SIMPLIFICATION OF FINANCIAL SYSTEMS

University of Cape Town · iYunivesithi yaseKapa · Universiteit van Kaapstad ·

SPES BONA

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Team 2

Table of Contents

Business Case & Project Outcomes

1. Introduction

1.1. Background

MES Cape Town is a Christian non-government organisation (NGO) that holistically serves homeless people and families at risk within the northern suburbs of Cape Town, and enables them to live independent, sustainable and meaningful lives. This is achieved through a four-step approach, and we have been consulted to provide problem-solving services that aid the company in the first: 'Outreach & Social Relief'.

The organisation needs a way to simplify its in-house financial system – Programme Managers (1) *struggle to understand and use* the current financial system, and (2) MES Cape Town thus *spends beyond* branch-allocated budget constraints.

1.2. High-level Expectations

In order for MES Cape Town to operate purposefully and effectively, the organisation must be financially viable. Thus, the Programme Managers and Financial Managers need to make informed financial decisions – these users must record and report financial activities effectively and efficiently. Hence, the organisation needs (1) a *simplified, user-compatible financial system* that will (2) help users (and, by extension, the organisation) make *sensible financial decisions*.

1.3. Project Goal

The project's primary objective is to *ideate a feasible solution* that will help MES Cape Town *make sensible financial decisions*.

2. Business Objectives

2.1. Business Objectives

The 'Outreach & Social Relief' phase aims to provide the following services for homeless people and at-risk families:

- Drop-in centres;
- Intake & help-desk services;
- Safe haven (shelter);
- Social relief.

3. Situation of Concern

3.1. Problem Definition

Programme Managers must spend financial resources on resources needed to help achieve the aforementioned business objectives. The spending is dictated by necessity – since necessity varies throughout the year, spending also varies. Thus, spending can go beyond branch-allocated budget constraints at times; alternatively, resources purchased in one season may be surplus to requirements in another.

Furthermore, though Financial Managers assign budgets accordingly, the necessity-spending nature of the operation has them at a disadvantage – by the time they process financial records, budget constraints have already been exceeded. Moreover, both Programme Managers and Financial Managers are not comfortable with the current in-house financial system (Sage). Thus, financial decision-making is compromised.

3.2. Opportunity Statement

To provide effective and efficient social relief, both Programme Managers and Financial Managers must make ***informed and sensible financial decisions***. Thus, user resources and resourcefulness are paramount.

- **Resource**: the organisation would benefit from a ***user-compatible*** (simplified) financial system.
- **Resourcefulness**: MES Cape Town and the community would benefit greatly from Programme Managers and Financial Managers that make ***sensible financial decisions***. Thus, Financial Literacy training would benefit the organisation

considerably in filling knowledge gaps and arming managers with decision-making principles.

4. Critical Assumptions and Constraints

4.1. Assumptions

It is assumed that Programme Managers and Finance Managers:

- are computer-literate;
- have no significant learning impediments.

4.2. Constraints

The project is subject to the following constraints:

- Time – solutions vary in the time required to implement;
- Cost – some solutions are more costly to implement than others;
- Expertise – proposed solutions are confined to how much we, as students, know.

5. External Stakeholder Analysis

5.1. Stakeholder Roles and Responsibilities

Role	Name	Organization/Position	Contact Information
Project Sponsor	Knowledge Co-op	Knowledge Co-op	021 650 4305 (Admin)
Project Client	Anelle Erasmus	Fundraising and Marketing Manager of MES	021 949 8736 (Work) 076 812 8277 (Cell)

5.2. Context Diagram
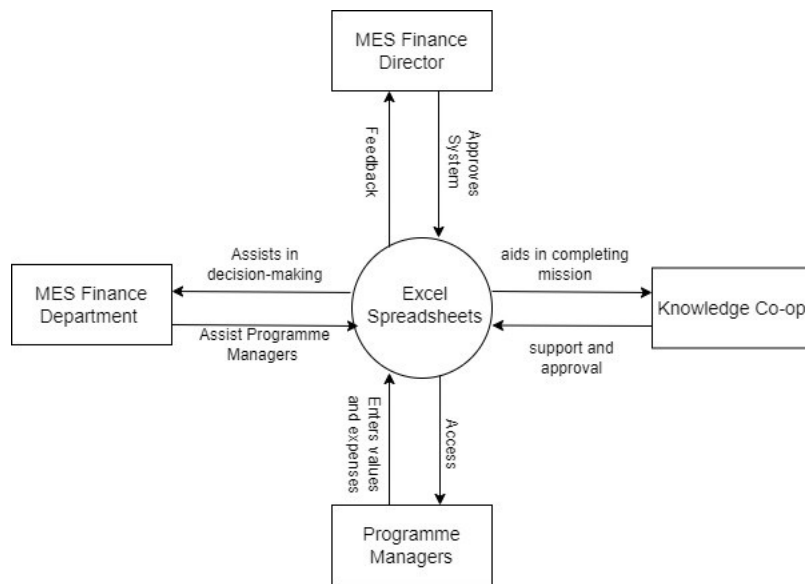
Sign-off: (Signatures of all above stakeholders)
Comments: (Comments from above stakeholders, if applicable)

6. Proposed Solutions

6.1. Bookkeeping App

The first idea that surfaced was the design and development of a Windows-based bookkeeping app. The app would enable users to record financial transactions, request financial reports, and would offer prescriptions to help users make sensible financial decisions.

(Pros)

- Comprehensively solves the organisation's immediate problems;
- Easy to understand, and easy to use.

(Cons)

- Costly to develop, and costly to maintain.

6.2. FNB Instant Solutions

An alternate idea to help MES Cape Town make sensible financial decisions was 'FNB Instant Solutions'. This service uses a business' FNB account transactions to keep track of financial activities, generates financial reports, and alerts users of potential financial dangers (e.g. exceeding allotted budgets).

(Pros)

- Convenient – bookkeeping and reporting are handled by the bank.

(Cons)

- Difficult to implement – MES is a national organisation with multiple branches and banks with ABSA. Transitioning from ABSA to FNB would be troublesome.

6.3. Microsoft Excel

The final solution that surfaced was the use of a spreadsheet program to process financial transactions. Microsoft Excel is the industry-leading spreadsheet software program, a powerful data visualisation and analysis tool.

(Pros)

- Easy to understand, and easy to use;
- Prior experience – the program has been used by the organisation previously.

(Cons)

- Unlike the Bookkeeping App and FNB Instant Solutions alternatives, greater financial literacy competence is required from the user in order to make sensible financial decisions.

7. Preferred Solution

7.1. Preferred Solution (Microsoft Excel)

Microsoft Excel is the preferred/selected solution as, compared to suggested alternatives, it is the least costly to implement. Furthermore, it effectively and sufficiently solves the organisation's aforementioned problems. With this solution, MES Cape Town will be able to *create budgets, enter and record transactions, set up triggers when budget limits* are approached and be able to generate reports for financial meetings.

The following images depict how a budget would look in Excel. It allows the user to compare the actual amount spent on a certain account versus the budgeted amount, showing a percentage of the remaining amount. Excel has a feature called 'Conditional formatting' which can make a cell turn red when a certain amount is recorded in the cell. This is one of the measures that can be set up to alert of a budget limit being approached. The spreadsheet can be set to allow only the financial manager to be able to edit the 'Budget' column, only allowing the shelter/project manager to be able to update the 'Actual' budget column.

The above image show a worksheet which will allow the user to be able to keep track of the amount of money spent for each budgeted item per month. The last column of each row shows a graphical depiction of the trend in spending across the months. For example the first row which has an Account Title of 'Office Equipment' has some months where there is spending so its last column shows a trend for this. However, there was no spending for other accounts, and as a result there are straight horizontal lines for their graphs.

This part of the spreadsheet will help the company to keep track of their expenses and help them reveal spending issues. This will in turn help in making informed decisions for upcoming/future instances. Thirdly, we have an 'Itemized Expenses' worksheet which is depicted by the following image:

The 'Itemized Expenses' worksheet is where the actual transaction recording takes place. For every expense shelter managers make, they will have to account for it on this part of the spreadsheet. There are G/L codes which managers would have to keep track of, as they help identify which account the expense/transaction falls under. Every transaction that

takes place and has a G/L code automatically updates the 'Actual Budget' column for that specific accounts row. The data also updates the amount for the specific account the transaction fall under on the 'Monthly Expenses Summary' worksheet.
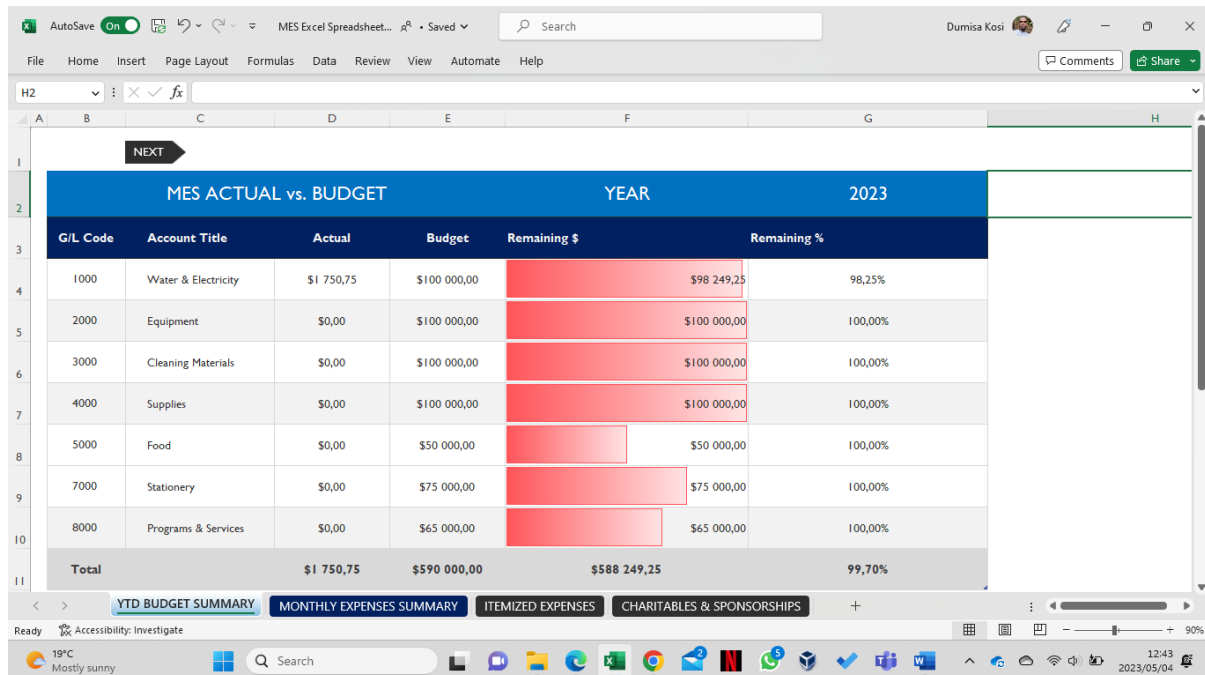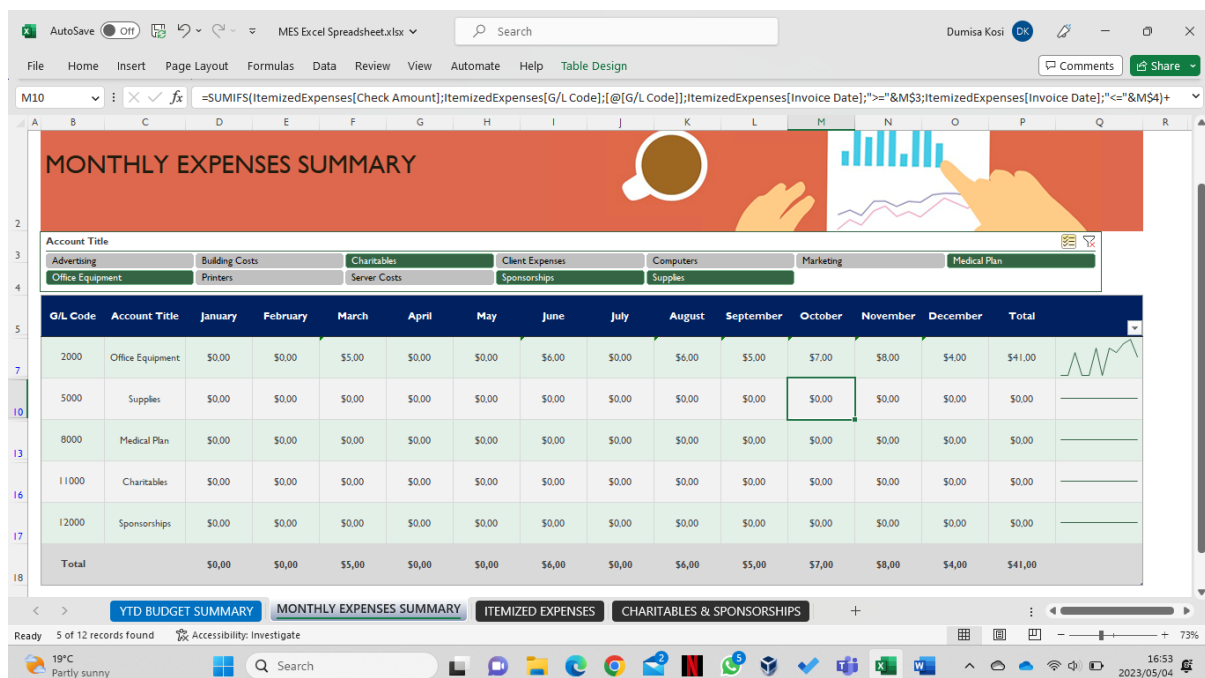

Figure 1: Excel Budget Worksheet

Figure 2: Excel Expenses Worksheet

Figure 3: Excel Itemised Expenses Worksheet

7.2. Supporting/Additional Resources

In addition to using Microsoft Excel, the users and the organisation would benefit considerably from financial literacy training and education from the University of Cape Town (UCT). The preferred solution requires significant user competence. Hence, to fill pre-existing knowledge gaps and equip users with the necessary skills, Programme Managers and Finance Managers would benefit considerably from the following online UCT courses.

- *Bookkeeping Online Short Course* – a 9-week online course that would help Programme Managers strengthen their ability to manage inventory, track revenue, and organise financial information. The course would aid them considerably in making important operating and financing decisions.

- *Accounting Online Short Course* – a 9-week online course that would help Financial Managers develop the technical expertise to manage the finance-related aspects of the business.

- *Excel Courses* – UCT's Information and Communication Technology Services (ICTS) offer Microsoft Excel courses to UCT third parties. These courses cater for beginners, intermediates, and the advanced. These 12-hour-long courses would complement the aforementioned Financial Literacy courses and help all users make sensible financial decisions.

7.3. Cost Analysis

- Microsoft 365 for Business ranges from R100 to R400 per month.
- The *Bookkeeping Online Short Course* costs R13 900 in total, with an instalment plan.
- The *Accounting Online Short Course* costs R14 500 in total, with an instalment plan.
- Each *Excel* course costs R1 200 in total.

7.4. Implementation

- The first step would be to purchase and install Microsoft 365 for Business.
- Then, Programme Managers and Finance Managers would enrol in their respective 9-week online courses.
- Finally, Programme Managers and Finance Managers would spend 12 hours mastering Microsoft Excel.

14. References

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