organizations are no longer the prerogative and sole responsibilities of echelons of financial managers, but are now the day to day currency of all managers. This has resulted from the flattening of management structures empowering individuals to take responsibilities for broader aspects of jobs, including finances. In the public sector context, Jenkins (2002) considers financial management as being proactive in the use of financial and other information actively to manage the public sector enterprise to achieve laid down objectives and not merely the provision of financial information.

2.2 Evolution of Financial Management

According to Horne (1980) Finance emerged as a separate field of study in the early 20th century, whereas before it was considered primarily as a part of economics. With the era of technological change in 1920s there was a greater emphasis on liquidity and financing of the firm. During this period, there was wide spread interest in securities, particularly in common stock. This interest became intense toward the end of the decade, and the role and function of investment banker was particularly important in the study of corporate finance at this time.

The depression of the thirties necessarily focused the study of finance on the defensive aspects of survival. A great deal of attention was directed towards the preservation of liquidity and toward bankruptcy, liquidation, and reorganization. This brought the need for government regulations and therefore an increase in the financial data disclosed by companies.

Finance in forties through early fifties, was dominated by 'traditional approach'. This approach, which had evolved during twenties and thirties, was from the point of view of an outsider- such as a lender or investor – analyzing the firm and did not emphasize the decision making within the firm. During this period, however, a greater emphasis on analyzing the cash flows of the firm and on planning and control of these flows from within did develop.

In the middle fifties, great interest developed in capital budgeting and allied considerations. This topic and the concurrent emphasis on present value served as a catalyst for the sweeping changes that subsequently occurred. Another major event in the 1960s was the development of portfolio theory by Markowitz and its eventual application to financial management. This theory emphasized that the risk of an individual asset should not be judged on the basis of possible deviations from its expected return but rather in relation to its marginal contribution to the overall risk of a portfolio of assets.

The use of the computer as an analytical tool added much to the development of finance during the fifties, sixties and seventies. Financial management today is ever-changing with new ideas and techniques. According to Haley (1986) financial management today consist of financial markets which are global in scope. They are linked closely together by electronic communications and financial institutions. The implication has been a tremendous growth in international trade while the financial management field has evolved to meet the new challenges.

2.3 Training

According to Mullins (1996), one major area of the personnel function of particular relevance to the effective use of human resources is training and development. Training is

necessary to ensure an adequate supply of staff that are technically qualified and competent in their management positions. Some of the benefits of training would include:

- a) Increasing the confidence, motivation and commitment of staff.
- b) Providing recognition, enhanced responsibility, and the possibility of increased pay and promotion.
- c) It gives a feeling of personal satisfaction and achievement, and broaden opportunities for career progression.
- d) It helps to improve the availability and quality of staff.
- e) It helps to reconcile the gap between what should happen and what is happening, between desired targets or standards and actual levels of work performance.

2.4 Basic financial records in Financial Management

According to Irwin (1994), if all records are kept well and are easy to read, not only will they provide the information that one need, but they will also make it easier to the accountant when they will be preparing the end of the year financial statements. Accounting records are not only the books used to record the business transactions but also include all the invoices both issued and received by the business. Such records not only assist in preparing accurate accounting records but also enable the manager to say at any time what the position of the business is. According to Cullen (1997), Organization must maintain a set of financial records, because the money involved, while legally belonging to that organization, will have been loaned or invested by individuals. Some of the benefits of ensuring proper records are kept in an organization according to Williams, Beltner and Meigs(2002) Includes:

- i) Establishing accountability for the assets and / or transactions under an individual's control.
- ii) Keeping track of routine business activities such as the amounts of money in company bank accounts, amounts due from credit customers, or amounts owed to suppliers.
- iii) Obtaining detailed information about particular transactions.
- iv) Evaluating the efficiency and performance of various departments within the organization.

- v) Maintaining documentary evidence of the Company's business activities (For example, tax laws require companies to maintain accounting records supporting the amounts reported in tax returns).

2.5 Basic Financial Statements

According to Irwin (1994), there are three basic financial statements mainly the balance sheet, the profit and loss accounts and Cash flow statement.

- a) **Balance sheet:** This summarizes the state of business at a specific point in time. It is the financial snapshot and summarizes the position of assets and liabilities at a specific point in time. The balance sheet tells you how much capital is employed in business, how liquid is the business, how solvent is the business, and how the business is financed.
- b) **The profit and loss:** This is also called Income and expenditure statement. This statement shows how a business has performed over a specific period. It normally records the total revenue and expenditure for the period. According to Parkinson (1997) the statement attempts to measure within the parameters of a particular financial framework, what might be deemed to be a true and fair assessment of the profits and losses arising as a result of the transactions and activities in a particular accounting period.
- c) **The Cash flow statement:** Also called sources and uses of funds. The statement shows how cash flows to the firm and within the business. A forecast of cash flow is one of the most important management accounting tools. According to Parkinson (1997), given that the profit statement measures the profit and loss arising in a particular period; it is understandable the management teams and other parties should want to see a statement which shows what has happened to the cash situation over the same period.

2.6 Interpretation of Financial Statements:

Financial statement can be interpreted through trend and ratios analysis. According to Haley (1986) trend analysis is the use of historical data to diagnose the performance of a company. If through trend analyses a firm's weaknesses are revealed, the immediate reaction is to consider remedies. Irwin (1994) defines a ratio as simply a relationship

between two numbers. Ratios enable one to reduce the information in accounts to manageable size. They indicate how a business is performing and provides information, trends and patterns. Haley (1986) considers four types of ratios used in analyzing financial position of an organization. These are:

- a) Liquidity ratios which indicates the company's capacity to meet short term obligations. Through these ratios much insight can be obtained into the present cash solvency of the firm and its ability to remain solvent in the event of adversities. One of the most general and most frequently used is the current ratio which is current assets divided by the current liabilities.
- b) Leverage ratios indicate the company's capacity to meet its long term and short term obligations. An example of this is the debt to net worth ratio which is computed by dividing the total debt of the organization by its net worth.
- c) Activity ratios indicate how effectively the company is using its assets. An example of this is the inventory ratio which is the average cost of goods sold over the average inventory.
- d) Profitability ratios indicate the returns on sales and assets. Examples of these ratios are the Gross profit margin and net operating margin. Gross profit margin is the percentage of the gross profit over total sales while Net operating margin is the percentage of net profit over the total sales. The profitability ratios will help the stakeholders to gauge the impact of the management policies on the profitability of the organization.
- e) Market value ratios: These ratios relate to investors' expectations about an organization's future to its present performance and financial conditions. Example of this type of ratio would include Price earnings (PE) and Market/ book value ratios. Price earning is the market price per share over the earning per share while the market/ book value ratio is the market price per share over the book value cost per share.

2.7 Basic Financial Planning

Once strategic objectives have been set, it is possible to define the operational objectives which in turn lead to the budget. The budget defines the plan or road map for the

business, but it also gives the information needed for effective control. It is a key requirement of any successive organization big or small. According to Jenkins (2002), resource budgeting at the strategic levels will allow a clear view of the true cost of providing individual services are a more accurate reflection of capital consumption clearer distinction between current and capital expenditure and a better measure of the total value of organization assets. On the other hand at the operational level it will help in effective management of resources.

2.8 Break Even Analysis

The fixed cost that must be recovered from the revenue after deduction of variable costs determines the volume necessary to break even. Thus at break even point, variable costs plus fixed costs equal total revenue. Once one knows the costs and estimated selling price, then one is in a position to calculate how many products, or hours of time, one needs to sell to break even, that is to cover all the costs. Any extra sales then provides with a profit. Break even analysis deals with the relationship of profits to costs, to pricing policy, and to volume of output. Knowledge of this relationship enables a manager to maximize income by specifying production methods, pricing, and output volume.

Haley (1986) highlights a number of limitations. The distinction between fixed and variable costs depends on several assumptions, including the output range that is relevant and the time period involved. A change in assumptions may necessitate an entirely new analysis. Furthermore, the fixed and variable costs and the price at which the product is to be sold are assumed to be known at each level of output. In real situations, there is often uncertainty as to what costs and price will be for any particular output level. If this uncertainty is incorporated into breakeven framework, the analysis may become unwieldy and another approach may be required.

2.9 Planning for capital assets

Irwin defines capital assets or fixed assets as those assets which require a capital investment, as opposed to current assets. They have a life of more than one year and generally require substantial expenditure. A number of questions need to be answered before acquiring such assets. Will the investment produce a return consistent with the

risk? Is there sufficient cash to pay for the asset? Has the investment been subjected into rigorous evaluation? And finally have all the consequences of the investment been taken into consideration.

2.10 Cost Accounting and Controls

Cost can be defined as the amount of expenditure incurred on or attributable to a specified thing or activity. According to Lucey (2004), an important part of the management task is to ensure that operation department processes and costs are under control and the organization and its constituent parts are working efficiently towards agreed objectives. The cost accounting system is the key financial control system and monitors the results of all activities and all other control system. The detailed analysis and location of all expenditure, the calculation of job costs, the analysis of losses the monitoring of labour and department efficiency and other output of the costing system provide a sound basis of information for financial control.

2.11 Costing Methods

a) Absorption costing: Absorption costing means establishing costs for work done by adding indirect costs (overheads) to the direct costs of materials and labor used in producing the work. The principle justification of absorption costing is the matching or accrual concept of accounting whereby revenues are matched with the associated costs both direct and indirect.

b) Marginal costing: In marginal costing overheads are not absorbed into cost units and therefore stocks are valued at marginal or variable costs (direct material, direct labor and variable overheads only). For this reason fixed manufacturing overheads are treated as periodic costs and are charged to the profit and loss account of the period in which they are incurred.

c) Activity based costing (ABC): ABC is a method of charging overheads to cost units on the basis of the benefits received from the specific indirect activity such as ordering, planning, setting up machines etc. ABC seeks to attribute overheads to product costs on a more realistic basis than simply production volume and also attempts to show the relationship between the overhead costs and the activities that cause them.

2.12 Internal Control System

Horngren, Sundem and Elliot(2002) considers Internal Control as a system of checks and balances that assures that all actions occurring within the organization are in accordance with organizational objectives and have the general approval of the top management. The internal control therefore protects the organization's assets from theft and loss. According to Williams, Haka, Bettner and Meigs(2002), Internal Controls ensures that the entire organization operates according to the plan. Internal controls would include both the administrative and accounting controls. Administrative controls include the plan of organization, for example, the formal organizational chart concerning who reports to whom, and all methods and procedures that facilitate management planning and control of operations. Accounting controls include the methods and procedures for authorizing transactions safeguarding assets, and ensuring the accuracy of the financial records. Good accounting controls help maximize efficiency, while minimizing waste, unintentional errors, and fraud.

2.13 Internal Audit

The definition offered by Institute of Internal Auditors in the United Kingdom is that internal audit is an independent appraised activity established within an organization as a service to the organization. It is a control which functions by examining and evaluating adequacy and effectiveness of the controls. According to Parkinson (1997) internal auditors are not only concerned with accounting and financial controls but evolution has brought about changes which have extended the scope to cover all aspects of organizational life. The function of internal audit includes:

- a) Checking the controls installed by management within systems.
- b) Internal auditors confirm whether systems are producing outputs required by managers. Thus check whether the systems are adequate and appropriately effective.
- c) Being located in the control loop of an organization the internal audit will influence the other aspects of the control cycle.

2.14 Usefulness of Basic Financial Management to Non-Financial Managers

According to Jenkins (2002) there is pressure on the public sector to deliver value for money (VFM) in every decision the managers are involved in. Sound financial management skills would therefore assist managers to deliver decisions that are of:

- a) **Economy:** The practice of management of sound house keeping and the virtue of thrifts. An economical operation acquires resources of appropriate quality and quantity at the least cost.
- b) **Efficiency:** Making sure that the maximum useful output is gained from the resources devoted to each activity or alternatively only the maximum level of energy and work necessary is used for a given level of output.
- c) **Effectiveness:** Ensuring that output from any given activity is achieving the desired result/ Value for money is only achieved when all the three elements are combined and can no longer be seen as a virtue but necessity for public sector managers to achieve.
- d) According to Parkinson (1997), if the system of allocating responsibility is real, it requires that sufficient authority should be delegated to managers both to take the decisions and exercise the controls which are necessary. Most of those decisions will have financial implication and will require that the manager has basic financial skills.

2.15 Measures of Financial Performance

- i) **Profitability:** This normally measures the management's overall effectiveness as shown by the returns on sales and investments. The level of the organization's ability to generate revenue and to minimize the overall expenditure highly contributes to the organizational profitability. When the revenues are higher than the expenses, the organization is operating in profitability. On the other hand, when the organization finds itself in the undesirable situation of having expenses being greater than revenues, the difference is a net loss. A company or organization which is profit motivated is always working to ensure that revenues are higher than expenses and therefore making profits.

- ii) **Increased Revenue:** According to Williams, Haka, Bettner & Meigs(2002) revenues are increases in the organization's assets from its profit directed activities, and they result in positive cash flows.
- iii) **Reduction in Expenses:** Expenses are decreases in the company's assets from its profit directed activities, and they result in negative cash flows. Expenses according to Antle & Garstka(2002) are assets used or liabilities incurred in the process of carrying out operations. Expenses are therefore the thing that decreases incomes. An organization should always be aiming at minimizing expenses in order to enhance profitability.
- iv) **Liquidity:** The ability to meet maturing short term obligations will highly determine the financial performance of an organization. According to Schall & Haley (1986) Assets are 'liquid' if they are either cash or relatively easy to convert into cash. A poor liquidity may imply that only one or that several of the specific current assets and liabilities are at undesirable level. Thus cash, marketable securities, account receivable or inventory should be increased. This may also require a reduction in one or more of the debts mainly account payable, accruals, provision for taxes. An organization that is forced to sell fixed assets to pay its liabilities is reducing its operational potential and so lessening the profits on which its continued existence depends. According to Brigham & Ehrhardt(2005) excessive liquidity could mean that an organization has a lot of current assets tied up in non productive assets such as excess cash or marketable securities, in inventory or even in uncollectible debts.
- v) **Efficiency utilization of organization assets:** How efficiently is the organization able to utilize its current and fixed assets in the generation of income? The more efficient it is, the better the financial performance. According to Schall & Haley (1986) too large investment in current and fixed assets would mean that funds are tied up in these assets and should have been used for more productive purposes. If investment is too small, the firm may be providing poor services to customers or inefficiently producing its products or services.

- vi) **Strong internal controls:** Strong financial controls instituted by the management enhance accountability and efficiency in financial performance. This may lead to enhanced financial performance in the organization.
- vii) **Non financial indicators:** The balance sheet and the income expenditure statement only details items that can be measured in money terms. Other issues that may determine the success of a business but may not be measurable in financial terms could include:
 - a) Ability of the organization to meet its vision, mission and objectives. Any successive organization will strive to live within its vision, mission and objectives.
 - b) How is the staff morale? A staff that is highly motivated may also lead to high productivity of the organization.

2.16 Variables

In this research, the **dependent variable** identified is financial performance represented by:

- i) Increased revenue
- ii) Reduced Expenditure
- iii) Profitability
- iv) Liquidity
- v) Efficiency in utilization of organization assets
- vi) Strong internal controls

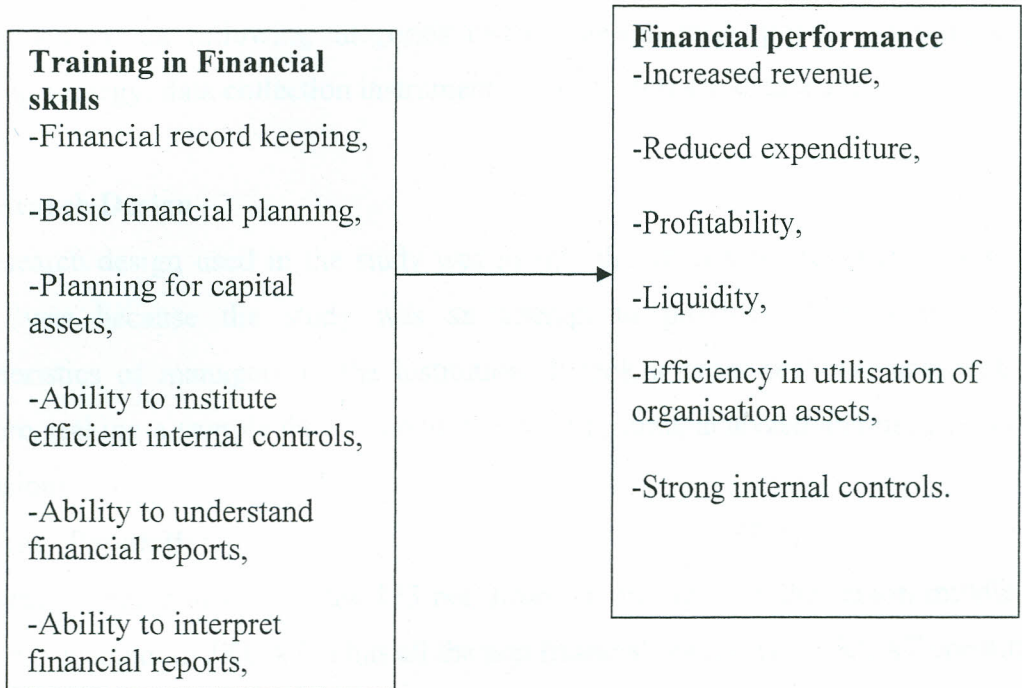
The **Independent variables** on the other hand is training in basic financial skills such as the following:

- i) Financial record keeping
- ii) Financial planning
- iii) Ability to institute efficient internal controls
- iv) Ability to understand Financial reports
- v) Ability to interpret financial reports.

2.17 Conceptual Framework

A management that has a better understanding of basic financial management will work towards enhanced financial performance. Figure 1.0 shows the researchers conceived relationship between basic financial management skills and financial performance.

Figure 1.0 Conceptual Framework diagram



Source: Researcher (2008)

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the method used to obtain and analyze the data. The methodology was divided into the following categories: research design, target population, sample size, sampling strategy, data collection instrument and procedures and data analysis.

3.2 Research Design

The research design used in the study was mainly the descriptive research design. The reason was because the study was an attempt to provide a description of the characteristics of managers in the institution. It took a cross sectional approach and therefore seeking a sample data taken at one point in time, analyzed and used it to draw conclusions.

3.3 Target Population

The target population was all the 153 non financial managers in the senior, middle and lower management in JKUAT. Thus all the non financial managers in JKUAT constituted the sampling frame.

3.4 Sample size

Due to time factor, it was not be possible to interview the entire target population. The sample size was 51 non-financial managers who represent a third of all the 153 non-financial managers in the institution.

3.5 Sampling Strategy

The sampling method that was used was stratified quota sampling method. All the non financial managers represented in JKUAT were grouped according to the seniority of the managers as in the table below:

Table 3.1: Sampling Frame

Managers	4Faculties	6Institutes	5Directorates	2Administrative Departments	Total
Senior	4	6	5	2	17
Middle	4	6	5	2	17
Lower	4	6	5	2	17
Total	12	18	15	6	51

3.6 Data collection, Instruments and Procedures

A semi- structured questionnaire (Appendix A) was the main instrument of collecting the data. Since most of the managers are within JKUAT Juja campus, the method used was administration of questionnaires to the sampled managers.

3.7 Data Analysis and Interpretation

The data obtained from the study was coded, entered into a spread sheet, and analyzed using Statistical Package for Social Sciences (SPSS). Data was analyzed by use of descriptive statistics such as cumulative percentage, frequency distribution and percentages. Likert Scale technique was also applied. The data was grouped into themes from which conclusions were drawn. The data was presented using pie charts, bar-graphs, frequencies distributions and percentages.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Introduction

This study sought to assess the financial management training needs of non-financial managers for better financial performance of public universities in Kenya. The field data was coded and then edited to ascertain accuracy and completeness. Statistical Package for Social Sciences (SPSS) computer software was used to analyze the data. The study targeted 51 non-financial Managers at JKUAT. However due to study limitation, the study was able to gather a total of 45 responses which represent 88.2% response rate. This formed the basis for the analysis and the findings presented in this chapter. The findings are presented in frequency tables, percentages, pie charts and bar graphs.

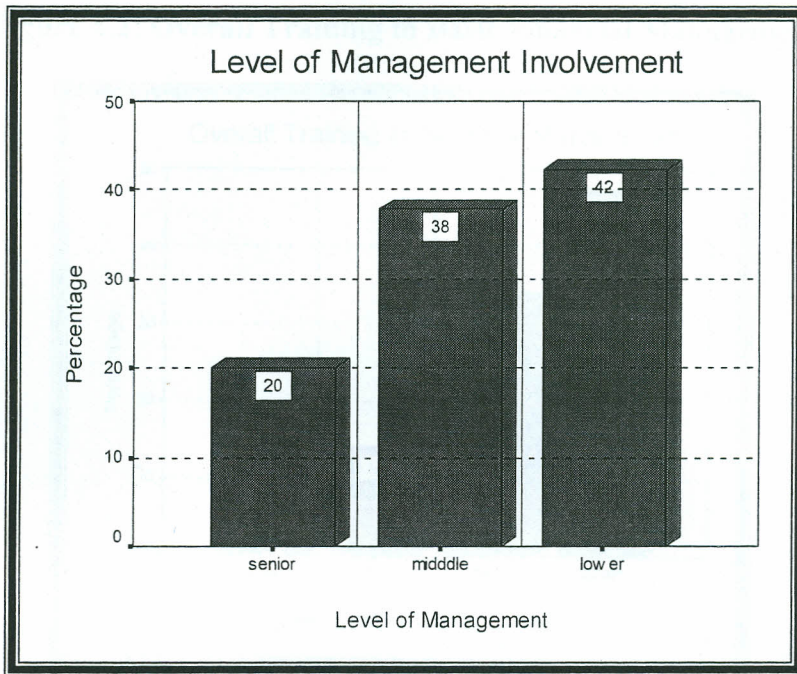
4.2 Respondents' Involvement in Decision Making

The findings show that majority of the respondents (66.7%) were involved in **financial** decision making. Only 33.3% of the respondents were not involved in financial decision making as shown in table 4.1. In addition, the study sought to establish the extent to which the respondents were involved in decision making. As shown in figure 4.1, most of the respondents were involved either in middle or lower levels as accounted for by 42% and 38% respectively. Senior level response accounted for 20% of the responses. This shows that most non-financial managers are involved in decision making processes mostly at lower or middle level.

Table 4.1: Involvement in Financial Decision Making

Responses	Frequency	Percentage	Cumulative Percentage
Yes	30	66.7	66.7
No	15	33.3	100.0
Total	45	100.0	100.0

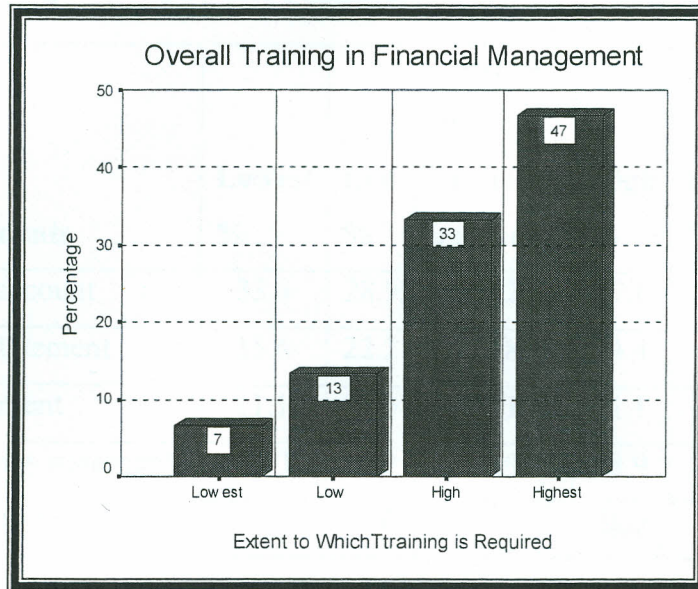
Figure 4.1: Level of Management Involvement



4.3 Overall Training in basic Financial Management

The study sought to assess the overall training needs in basic financial management. To assess this, the respondents rating the extent to which they required training in financial management. The findings show that most of the respondents (47%) rated the need for financial management training as highest. High, low and lowest responses accounted for 33%, 13% and 7% respectively as shown in figure 4.2. This show that there is need for basic financial training amongst the non-financial managers in the institution.

Figure 4.2: Overall Training in Basic Financial Management



4.4 Financial Management Training Needs

The first objective of this study sought to establish the financial management training needs among non-financial managers in public universities. To achieve this, the following training needs were assessed; basic training on financial reports/statement, financial planning, financial record keeping and training needs in financial management issues.

4.4.1 Training Needs on Basic Financial Reports

Preparation and interpretation of financial reports is an important aspect of financial management. The respondents rated the extent to which they required training in preparation and interpretation of the Basic Financial Reports/ Statements. The findings show that most of the respondents required training in preparation and interpretation of; Balance sheet statement, Cash flow statement, Retained earnings statement and Bank reconciliation as accounted for by the total of high and highest response ratings of 62.2%,

68.9%, 60.0% and 68.9% respectively. The findings further show that most of the respondents did not require a lot of training on preparation and interpretation of Profit and loss account as indicated by 62.2% of those who responded by rating low and lowest in requirement of this training. This is shown in table 4.2.

Table 4.2: Training Needs on Basic Financial Reports

Financial Reports/Statements	Lowest %	Low %	Total % of Lowest and Low	High %	Highest %	Total % of High and Highest
Profit and loss account	33.3	28.9	62.2	17.8	20.0	37.8
Balance sheet statement	15.6	22.2	37.8	24.4	37.8	62.2
Cash flow statement	11.1	20.0	31.1	31.1	37.8	68.9
Retained earnings statement	20.0	20.0	40.0	28.9	31.1	60.0
Bank reconciliation	11.1	20.0	31.1	28.9	40.0	68.9

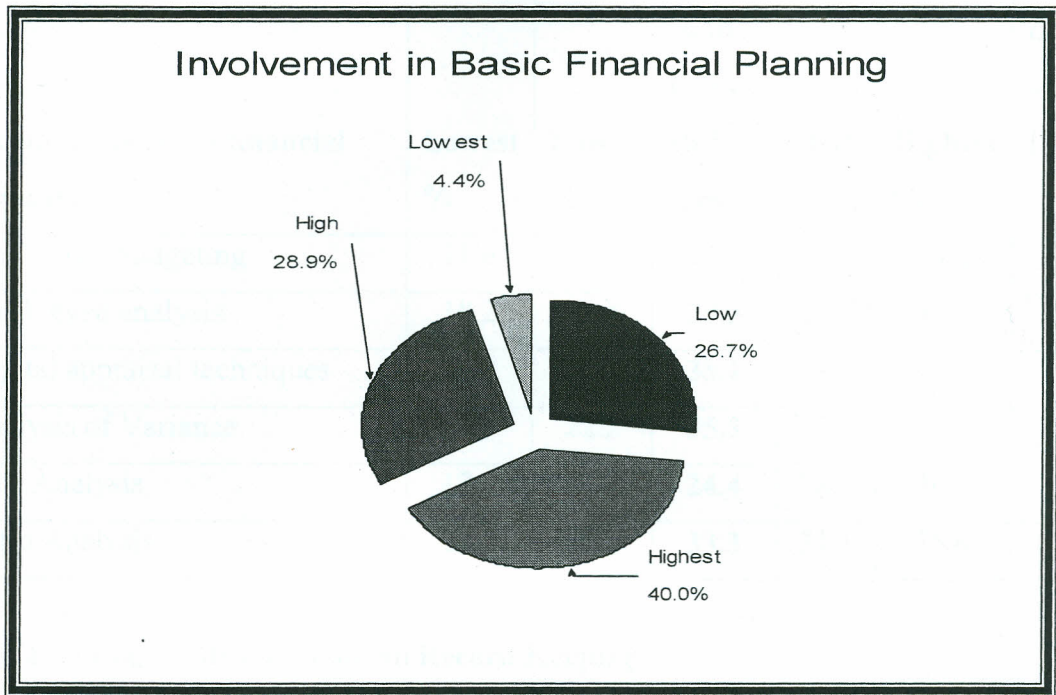
4.4.2 Financial Planning

Respondents' Involvement in Financial Planning

Financial planning is an important aspect of financial management. The study sought to establish the extent to which the respondents were involved in financial planning in their various departments. The findings show that most of the respondents 28.9% and 40% rated their level of involvement in financial planning as high and highest respectively as shown in figure 4.3. Only 26.7% and 4.4% rated their involvement in financial planning as low and lowest respectively. This shows that most of non-financial managers are involved in financial planning hence the need for proper training in financial planning.

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Figure 4.3: Level of Respondents' Involvement in Financial Planning



4.4.3 Training needs in Financial planning Techniques

The respondents rated the extent to which they required training in the various planning techniques. The findings show that most of the respondents would require training in following planning techniques; Zero based budgeting, Break Even Analysis, Capital appraisal techniques, Analysis of Variance, Cost Analysis and Ratio Analysis as accounted for by the total of high and highest respondent ratings of 72.1%, 70.5%, 61.9%, 64.5%, 75,6% and 66.7% respectively. This is shown in table 4.3.

Table 4.3: Training Needs in Financial Planning

Training needs in financial planning	Lowest %	Low %	Total % of Lowest and Low%	High %	Highest %	Total % of High and Highest%
Zero based budgeting	11.6	16.3	27.9	27.9	44.2	72.1
Break even analysis	18.2	11.4	29.5	27.3	43.2	70.5
Capital appraisal techniques	11.9	26.2	38.1	21.4	40.5	61.9
Analysis of Variance	13.3	22.2	35.5	15.6	48.9	64.5
Cost Analysis	17.8	6.6	24.4	28.9	46.7	75.6
Ratio Analysis	22.2	11.1	33.3	31.1	35.6	66.7

4.4.4 Training needs on Financial Record Keeping

A manager must always ensure that proper financial records are properly kept for his department. To achieve this proper training is crucial. The respondents rated the extent to which they require training to ensure the proper records keeping in their departments. The findings show that most of the respondents required very low training on; student nominal roles, students' ledger accounts, computerized registration forms and computerized student files and accounted by 73.4%, 59.1%, 56.8% and 59.0% respectively who indicated the need for low or lowest need for training in the respective areas. The findings further show that high or highest of respondents of 66.7% required training on Cashbook or ledger. This is as shown in table 4.4.

Table 4.4: Training Needs in Record keeping

Record keeping	Lowest %	Low %	Total % of Lowest and Low	High %	Highest %	Total % of High and Highest %
Student nominal roles	44.5	28.9	73.4	22.2	4.4	26.6
Students ledger accounts	31.8	27.3	59.1	15.9	25.0	40.9
Computerized registration forms	34.1	22.7	56.8	15.9	27.3	43.2
Computerized student files	31.8	27.2	59.0	20.5	20.5	41.0
Cashbook or ledger	17.8	15.6	33.4	22.2	44.4	66.6

4.4.5 Training Needs in Financial Management Issues

The study identified various important financial management issues in running of a University of which the respondents rated the extent to which they require training in each of the identified issues in their departments. The findings show that most of the respondents required training on the following issues; Management of incomes, Management of expenditures, Institution of internal control, Management of fixed assets Management of expenses reduction programs and management of working capital as accounted by 64.5%, 60.0%, 64.5%, 57.8%, 71.1% and 77.8% respectively as they responded high or highest to training needs in these issues. This is shown in table 4.5.

Table 4.5: Training Needs in Financial Management Issues

Financial management issues	Lowest %	Low %	Total % of Lowest and Low %	High %	Highest %	Total % of High and Highest %
Management of incomes	15.5	20.0	35.5	28.9	35.6	64.5
Management of expenditures	8.9	31.1	40.0	24.4	35.6	60.0
Institution of internal control	20.0	15.5	35.5	17.8	46.7	64.5
Management of fixed assets	15.6	26.7	42.2	26.7	31.1	57.8
Management of expenses reduction	8.9	20.0	28.9	42.2	28.9	71.1
management of working capital	8.9	13.3	22.2	26.7	51.1	77.8

4.4.6 Training needs in fees determination methods

The study identified various methods that can be used to determine the fees charged to the students per program. The findings show that most of the respondents would require training in absorption costing; marginal costing and activity based costing (ABC) as accounted by 87%, 94%, 83% respectively a total of the high and highest responses. This is as shown in the table 4.6.

Table 4.6 Training needs in fees determination methods

Financial management issues	Lowest %	Low %	Total % of Lowest and Low %	High %	Highest %	Total % of High and Highest %
Absorption costing	0	13	13	37	50	87
Marginal costing	0	7	7	40	54	94
Activity based costing (ABC)	0	17	17	30	53	83

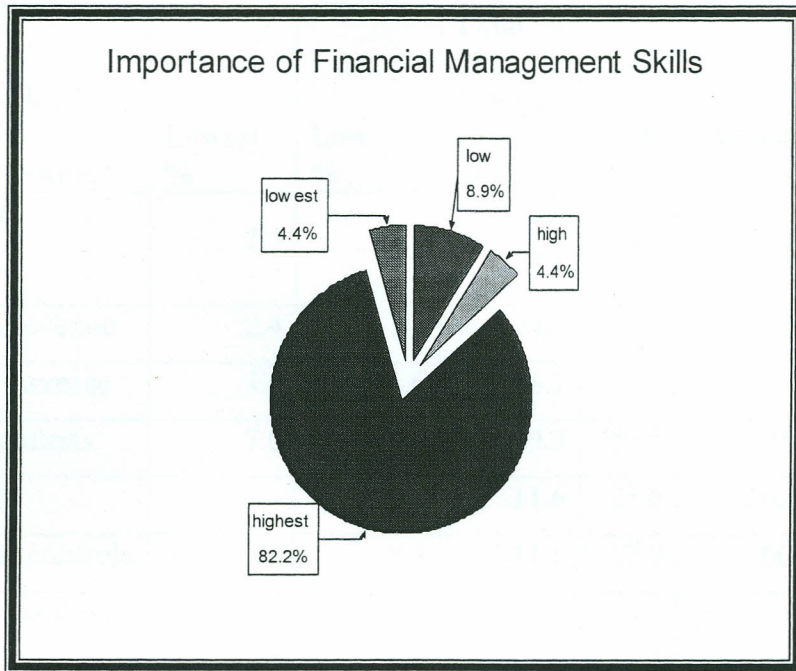
4.5 The Effects of Lack of Basic Financial Management Skills

The study sought to establish the effects of lack of basic financial management skills among the non-financial managers to the financial performance of the institution.

4.5.1 Importance of Financial Management Skills to Managers

As shown in figure 4.4, majority of the respondents (82.2%) rated the financial management skills as highly important to a manager. 4.4% rated it as high. Only 4.4% and 8.9% rated financial management skills as lowest and low respectively to a manager. This shows that the respondents recognized the importance of acquisition of the financial management skills.

Figure 4.4: Rating of the Importance of Financial Management Skills



4.5.2 Effects of Lack of Basic Financial Management Skills

The findings further show that most of the respondents rated the following as the effects of lack of basic financial skills; poor financial performance, reduction in revenue, expenditure increase, operational deficits, poor liquidity, weak internal controls, inefficient utilization of the organization assets and inability to meet the organizations vision, mission and objectives as accounted for by; 90.7%, 85.7%, 83.8%, 90.7%, 88.9%, 88.4%, 76.2% and 90.2% respectively high or highest rating effects of lack basic financial skills. This is shown in table 4.6.

Table 4.7: Effects of Lack of Basic Financial Management Skills

Effects of lack of basic financial management skills	Lowest %	Low %	Total % of Lowest and Low	High %	Highest %	Total % of High and Highest %
Poor financial performance	2.3	7.0	9.3	16.3	74.4	90.7
Reduction in revenue	2.4	11.9	24.3	33.3	52.4	85.7
Expenditure increase	4.6	11.6	16.2	32.6	51.2	83.8
Operational deficits	7.0	2.3	9.3	39.5	51.2	90.7
Poor liquidity	-	11.6	11.6	25.6	62.8	88.9
Weak internal controls	2.3	9.3	11.6	27.9	60.5	88.4
Inefficient utilization of the organization assets	4.8	19.0	23.8	31.0	45.2	76.2
Inability to meet the organizations Vision, Mission and Objectives	2.4	7.3	9.8	19.5	70.7	90.2

4.6 Training Methods to Improve Financial Management Skills

To study sought to establish the best training methods to improve financial management skills among the non-financial managers in public universities. Most of the respondents rated professional courses and short courses in financial management as the best training methods to improve financial management skills as accounted for by 90.7% and 83.7% for high or highest response rating by the respondents. Majority of the respondent (76.7% and 72.1%) further rated internal seminars/workshops and MBA as high or highest respectively as shown in table 4.7. This show that professional courses in financial management, short courses in financial management, internal

seminars/workshops and MBA program are all effective training methods to improve financial management skills among the non-financial managers in public universities.

Table 4.8: Training Methods to Improve Financial Management Skills

Training Methods	Lowest %	Low %	Total % of Lowest and Low %	High %	Highest %	Total % of High and Highest %
MBA program	4.7	23.2	27.9	25.6	46.5	72.1
Short courses in financial management	-	16.3	16.3	53.5	30.2	83.7
Internal seminars/workshops	4.7	18.6	23.3	46.5	30.2	76.7
Professional Courses in Financial Management	2.3	7.0	9.3	37.2	53.5	90.7

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CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the entire project. The main issues presented in this chapter include; summary of the findings, conclusions, recommendations and suggestions for further research.

5.2 Summary of the Findings

The findings show that majority of the interviewed managers (66.7%) were involved in financial decision making processes which was mostly at the middle (42%) or lower levels (38%). The study however established a high or highest (80%) need for basic financial training amongst the non-financial managers in the institution.

The first objective of this study sought to assess the financial management training needs among non-financial managers in public universities. The findings show that most of the non-financial managers required training in preparation and interpretation of; Balance sheet statement (65.2%), Cash flow statement (68.9%), Retained earnings statement (60.0%) and Bank reconciliation (68.9%). However most of the respondent did not require a lot of training on preparation and interpretation of Profit and loss account as represented a response of 37.8%. The findings further show that most of non-financial managers required training in the following planning techniques; Zero based budgeting (72.1%), Break Even Analysis (70.5%), Capital appraisal techniques (61.9%), Analysis of Variance (64.5%), Cost Analysis (75.6%) and Ratio Analysis (66.7%). In addition, the finding show that most of the non-financial managers do not require much training on; student nominal roles (26.7%), students' ledger accounts (40.9%), computerized registration forms (43.2%) and computerized student files (40.9%) however they required

much training in the preparation and interpretation of Cashbook or ledger accounts (66.7%).

The findings also revealed that most of the non-financial managers required training on the following important financial management issues necessary in the running of the university; Management of incomes (64.5%), Management of expenditures (60.0%), Institution of internal control (64.5%), Management of fixed assets (31.1%), Management of expenses reduction programs (71.1%) and management of working capital (77.8%). The research also revealed that most of non-financial managers require training in fees determination methods such as absorption costing (87%); marginal costing (94%) and activity based costing (83%).

The second objective of this study sought to assess the effects of lack of basic financial management skills among the non-financial managers to the financial performance of the public universities. Majority of the respondents (82.2%) felt that skills in financial management are important to non-financial managers. The findings shows the following as the effects of lack of basic financial skills; poor financial performance (90.7%), reduction in revenue (85.7%), expenditure increase (83.8%), operational deficits (90.7%), poor liquidity (88.9%), weak internal controls (88.4%), inefficient utilization of the organization assets (76.2%) and inability to meet the organizations vision, mission and objectives (90.2%).

The third objective of this study sought to assess the best training methods to improve financial management skills among the non-financial managers in public universities. The study established the following to be effective training methods to improve financial management skills among the non-financial managers in public universities; MBA program (72.1%), professional courses in financial management (90.7%), short courses in financial management (83.7%) and internal seminars/workshops (76.7%).

5.3 Conclusions

This study sought to establish the financial management training needs of non-financial managers for better financial performance of public universities in Kenya. The study however established that most of the non-financial managers were involved in decision making processes as well as financial planning in their department. This therefore necessitates the need for proper training in informed decision making and financial management skills including financial planning.

The study established that proper and adequate skills in preparation and interpretation of financial reports/statements were an important aspect of financial management. The study established that most of the non-financial managers required training in preparation and interpretation of Balance Sheet statement, Cash flow statement, Retained Earnings statement and Bank Reconciliation. However most of the non-financial managers do not require a lot of training on preparation and interpretation of Profit and loss account.

Financial planning is an important aspect of financial management. This study establish that most of non-financial managers required training in the preparation and interpretation of the various financial planning techniques which included; Zero based budgeting, Break Even Analysis, Capital Appraisal techniques, Analysis of Variance, Cost Analysis and Ratio Analysis.

A manager must always ensure that proper financial records are properly kept for their department. To achieve this proper training is crucial. The study established that most of the non-financial managers had adequate training on; student nominal roles, students' ledger accounts, computerized registration forms and computerized student files hence no much training was needed in keeping of these document. However they required much training in the preparation and interpretation of Cashbook or ledger accounts.

The study established that there is a need for non-financial managers to be trained on important financial management issues such as management of incomes, management of expenditures, institution's internal controls, management of fixed assets, management of

expenses reduction programs and management of working capital. It also established the need to train the non-financial managers on fee determination methods such as absorption costing; marginal costing and activity based costing.

The effects of lack of basic financial management skills among the non-financial managers were found to be poor financial performance, reduction in revenue, expenditure increase, operational deficits, poor liquidity, weak internal controls, inefficient utilization of the organization assets and inability to meet the organizations vision, mission and objectives

The best training methods to improve financial management skills among the non-financial managers in public universities were found to be; professional courses in financial management, short courses in financial management and internal seminars/workshops and MBA program. These were found to be effective training methods to improve financial management skills among the non-financial managers in public universities in Kenya.

5.4 Recommendations

The study recommends that all the public universities should ensure that all employees especially at managerial level are trained on financial management. Such would include; preparation and interpretation of financial statements, financial planning (Zero based budgeting, Breakeven analysis, capital appraisal techniques, variance analysis, cost analysis and ratio analysis) and financial planning (management of incomes, expenditures, fixed assets, working capital and institution of internal controls) and fees determination methods (Absorption costing, marginal costing and ABC).

Public universities must come up with relevant programs that will assist the non-financial managers in updating their financial management skills. Such would include in the order of preference professional courses in financial management, short courses in financial management, internal seminars/ workshops and MBA programs.

5.5 Suggestions for Further Research

This study focused on the financial management training needs of non-financial managers. With the implementation of these research findings and recommendations, there will be a need for another research to assess the impact of the financial management training programs on the financial performance of the public universities.

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Appendix A: Questionnaire

Dear Sir/Madam,

RE: QUESTIONNAIRE

Every decision made in an organization has a financial implication. It is therefore important that managers in any institution undertake basic training in financial management.

This research is to mainly assess the financial management training needs within public universities. This is to therefore request you to respond to the following questions as precisely as possible. I assure you that this information will be held with confidentiality.

A. Please tick the most appropriate for you.

1. Have you been involved in the decision making at any level of management?

Yes	No
-----	----

2. In what level of management would you consider yourself to be involved?

Senior	Middle	Lower
--------	--------	-------

B. Please indicate your preference using the scale 1 to 4 where 1=lowest and 4= highest.

3. To what extent do you make decisions that have any financial implication in your department? (1) (2) (3) (4)
4. To what extent would you require training in basic financial management?
(1) (2) (3) (4)

5. Preparation and interpretation of financial reports is an important aspect of financial management. To what extent would you require training in preparation and interpretation of any of the following basic financial reports?

- a) Profit and loss accounts statement (1) (2) (3) (4)
- b) Balance sheet statement (1) (2) (3) (4)
- c) Cash flow statement (1) (2) (3) (4)
- d) Retained earnings statement (1) (2) (3) (4)
- e) Bank reconciliation statement (1) (2) (3) (4)

6. Financial planning is an important aspect of financial management. To what extent are you involved in basic financial planning for your department?

- (1) (2) (3) (4)

7. To what extent would you require training in any of the following techniques in planning?

- a) Zero based Budgeting (1) (2) (3) (4)
- b) Break even analysis (1) (2) (3) (4)
- c) Capital appraisal techniques (1) (2) (3) (4)
- d) Analysis of variances (1) (2) (3) (4)
- e) Cost analysis (1) (2) (3) (4)
- f) Ratio analysis (1) (2) (3) (4)

8. A manager must always ensure that proper financial records are kept for his department. Are you aware of financial records that must be kept by your department? (1) (2) (3) (4)

9. To what extent would you require training to ensure the following records are well kept and updated in your department?

- a) Student nominal roles (1) (2) (3) (4)
- b) Students ledger accounts (1) (2) (3) (4)
- c) Computerized Registration forms (1) (2) (3) (4)

- d) Computerized Individual student files (1) (2) (3) (4)
- e) Cashbook/ Ledger (1) (2) (3) (4)

10. The following are important financial management issues in running of a University. To what extent would you require training in any of the following financial management issues in your department?

- a) Management of incomes generated by your department. (1) (2) (3) (4)
- b) Management of expenditures incurred by your department. (1) (2) (3) (4)
- c) Institution of internal controls by your department. (1) (2) (3) (4)
- d) Management of Fixed assets in your department. (1) (2) (3) (4)
- e) Management of expenses reduction programs. (1) (2) (3) (4)
- f) Management of working capital. (1) (2) (3) (4)

11. The following are important methods that can be used to determine fees charged per academic program in university. To what extent would you require training in the use of any of the methods?

- a) Absorption Costing. (1) (2) (3) (4)
- b) Marginal costing. (1) (2) (3) (4)
- c) Activity based costing (ABC) (1) (2) (3) (4)

12. To what extent would you consider basic financial management skills important to you as a manager? (1) (2) (3) (4)

13. To what extent would you think your performance is affected negatively by lack of some basic financial management skills? (1) (2) (3) (4)

Explain.....

14. Would you think you would perform better if you were trained in financial management? (1) (2) (3) (4)

Explain.....

15. In your own opinion would you consider lack of basic financial skills among managers to cause any of the following in an institution?

- a) Poor financial performance (1) (2) (3) (4)
- b) Reduction in revenue(1) (2) (3) (4)
- c) Increase in expenditure(1) (2) (3) (4)
- d) Operational deficits(1) (2) (3) (4)
- e) Poor Liquidity(1) (2) (3) (4)
- f) Weak internal controls(1) (2) (3) (4)
- g) Inefficient utilization of organization assets(1) (2) (3) (4)
- h) Inability to meet organizational vision, mission and objectives (1) (2) (3) (4)

16. How would you gauge the use of the following methods in improving the basic financial management skills among managers in public universities?

- a) MBA program (1) (2) (3) (4)
- b) Short courses in financial management (1) (2) (3) (4)
- c) Internally organized seminars/ workshops (1) (2) (3) (4)
- d) Professional courses in financial management (1) (2) (3) (4)
- e) Other suggested methods:
 - i).....
 - ii).....
 - iii).....