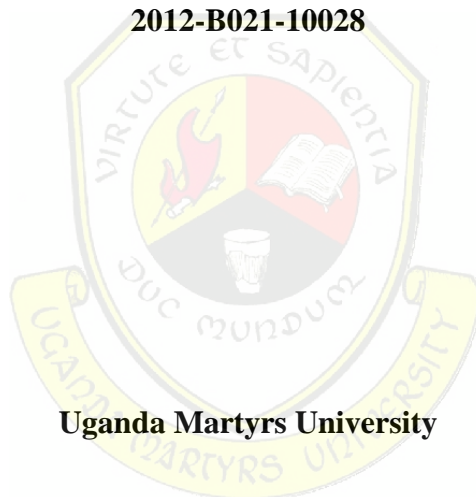


**The Roles of Financial Management on the Performance of Private Not-For-Profit
Hospitals in Uganda**

Case Study: Kitovu Hospital

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2012-B021-10028



Uganda Martyrs University

APRIL 2015

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Hospitals in Uganda**

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**An undergraduate dissertation presented to the Faculty of Business Administration and
Management in partial fulfillment of the requirements for the award of a degree of
Bachelor of Business Administration and Management**

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Dedication

I dedicate this book to my mother Ms. Nakkonde Noeline who has supported me all the way through my academic journey, my supervisor Mr. Idraku Felix and to my friends Josephine, James, Mariam and many others.

Acknowledgement

I would like to thank my parents for bearing the burden of my education. I am thankful of the Almighty Lord who has through all my academic struggles up to the rightful completion of my research report as well.

Special thanks go to my supervisor Mr. Idraku Felix, for the patience, encouragement, criticism and constant guidance throughout this research up to the end. All my future lay in his hands and here he is giving it back to me.

I extend my appreciation to the management of Kitovu Hospital for their understanding, support and encouragement that enabled me to carry out this research to its rightful conclusion.

Table of Contents

Approval	i
Declaration.....	ii
Dedication	iii
Acknowledgement	iv
List of Abbreviations	ix
ABSTRACT.....	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 General introduction	1
1.1 Background of the study	2
1.2 Statement of the Problem.....	6
1.3 Objectives of the Study	7
CHAPTER TWO	13
LITERATURE REVIEW	13
2.0 Introduction.....	13
2.1 Theoretical review.....	13
2.2 Financial Management and Performance of PNFP Hospitals.....	14
2.2.1 Importances of financial management	16
2.3 Financial Planning and Budgeting and Performance of PNFP Hospitals.	17
2.4 Auditing and Performance of PNFP Hospitals	29
2.5 Financial Statements and Performance of PNFP Hospitals	36
CHAPTER THREE.....	41
RESEARCH METHODOLOGY	41
3.0 Introduction.....	41
3.1 Research Design.....	41
3.2 Area of the Study	42
3.3 Study Population	43
3.4 Sampling Procedures.....	43
3.5 Data Collection Methods and Instruments	45
3.6 Quality Control Methods	47
3.7 Data Management and Processing	47
3.8 Data Analysis	47
3.9 Ethical Considerations	48

3.10	Limitations of the Study.....	48
CHAPTER FOUR.....		50
PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS		50
4.0	Introduction.....	50
4.1	Presentation and analysis	50
4.3	Background Information of Respondents	51
4.3	Financial Planning and Performance of Private Not-For-Profit Hospitals.	53
4.4	Auditing And Performance of Private Not-For-Profit Hospitals	59
4.5	Financial Statements and Performance of Private Not- For- Profit Hospitals	65
CHAPTER FIVE		73
SUMMARY, CONCLUSION AND RECOMMENDATIONS		73
5.0	Introduction.....	73
5.1	Summary of findings.....	73
5.2	conclusions.....	75
5.3	Recommendations.....	76
5.4	Suggestions for further research	77
References/ Bibliography		78
APPENDICES		82
	Appendix I: Research Questionnaire	82
Appendix 11:Introductory Letter.....		85
Appendix 111: Map of Uganda showing location of Masaka District		86
Appendix VI: KREJICE AND MORGAN SAMPLING TABLE.....		87

List of tables

TABLE 1: Number of respondents in category	51
TABLE 2: showing the Age of respondents	51
TABLE 3: Showing whether Financial planning and budgeting is carried out every year	53
TABLE 4: Showing whether Planning determines how effective and efficient the hospital is as well as its performance levels.....	54
TABLE 5: Showing whether the planning process helps management in decision making ..	56
TABLE 6: Showing whether the performance budget is the most important budget for planning, implementation, monitoring and evaluation	58
TABLE 7: Showing whether different budgeting techniques should be used when carrying out budgeting	59
TABLE 8: Showing whether Auditing should be carried out by the hospital	60
TABLE 9: Showing whether Carrying out auditing enables quality control in the hospital...	61
TABLE 10: Showing whether Auditing enables efficient and effective performance of the hospital.....	62
TABLE 11: Showing whether Auditing is a control mechanism designed to provide an internal and independent check on the financial statements	63
TABLE 12: Showing whether the auditing procedures enable the auditor to carry out a successful audit	65
TABLE 13: Showing whether preparation of financial statements is an essential activity.....	66
TABLE 14: Showing whether financial statements are used for effective decision making. .	66
TABLE 15: Showing whether financial statements reflect a combination of recorded facts, accounting conventions and personal judgments.....	67
TABLE 16: Showing whether Regulators such as auditors and management use financial statements to check the progress toward financial goals	68
TABLE 17: Showing whether proper financial reporting enables efficient and effective performance of the hospital	69
TABLE 18: showing whether Cash flows of the hospital should be monitored	70
Table 19: Showing whether financial statements discloses only monetary facts	70
TABLE 20: Showing whether financial statements provide adequate information about the sources of funds	71
TABLE 21: Showing whether financial management plays roles on the performance of private not-for-profit-hospitals.....	72

List of figures

Figure 1: Conceptual Framework **11**
Figure 2: The Financial Planning Process **19**
Figure 3: Showing the Budget Cycle **24**
Figure 4: Showing the major steps in the budgeting process..... **26**
Figure 5: The bar graph showing the respondents age brackets **52**
Figure 6: Showing the education levels of the respondents..... **52**

List of Abbreviations

AIPA- American Institute of Public Accountants

APB- Auditing practices Board

AS- Accounting Standards

CIMA-Certified Institute of Management Accountants

CFO- Chief Financial Officer

HIS- Hospital Information System

KH- Kitovu Hospital

PHC- Primary Health Care

PNFPs- Private Not-For-Profits

UCMB- Uganda Catholic Medical Bureau

SPSS- statistical Package of Social Science

ABSTRACT

The main purpose of this study was to examine the roles of financial management on the performance of Private Not-For-Profit Hospitals in Uganda. The research was carried out in Kitovu Hospital, Masaka District. This study was guided by the functions of financial management that enhance performance of hospitals. The researcher set out for the study guided by three specific objectives to be able to find out how financial management plays roles on performance. These included, establishing the roles of financial planning and budgeting on the performance of private hospitals in Uganda, examining the relationship between auditing and the performance of Private Not-For-Profit Hospitals and examining the role of financial statements on the performance of Private Not-For-Profit Hospitals.

The researcher used a case study design. Interviews were used to establish the relationships between the variables. Both qualitative and quantitative methods were used together with interviews, questionnaires and observation. Sampling techniques, data collection methods and instruments were used during the first months of 2015.

According to the data analysis and findings, it was revealed that; there is a positive relationship between financial management and performance. It was further established that financial management plays a big role in the performance of Kitovu Hospital through its different functions; planning and budgeting, Auditing and financial statements.

The researcher recommended that the hospital should strengthen their sources of funds to reduce over dependency on the grants and donations which are being withdrawn. The administration of the health institute should ensure that all the departments comply with proper record keeping and management with the sense that information is wealth so good record keeping gives reliable information which management can base in making informed decisions for the good and development of the health institution.

In addition, management of Kitovu Hospital should ensure that internal controls are effective in the organization since they are key to good performance and therefore, the management of the Kitovu Hospital is charged with the responsibility of ensuring that all financial procedures are followed and they should be considered to introducing internal auditor who will strengthen the controls and reinforce procurement procedures and process.

The study concluded that financial management plays roles on the performance of PFNP Hospital in Uganda and hence finances should be efficiently and effectively managed to bring about the better performance.

CHAPTER ONE

INTRODUCTION

1.0 General introduction

The concern of any organization today is how to remain sustainable, efficient, effective competitive and self-reliant. This entails instituting appropriate financial systems and procedures of financial management. Financial management is strongly believed to play a vital role towards effective control of any given organizational resources so as to create value for its shareholders in its activities. It is becoming increasingly necessary for the manager of an organization to have knowledge about financial information systems and procedures due to the challenges faced in the competitive world of both private and public organizations on how to effectively and efficiently manage their inadequate resources in order to improve their performance and offer quality health services.

This involves establishing and developing appropriate financial management procedures to enable them control, allocate and manage resources in line with planned activities. This implies that the organization should be able to achieve its objectives and goals by means of cautious and effective use of available limited resources. The basic objective of financial management is to maximize the shareholders “wealth” and minimize costs.

Financial management, effective planning and financial budgeting play a vital role in financial allocation by the managers as a means to regulate the flows of resources, which is the primary concern of an organizations’ existence.

In today’s world of information advancement, many private organizations have failed to improve on their performance and the quality of resource delivery because of poor financial

management and lack of effective planning policies and procedures to regulate the inflow and outflow of resources.

Thus, this research intends to examine the role of financial management on the performance of Private Not for Profit hospitals focusing on Kitovu Hospital.

1.1 Background of the study

Until the 1960s, financial management in all industries was generally viewed as descriptive in nature, its primary role being to secure the financing needed to meet a business's operating objectives. A business's marketing, or planning, department would project demand for the firm's goods or services and facilities. Today, financial management plays a much larger role in the overall management of a business. Now, the primary role of financial management is to plan for, acquire, and utilize funds (capital) to maximize the efficiency and value of the enterprise

Financial management is strongly believed to play a vital role towards effective control of any given organizations' resources so as to create value for its shareholders in its objectives. As a result, organizations tend to institute appropriate financial systems and procedures of financial management in order to remain sustainable, efficient, competitive and self-reliant. Managers of organizations therefore have to be knowledgeable about the financial information systems and procedures due to the challenges faced in the competitive world of private and public organizations on how to effectively and efficiently manage their inadequate resources in order to improve their performance and offer quality health services.

This means that the organization should be able to achieve its objectives and goals by efficiently and effectively managing their available limited resources. Financial management involves effective planning and controlling which helps the organizations' financial managers to regulate the flow of resources which is the primary concern of an organizations' existence.

In Uganda today, many private organizations have failed to improve on their performance and the quality of service delivery because of poor financial management and lack of effective planning procedures yet there is a high degree of information advancement all over the world and also financial management plays a vital role in the performance of private hospitals.

This research intends to examine the effectiveness and different roles that financial management plays on the performance of private hospitals in Uganda focusing on Kitovu Hospital.

The financial management function in organizations has evolved from being a subject area to a strategic function as seen in most organizations today. Kakuru (2007) prior to the great depression of the 1930's, internal management of resources in organizations was not considered very critical, emphasis was then on the functioning of the market system and the growth of the different economic models.

According to Finkler (2005), the field of financial management involves attempting to generate useful financial information that is free of value judgments. Financial management focuses not only on questions of survival, but also issues of effectiveness and efficiency. Effectiveness relates to whether an organization uses the minimum needed resources to produce its outcomes or outputs. Heindenhof et al. (2002) says that many African countries such as Zambia, Senegal and Ghana struggle with the proper approach to financial management. In the recent years, it has been indicated that in public financial management has become a key reform area in developing African countries. The system is crucial for improving efficiency and effectiveness across all stages of the budget cycle like budget planning, and external control. This has been through introduction of integrated financial

systems to ensure quality of public finance as well as accountability and transparency of operations.

Today, financial management plays a much larger role in the overall management of a business. Now, the primary role of financial management is to plan for, acquire, and utilize funds (capital) to maximize the efficiency and value of the enterprise. Because of this role, financial management is known also as capital finance. The specific goals of financial management depend on the nature of the business, so we will postpone that discussion until later in the chapter. In larger organizations, financial management and accounting are separate functions, although the accounting function typically is carried out under the direction of the organization's chief financial officer (CFO) and hence falls under the overall category of "finance."

In general, the financial management function includes the following activities:

Evaluation and planning: Financial management involves evaluating the financial effectiveness of current operations and planning for the future.

Long-term investment decisions: Although these decisions are more important to senior management, managers at all levels must be concerned with the capital investment decision process. Such decisions focus on the acquisition of new facilities and equipment (fixed assets) and are the primary means by which businesses implement strategic plans; hence, they play a key role in a business's financial future.

Financing decisions: All organizations must raise funds to buy the assets necessary to support operations. Such decisions involve the choice between the use of internal versus external funds, the use of debt versus equity capital, and the use of long-term versus short-term debt.

Although senior managers typically make financing decisions, these choices have ramifications for managers at all levels.

Working capital management: An organization's current, or short-term, assets, such as cash, marketable securities, receivables, and inventories, must be properly managed to ensure operational effectiveness and reduce costs. Generally, managers at all levels are involved, to some extent, in short-term asset management, which is often called working capital management.

Contract management: Health services organizations must negotiate, sign, and monitor contracts with managed care organizations and third-party payers. The financial staff typically has primary responsibility for these tasks, but managers at all levels are involved in these activities and must be aware of their effect on operating decisions.

Financial risk management: Many financial transactions that take place to support the operations of a business can increase a business's risk. Thus, an important financial management activity is to control financial risk.

According to McKesson, Healthcare organizations of all sizes face a critical need to manage and integrate clinical, financial and operational information. Reimbursement models are changing; competition is increasing; margins are getting tighter; and the emphasis on patient care and good outcomes has never been higher. As these needs evolve, you require a hospital information system (HIS) that can keep pace.

1.2 Statement of the Problem

According to Shapiro (1995) in order for any organization to be successful be it a profit making or non-profit making to perform efficiently and effectively there must be proper usage and management of finances.

However, most established organizations aim at growth and profitability, while those that PNF Hospitals aim at growth, sustainability and proper financial management and provision of high quality health services. “Despite the presence of financial procedures in place to aid the financial management of the hospitals resources hospital still experience low performance and poor quality of health service delivery” (Shapiro, 1995).

Similarly, private Not-For-profit hospitals in Uganda assisting government hospitals in extending medical services to the people are underperforming (Tibbutt’s report to the Rotary Doctor Bank). Despite the fact that they have finance committees made up of management team, board members, and accountants; these hospitals still face financial constraints to effectively cater for all the recurrent expenditures compared to the high demand of the hospital. This raises the question as to what could be the problem; is it due to the fact that these hospitals over rely on government grants, donations and user fees or the un-timely remittances of PHC funds which have affected growth and delivery of quality services to the community by the hospital.

Therefore the researcher intends to investigate the roles of financial management on the performance of private hospitals in Uganda (Kitovu Hospital).

1.3 Objectives of the Study

1.3.1 Major Objective

The major objective of the study is to examine the roles of financial management on the performance of Private Not-For-Profit hospitals in Uganda.

1.3.2 Specific Objectives

1. To establish the roles of financial planning and budgeting on the performance of private hospitals in Uganda.
2. To examine the relationship between auditing and the performance of private Not-For-Profit Hospitals.
3. To examine the role of financial statements on the performance of private Not-For-Profit Hospitals.

1.4 Research Questions

1. Does financial planning and budgeting affect the performance of private Not for Profit hospitals?
2. Is there a positive relationship between auditing and the performance of private Not for Profit hospitals?
3. What is the impact of financial statements on the performance of private Not for profit hospitals?

1.5 Scope of the Study

The study focused on investigating the role of financial management on the performance of Private Not for Profit health Hospitals especially in Kitovu Hospital. The researcher chose this unit to represent other private Not for Profit hospitals in the country at large and special emphasis was put on: internal financial management system in Kitovu Hospital, financial

statement reports, financial Planning and budgeting, auditing and risk management, sources and utilization of funds, resource and quality of services delivery. The researcher assumes that the un-surveyed areas will be represented by the mentioned institution. The study carried out puts much emphasis on a period of two financial years (2013-2014).

1.6 Significance of the Study

Since Financial management is an important element in the successful performance of any organization, Managers of these organizations therefore need to take arraignment of proper financial management with the responsibility of managing all the health unit resources and also derive ways of how to lessen the challenges encountered in planning and budgeting for these resources, which affect the performance of the hospital.

It is therefore, hoped that the following parties may benefit from the findings and recommendations of this study:

- The board of directors of the hospital, to plan within the limits of their resources and to focus their resources only on activities related to their priorities, which are realistic to the act as a means to improve the performance of the health institution.
- The information from this study is to help the managers of this institution to identify areas of weaknesses whereby they could concentrate to strengthen the functioning of the institution especially in areas of financial management.
- To the researcher, the study will provide detailed information on the role of financial management on performance of Private-Not-for-Profit Hospitals and other organizations, and a wider knowledge and ability in research work which will be applied elsewhere in the future.
- It is further hoped that this study report will help to enhance other reader's understanding of roles of financial management on performance of the Private-Not-for-Profit Hospitals and basis for further research.

- The information generating from this research is going to contribute significantly to improvement of the quality of health services rendered in private health institutions to the general public through good financial management.

1.7 Justification

The study will enable the people to know the different financial management functions such as financial reports, planning and budgeting as well as auditing which are guidelines on how the finance department can manage its resources more effectively and efficiently in a hospital. The research is of paramount importance to both private and public hospitals in Uganda. The study also aids the management team of the hospital to understand the role of financial management on performance and the quality of health services delivered to the community. The findings and the conclusions will act as a means to bridge the gaps which could have been created due to poor financial management and introduce stringent measures on internal controls and procedures on how to rectify some loopholes.

The research also adds to the researcher's knowledge on the subject of financial management and its importance in the quality of health services which is one of the patent elements in the community. The research provides a foundation on which further research on the similar topic may be conducted.

1.8 Definition of key terms

Financial Management:

According to Kakuru (2007), financial management refers to the raising and allocation of resources within the firm in order to attain objectives of the firm. It is concerned with planning and controlling of the firm's resources.

Performance

Armstrong (2006) defines performance as the achievement of quantified objectives. It is concerned with not only what people achieve but how they achieve it.

Budgeting

According to Brigham and Houston (1995), budgeting refers to the process of determining future revenue for the organization and allocation of these revenues to various votes according to priorities

Financial Statements

According to the International Accounting Standards (2002), financial statements are structured representations of the financial position and the transactions undertaken by the enterprise.

Auditing

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. (Larry.et.al 1999:5)

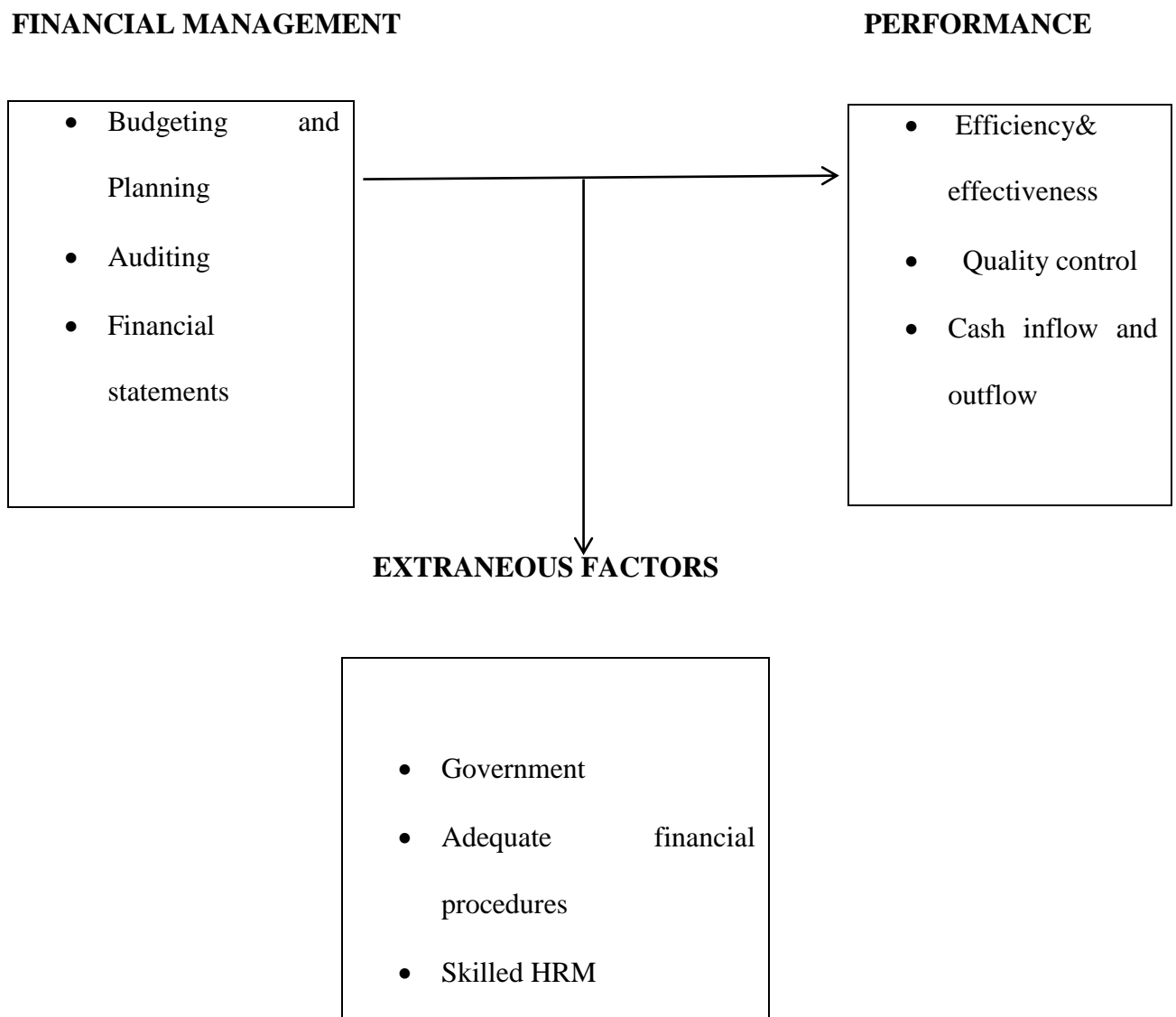
Private Hospitals

These are health units that are not managed by the government. They have their own governing bodies and policy regulating their operations. For example Kitovu hospital is a private Not-for-Profit (PFNP) hospital under the umbrella of organization of the Uganda Catholic Medical Bureau (UCMB).

1.9 Conceptual framework

According to Oso and Onen (2006), a conceptual framework provides a model of linking categories of possible variables or concepts in the study as perceived by the researcher. Therefore, this framework shows the relationship between the variables independent and dependent. According to sociologist Haralambos and Holborn (2000), a conceptual framework enables the researcher to find links between the existing literature and his own research goals.

Figure 1: Conceptual Framework



Source: Adopted from Nsubuga (2014) and modified to fit the study

Explanation of the Conceptual Framework;

The above conceptual framework is composed of three variables that is the independent variable (financial management), the dependent variable (performance) and the extraneous variables. This framework tries to show that performance depends on financial management; however, other factors such as Internal control systems, adequate financial procedures and skilled human resources manager affect financial management despite financial management measures such as Budgeting, planning and financial reports and these in turn affect performance in terms of efficiency and effectiveness, quality and cash inflow and outflow.

Conclusion

Financial management plays an important role in the performance of private hospital in Uganda. The study has clearly highlighted its intentions drawing guidelines from the introduction, the problem statement has been stated and the gap stands for further investigations. Basing on the conceptual framework (reflected in chapter two) on which the study is formed, the independent variable has been narrowed down to dimensions and then the indicators listed followed by an explanation showing how they affect performance. The dependent and the extraneous variable indicators have been clearly stated. The next chapter will review Literature that is objective by objective.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the different theories and studies written by various authors relating to roles of financial management on the performance of Private-Not-for-Profit Hospitals. A clear understanding of the concept of these theories and procedures will clearly and precisely bring out the importance of management of financial resources in health institutions. The various elements which contribute to financial management in an organization will be looked at such as budgeting and planning, financial reports as well as auditing.

2.1 Theoretical review

Over the years, relatively little effort has been spent on clarifying the performance concept. Campbell (1990) described the literature on the structure and content of performance as “a virtual desert.” However, during the past 10 to 15 years, one can witness an increasing interest in developing a definition of performance and specifying the performance concept.

With the ongoing changes that we are witnessing within organizations today, the performance concepts and performance requirements are undergoing changes as well (Ilgen and Pulakos, 1999). As a result, different authors agree that when conceptualizing performance one has to differentiate between an action aspect and an outcome aspect of performance (Campbell, (1990) Campbell, McCloy, Oppler, & Sager, (1993)).

The performance of an organisation is a major focus for all those who participate and desire the prosperity of an organisation. How well an organisation fulfills its mission and accomplishes its goals of the program of service delivery is of paramount concern. Financial capacity of the organisation enables it to accomplish these goals since funds are a necessity for executing operations thus managing them efficiently and effectively enhances

performance of the organisation. The Theory of Performance develops and relates six foundational concepts to form a framework that can be used to explain performance as well as performance improvements. To perform is to produce valued results. Developing performance is a journey, and level of performance describes location in the journey. Current level of performance depends holistically on six components: context, level of knowledge, levels of skills, level of identity, personal factors, and fixed factors. Three axioms are proposed for effective performance improvements. These involve a performer's mindset, immersion in an enriching environment, and engagement in reflective practice. (ELger, 2006)

2.2 Financial Management and Performance of PNFP Hospitals.

Finance is defined as the art and science of managing money which involves financial service and financial instruments (Khan and Jain, 2008). Finance deals with provision of money at the time when it is needed. The concept of finance includes capital, funds, money and amount. In addition, Finkler (2005) also agrees that finance focuses on the alternative sources of funds needed and the deployment of resources within the organisation and also involves the financial markets that provide a means to generating fund for organisations.

The finance function is one of the major parts of an organisation which needs to be managed by a person who has entire knowledge about this field that is a finance manager. Before, the financial managers' job was to raise financial resources and make purchase of goods for various departments however; today financial managers take the responsibility in the whole process of initiating hospital programs through budgets, coordinating budget implementation, supervising revenue collection and reporting on the organizational performance (Finkler, 2005).

According to Gareth and George (2003), management is the planning, organizing, leading, and controlling of human and other resources to achieve organisational goals both effectively

and efficiently. The resources include assets such as people, their skills, knowledge, machinery, raw materials, computers, information technology and financial capital.

According to Massie (1971), financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations. In addition, financial management comprises of two major objectives that are profit maximization and wealth maximization. Profit maximization is the traditional and narrow approach, which aims at maximizing profits of the organisation whereas Wealth maximization involves innovations and improvements in the field of the organisation.

Financial management is concerned with acquisition, financing and management of assets towards improvement of organizational performance. Financial management consists of functions such as planning, budgeting, obtaining resources, controlling funds and auditing (Van Horne et al 2000).

According to Bugene, et al (2004), financial management has undergone significant changes since the 1900s. Despite the main functions of financial management being to provide qualitative financial information for use in making economic decisions, it can also be used to plan for acquisition and utilization of funds in order to maximize efficiency.

Van Horne et al (1995) argue that many private organizations have little or no concern about financial management in their operations which leads to low levels of performance and failure of organizational goals and objectives as well as operations. Therefore, various decisions in financial management in any organization should include efficient and effective planning and budgeting, quality control and financial statements to enhance better performance of an organisation.

2.2.1 Importances of financial management

According to Paramasiav and Subramanian (2008), each organization must maintain adequate amount of financing for smooth running of operation and to enable achievement of its goals. The goals can only be achieved with the help of effective management of finance. For that reason, we cannot neglect the importance of finance in any situation. Some of the Importances of financial management include:

Financial planning: Financial management helps to determine the financial requirement of the business concern and leads to take financial planning of concern. Financial planning is an important part in the promotion of the enterprise.

Acquisition of funds: Financial management involves the acquisition of funds required for the business. Acquiring needed funds plays a major part of the financial management, since it ensures acquisition of funds at the at most nominal cost.

Proper use of funds: Proper use and allocation of funds leads to improve the operational efficiency of the business concern. When the finance manager uses the funds properly, they incur minimal operational costs thus increasing the value of the firm.

Financial decision: Financial management helps to take sound financial decision in the business concern. Financial decision will affect the entire business operation of concern. Because there is a direct relationship with various departments functions such as procurement and marketing

Improve profitability: Profitability of concern purely depends on the effectiveness and proper utilization of funds by the organisation. Financial management helps to improve the profitability position of the business with the help of strong financial control devices such as budgetary control, ratio analysis and cost volume profit analysis.

Increase the value of the firm: Financial management is very important in the field of increasing the wealth of the investors and business concern. Ultimate aim of any business will be to achieve maximum profit and higher profitability leading to maximization of wealth of the investors as well as the nation.

2.3 Financial Planning and Budgeting and Performance of PNFP Hospitals.

2.3.1 Financial planning

According to George and Gareth (2003) planning is a process that managers use to identify and select appropriate goals and course of action.

According to Management study guide, Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.

Financial planning is also defined as the process of determining firm's financial needs or goals for the future and the means to achieve them In addition, financial planning involves deciding what investments and activities would be most appropriate under both personal and broader economic circumstances. (<http://financialdictionarythefreedictionary.com/investment>)

Harvey (2012) also agrees with the view saying that financial planning involves evaluating the investing and financing options available to a firm. As well as attempting to make optimal decisions, projecting the consequences of these decisions for the firm in the form of a financial plan, and then comparing future performance against that plan.

According to Finkler (2005), Organisations take careful thought and planning to excel which involves knowing what goals it wants to achieve, why it wants to achieve those goals and how it intends to translate the goals into results. The most successful organisations are those that specifically address these questions rather than simply letting things happen. As a result, organizations that carry out careful planning tend to perform better than others. Financial

Planning objectives include: Determining capital requirements which depends on current and fixed assets, promotional expenses and long- range planning as well as determining capital structure which is the composition of capital and includes framing financial policies with regards to cash control, lending and borrowings.

Furthermore, Finkler (2005) emphasises that how well the manager plans determines how effective and efficient an organisation is as well as its performance levels. This is because outcome of planning is a strategy, which is a cluster of decisions concerning what organisational goals to pursue, what actions to take, and how to use resources to achieve goals. Therefore, a finance manager ensures that the scarce financial resources are maximally utilized in the best possible manner at least cost in order to get maximum returns on investment.

2.3.2 The Financial Planning Process

There are three steps in the planning process and these include: Deciding which goals the organisation will pursue, deciding what course of action to adopt to attain those goals and deciding how to allocate organizational resources to attain those goals. (George and Gareth 2003)

Planning is a difficult activity because normally what goals an organization should pursue and how best to pursue them that is which strategies to adopt is not always clear whereby either success or failure is a possible outcome of the planning process.

Figure 2: The Financial Planning Process



Source: <http://www.greenvillefa.com>

Step 1: Determine Your Current Financial Situation

The current financial situation is determined with regard to income, expenses, and debts. It involves preparation of a list of current asset and debt balances and amounts spent for various items to provide a foundation for financial planning activities.

Step 2: Develop Financial Goals

This involves periodical analysis of financial values and goals. The purpose of this analysis is to differentiate organisational needs from wants. Specific financial goals are vital to financial planning and they can range from spending all current income to developing an extensive savings and investment program for future financial security.

Step 3: Identify Alternative Courses of Action

Developing alternatives is crucial for good decision making although many factors influence the available alternatives however, possible courses of action usually fall into these categories: Continue the same course of action, expand the current situation, change the

current situation and take a new course of action. However, not all of these categories will apply to every decision situation instead will represent possible courses of action.

Step 4: Evaluate Alternatives

Here, there is need to evaluate possible courses of action, taking into consideration life situation, values, and current economic conditions. Decision making will be an ongoing part of the financial situation. Thus, there is need to consider the lost opportunities that will result from the decisions made.

Evaluating Risk: In many financial decisions, identifying and evaluating risk is difficult as a result, the best way to consider risk is gathering information based on experiences to use financial planning information sources.

Step 5: Create and Implement your Financial Action Plan

In this step of the financial planning process, an action plan is developed. This requires choosing ways to achieve the set goals. As the organisation achieves its short-term goals, the goals next in priority will come into focus. To implement the financial action plan, there is need for cooperation among the different departments within the organisation.

Step 6: Reevaluate and Revise Your Plan

Since Financial planning is a dynamic process that does not end when a particular action is taken, there is need to regularly assess the financial decisions. Changing social and economic factors may require more frequent assessments. When economic events affect the financial needs, the financial planning process will provide a means for adapting to the changes. Therefore, regularly reviewing the decision-making process helps to make priority adjustments that will bring the organizations' financial goals and activities in line with the current situation.

2.3.3 Importances of financial planning

There are various Importances of financial planning and these include; Provides a clear understanding of what you need to do in order to achieve your development goals, guides the organization in prioritizing and making decisions, enables the organization to focus possibly limited resources on the actions that will benefit your work the most, helps the organization to keep in touch with the global, national and local context, provides a tool to help in communication organisation intentions to staff and also provides a coherent guide for daily implementation of the plans.

When you speak about planning some people's first impression is budget attachment, however one can plan without translating that plan into financial budgeting. Berman et al (2005), emphasizes that the budget must be tailored to the plan not the plan to the budget. Therefore, organisations plan the activities they will undertake and how much they will spend on them and the organisation in turn uses the budgets to help it achieve its goals and objectives.

Budgeting

In every organisation, there is need to make a review of the current use of available resources for financing, investing and operating activities in order to plan for future use of the resources. Hence, budgets are formulated and they reflect in detail the financial impact of the projects that have been approved by the top management. (Nsubuga, 2014)

According to Certified Institute of Management Accountants (CIMA), "A budget is a financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining the objective".

According to Broadband&Cullen (1999), a budget is a statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows. On the

other hand, Horngren, et, al. (1991) states that a budget is a quantitative expression of a plan of action, an aid to coordinating and implementing the plan. However, analysis of the two authors' definitions shows that they have similarities that is planning, controlling and coordinating activities of the organisation.

According to Finkler (2005), a budget is the organization's plan. Therefore basing on Finkler's view of defining or taking a budget as a plan is absolutely right because without a budget, the health institutions or an organization cannot trace what it is trying to achieve, why it wants to achieve that goal and how it intends to translate that goal into results. Therefore, all the authors have the idea that a budget is an action plan of an organisation used to achieve its goals and that budgeting can contribute significantly to greater efficiency and effectiveness, and accountability in the overall management of an organisation' financial resources.

Budgets are drawn up for control purposes, which is an attempt to control the direction that the firm is taking. They are also developed to plan for the accomplishment of goals and objectives. The process requires that a number of predictions and decisions are made. Budgets establish the amount of resources that are available for the specific activities. According to economics, resources are not unlimited instead they must be used wisely. Many organisations attempt to do this by planning the activities they will undertake and how they will spend on them. However, budgets do not limit the resources that can be spent but instead they help the organisation achieve its goals and objectives. (Wood & Sangster, 1999)

Budgets help the managers to understand whether the organisation expects that receipts will exceed disbursements and a surplus will occur or if expenditure exceeds receipts resulting into a deficit. In case of a deficit, the organisation then plans to cover it without having to cease operations.

Although a budget is a plan, budgeting is a process of planning and control as a result this process is known as the budgeting process. Budgeting is also defined as the process of identifying, gathering, summarizing and communicating financial information about the organisations' future activities. Budgeting is concerned with resources allocation and the implementation of the approved programs within the long-range plan. (Nsubuga, 2014)

Horne (1998) agrees with Nsubugas' (2014) view as he suggests that the budgetary process plans for the future, in terms of operating expenses, revenues, capital expenditures and cash flows as a result, planning decisions are made today about a future course for an organisation to follow. Therefore, budgeting enables budgets to be prepared in order to guide firms towards their objectives. Berman et al, agree with Horne that the budgetary process provides a structure to plan and thus add that it also provides an opportunity to plan. They say, "The budgetary process raises the priority planning by making it a required component of an operational problem preparing a budget. This forces the management to devote attention to planning, providing at least one opportunity in the course of the year to plan."

The budgeting process is one of exploring possibilities whereby organisations determine what things they do and what they cannot do. Budgeting process should be participatory. Nsubuga (2014), argued that the act of participating in budget process serves as a function by inducing employees to accept and commit to their budgeting goals (Mercantile, 1981). He further argued that when employees participate in budgeting, it will result into reduced costs, improved motivation and job commitment and therefore enhance performance.

In most organisations, the budget process consists of a cycle of activities which include budget preparation, budget review and adoption, budget implementation and evaluation of results.

2.3.4 The Budget Cycle

The first stage of the budget cycle is budget preparation which is then followed by budget review carried out by the body of trustees with the authority to adopt the budget. Once approved, the budget is implemented by the management of the organization and then the results of its implementation are evaluated by the management of the organization.

FIGURE 3: Showing the Budget Cycle



Source: <http://www.greenvillefa.com>

The financial budget has two primary components: the cash budget and the capital budget. The cash budget plans for cash receipts and the disbursements of the hospital. The cash budget also aids to estimate the amount that will be paid for expenses during the year and the amount that will be collected during the year for patients' treatment, this helps in knowing the performance of the hospital. However, the capital budget plans for the acquisition of long-term resources, such as buildings and equipment. (Finkler, 2005)

Finkler (2005) further asserts that apart from the two already mentioned categories of budgets, there are others and these include special purpose budgets that prepared at any time during the year for a specific project or activity, performance budgets that help to review performance basing on the budget projections and operating budgets which are used to plan

for expected revenues and expenses. In addition, William (1988) emphasises that among these budgets, the performance budget is the most useful budget throughout the process of planning, implementation, monitoring, and evaluation in the hospital.

2.3.6 Budgeting techniques

According to Finkler (2005), there are different budgeting techniques such as flexible budgeting, performance budgeting, cost-benefit analysis, zero-based budgeting and forecasting. The flexible budgeting involves preparation of a flexible budget which is an operating budget for varying workload levels and focus on output measure for instance hospitals treat patients which is the measure of volume needed to prepare a flexible budget. Performance budgeting is an approach designed to improve the budget process by focusing more on what the organisation hopes to accomplish for instance a hospital's goal is for its patients to get well. This approach is also suitable in situations that do not have a clear relationship between resources and outcomes.

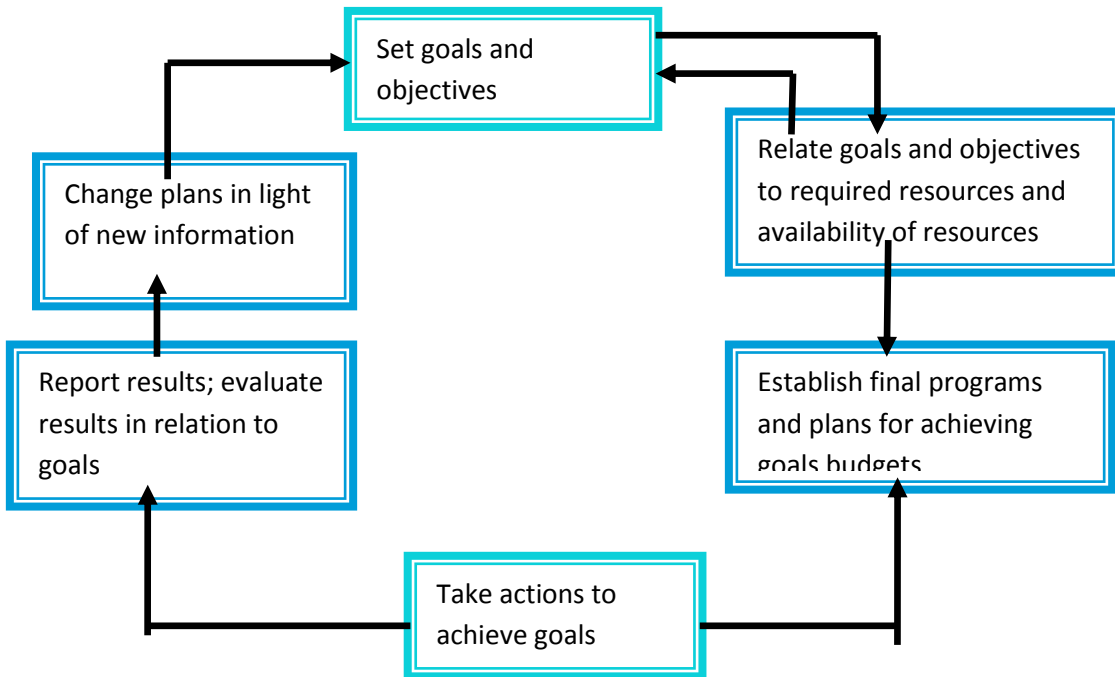
Cost-benefit analysis is an analytical technique that compares social costs and benefits of proposed programs or policy actions. Cost-benefit analysis involves comparing the costs and benefits of an action or program. Forecasting involves developing budgets basing on predictions and it is more of guesses of how the future will be.

Zero-based budgeting is an approach that argues that each year every item in every budget should be closely examined for the value it adds. It requires evaluation of alternatives in a variety of ways. Therefore, different ways of performing each given task should be compared and different programs aimed at the same goal should be compared.

2.3.7 Steps of Budgeting Process

The budgeting process contains the following steps.

Figure 4: Showing the major steps in the budgeting process



Source: Adopted from Nsubuga (2014)

2.3.8 Budgetary Control

Budgetary control is a system which uses budgets as a means of controlling the activities of the organisation. (Kisawuzi, 2004) It has three main aspects:-

Planning: Budgetary planning is the process of preparing detailed, short-term plans for all the functions, departments and activities of the organisation. It is important that the short-term plans and objectives that make up the budget are related to the long-term plan and objectives of the organisation. The budget may be drawn up by preparing an overall budget for the organisation which is then broken down into more detailed budgets for the different parts of the organisation in form of the top-down approach or bottom-up approach.

Co-ordination: It is vital that the plans of each department are related to each other and are

integrated together to make a coherent whole. The master budget is the key element in budget co-ordination as it summarises all the other plans and reveals any inconsistencies amongst them.

Control: Control is exercised in organisations through continual feedback of information to facilitate such corrective action whereby variations from plans are revealed by measuring actual performances and comparing it to planned performance. These variations are analysed in more detail and reported to managers for action which is the key part of the control mechanism.

2.3.9 The importance of preparing of budgets.

The ability to budget effectively is crucial to maintaining a successful non-profit organization thus helps accomplish the following:

Budgets provide a framework for decision making which it assists managers in choosing between multiple projects of the organisation. Management should be allocating funds and resources to the projects highlighted in the budgets.

Budgets act as communication tools of an organisation whereby they help to inform the staff and the board what the financial goals are for the year ahead. As a result, they are able to plan how they are to achieve these goals which in turn enable the organisation to perform better.

The budgets tend to monitor the financial activity of the organization this is seen whereby on a monthly or quarterly basis management should compare actual income and expenses to their budgets to ensure that spending is in line with revenues. If expenses exceed revenues then steps can be taken to prevent financial losses including reduced spending. If income exceeds expenses then management can determine an appropriate use for the excess funds, such as investing the funds or making additional capital expenditures.

Budgets assist the organization's plan for capital expenditure projects whereby a comprehensive budget will set the organization's financial goals for the year in order to fund designated projects. Therefore, Management and the board of directors should carefully prepare and track budgets to ensure that the organization is staying on track with its mission and vision.

However, though budgeting is a major management activity, it involves limitations which include the following;

Budgeting is a time consuming and costly job which requires management of the organisation enough time and resources to carry out. The development of budget includes many repetitive steps before the budget is finally approved as a result; this delays operation as tasks have to be executed according to carefully prepared budgets and plans.

Budgets are based on assumptions that often turn out to be inaccurate. Since these assumptions are referred to and based on during the decision making process, unclear decisions will be made by management which may lead to poor performance of the organisation.

Conclusion

Organizations plan the activities they will undertake, how much they will spend on them and the organisation in turn uses the budgets and plans to help them achieve their goals and objectives. Therefore, organizations perform more effectively and efficiently when they carry out financial planning and budgeting. As a result, the researcher intends to investigate the roles of financial planning and budgeting on the performance of PFNP Hospitals.

2.4 Auditing and Performance of PNEP Hospitals

Audit is a Latin word that means ‘he hears’. In the ancient times, the accounts of an estate were checked by having them called out to those in authority by those who had compiled them.

An audit is an examination by an auditor of the final accounts that is profit and loss account and the balance sheet of a business enterprise. It involves the checking of supporting documents from which these accounts are prepared. The main purpose of an audit is to ascertain whether or not these accounts present a true and fair view of the financial position of a business. The audit report shows the opinion of the auditor about the accuracy of the financial statements. (Saleemi 2011)

According to Manas'she (1990), Auditing is an independent examination and expression of opinion on the financial statements of an entity by an appointed auditor in pursuant of that appointment in compliance with any relevant statutory requirements.

According to Larry et al (1994), auditing is a systematic process of objective obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. Thus this aid the top management in making informed decision on the future of the private health institutions.

According to Nobles (2004), Auditing is a control mechanism designed to provide and internal and independent check on the financial statements and reports published by those private health institutions. Since the early ninety's the overall objective of the auditing has been the expression of an opinion as to whether the financial statements are prepared in all material aspects in accordance with an identified financial reporting framework.

According to Taylor and Millichamp (2008), the role of the auditors is to gather sufficient evidence so as to be able to form an opinion on the accuracy and correctness of the financial statements. In addition to carrying out the audit auditors are able to assist their clients with accounting problems, accounting and financial reporting systems, taxation, financial risk management and other problems. Financial managers make decisions that affect the life of the private health institutions; they basically need information to perform this duty. Although financial statements can provide the needed information, the opinion of the Auditor in relation to the information given is very vital.

According to Taylor & Millichamp (2008) there is need for an audit because the report provided by the manager to the top management may contain errors, not disclose fraud, be inadvertently misleading, be deliberately misleading, fail to disclose relevant information and fail to conform to regulations. Therefore, the solution to this problem of credibility in reports and accounts lies in appointing independent professionals called independent auditors to investigate the report and report on their findings.

Kurt (2001) also asserts that in order for an audit to provide true and fair results, it requires an independent auditor. The contribution of the independent auditor is to provide credibility to information which means the information should be reliable upon by outsiders such as stockholders, creditors, government regulations, customers and other interested third parties. These third parties use the information to make various economic decisions such as decisions about whether to invest in the private health institutions new assets or not.

The Auditing practices Board (APB) which is the body responsible for issuing auditing standards and guidelines states that;

‘The objective of an audit of financial statements is to enable the auditor to express opinion whether the financial statements are prepared, in all material respects, in accordance with

applicable financial reporting framework. The phrases used to express an auditor's opinion are 'give a true 'and 'fair view' in all material respects' which are equivalent terms.'

According to Nsubuga (2014), the original objective of auditing was to detect and prevent errors and frauds. He goes ahead to agree with APB that the objective of auditing shifted to ascertaining whether the accounts give a true and fair view rather than detection of errors and frauds.

During auditing, an audit manual is used to ensure a standard Procedure of auditing and also achieve uniformity in all auditing procedures rather than following one's own personal interpretations and opinions at the time of actual auditing. Therefore, it is mandatory for all auditors to follow and adhere to the instructions provided in the manual rather than to rely on personal interpretation & opinion. In addition, the audit enables the Departments, Offices and Institutions to efficiently carry out various activities taking into consideration the Audit manual.

2.4.1 Types of Auditors

External auditors

An audit professional often certified public accountants who maintain their objectivity and independence during an audit who performs an audit in accordance with specific laws or rules on the financial statements of a company, government entity, other legal entity or organization, and who is independent of the entity being audited.

Internal auditor

An auditor employed by the organizations they audit and reviews employee performance, compliance with company regulations and financial and accounting systems. Internal auditors allow company leaders to be informed of what is happening within the company and to address issues or concerns early.

2.4.2 Internal controls

According to Meigs and Meigs (1996), internal control refers to all measures taken by management to ensure that the organisation operates efficiently and effectively, produces reliable information and complies with applicable laws and regulations.

Internal control are the management procedures designed to ensure efficiency and effectiveness in operations, to improve management decision making, to protect resources, ensure maintenance and reporting of reliable information, and enforce execution of operations in a manner that is consistence with management policy (Kisawuzi, 2004). It is further argued that internal controls are designed to ensure that a ministry, agency or department carries out its required function effectively and efficiently, that its financial reporting is reliable and complies with relevant laws and regulations (Kisawuzi, 2004). Further states that for most countries, such internal controls are focused on controlling allocation of spending, accounting procedures and financial statements.

The American Institute of Public Accountants (AIPA) also defines internal control as the plan of organization and all the co-ordinate methods, and measures adopted within a business to safeguards its assets, check the accuracy and the reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. A system of internal control extends beyond those matters which relate directly to the function of the accounting and financial departments. While carrying out Auditing, the internal controls of the organization should be put in to consideration because they check whether the performance of the organization is effective and efficient.

According to Simiyu (1997), the objectives of internal control include; minimize, if not completely eliminate, wastage and inefficiencies in business operations, to safeguard the assets of the business, ensure high degree of accuracy and reliability of accounting data and promote operational efficiency, measure how far the policies of the management are being implemented and to evaluate the efficiency of performance in all aspects of business activities and to highlight the weaknesses.

According to Segsworth et al. (2002), private health institutions performance management is concerned with designing controls, policies and procedures that govern the activities and operations of the private health institution. The controls are the internal accounting controls and operational controls. Internal accounting controls are such controls relevant to the expression of an audit opinion on financial matters. Operational controls are not directly relevant to the expression of an audit opinion on financial matters such as procedures relating to monitoring the performance of employees.

According to ISA 315 internal control is not simply a set of procedures and checks but instead includes a whole range of activities and attitudes. These include: the control environment, the risk assessment processes, information system, control activities and monitoring of controls. In addition, Taylor and Millichamp (2008), assert that within the organisation there will be many various controls of many and various aspects of the organisation's activities. It is important to understand that the ones the auditor is interested in are the ones which relate to the objective of preparing accounts which are true and fair.

Internal control measures are designed to prevent or to detect and correct errors. An internal control system must identify and record all varied transactions, describe transactions on a timely basis, measure and value transactions properly, record transactions in the proper time period, properly present and disclose their effects and communicate responsibilities to employees (Ahmad Saleem, 2000).

If we analyze the above definitions it would be evident that internal control is a broad term with a wide coverage. It consists of a number of checks and controls which are exercised in a business to ensure its efficient and economic working. Thus internal control involves vigilance and directions over important matters like budget and finance, purchase and sales and internal administration by the management.

2.4.3 Forms of internal control

The forms of internal control which help in ensuring correct and reliable records of transactions and operational efficiencies include the following;

Accounting control

It ensures correct and reliable records of transactions in conformity with normally accepted accounting principles. Such controls comprise primarily the plan of the organization and the procedures and records that are concerned with and directly related to the safeguarding of assets and liabilities of financial records. Accounting financial controls include budgetary control, standard cost control, self-balancing ledger, bank reconciliation and internal checks and internal auditing. Accounting controls deal with the process of recording of transactions, safeguarding the assets and adherence to prescribed managerial policies.

Administrative control

The scope of this control is very wide. They also include accounting controls. Such controls comprise of the plan of the organisation that are concerned mainly with operational efficiencies. In short they may include anything from the plan of organisation to procedures, record keeping, distribution of authority and the process of decision making. They include controls of Time and motion studies, quality control through inspection, statistical analysis and performance evaluation etc. An auditor should make a careful review of accounting controls as they have a direct bearing on the reliability of the financial statements. He is primarily concerned with the accounting controls.

Internal control and auditor

The position of the auditor regarding internal control has been stated in the statement of auditing practices issued by the Institute of Chartered Accountants of India which says "the duty of safeguarding the assets of a company is primarily that of management and the auditor is entitled to rely upon the safeguard and internal controls instituted by the management, although the auditor will take into account the deficiencies, he may note therein while drafting his audit program". It clearly means that an auditor is concerned only with the evaluation of internal control to know its strength and weaknesses. In case the auditor finds that the internal control system is inadequate, he should then plan to carry out detailed examination of those areas where the system is weak. It is therefore necessary for the auditor to acquaint himself fully with the internal control in force and their actual operation.

2.4.4 Limitation of internal control

Internal control can provide only reasonable, but not absolute, assurance that the objectives stated above are achieved. This is because there are some inherent limitations of internal controls, such as: Management's consideration that a control be cost effective, the fact that most controls do not tend to be directed at transactions of unusual nature, potential for human error, possibility of circumvention of controls through collusion with parties outside the entity or with employees of entity as well as Manipulations by management with respect to transactions or estimates and judgments required in the preparation of financial statements.

Therefore, each firm has its own needs depending on size, geographical spread, special expertise, but all firms must organise quality control policy and procedures such as clear designation of leadership responsibilities, ethical requirements, acceptance and continuation of relationships with clients, human resource policies and a monitoring system to ensure that the quality procedures are reviewed and that there is a process for recommending improvements (Taylor, J.R. & Millichamp, A.H. ,2008). As a result organisations are able to

ensure quality control as they carry out different tasks and activities in this way they are able to improve on their performance.

Conclusion

The researcher considered harmonizing the above authors among others who have the definitions and views on auditing and performance of the private Not- For-Profit Hospitals. In addition, the researcher concluded that the recruitment of potential auditors who follow the auditing procedures recommended ensures that there is quality control and also that the reports presented by the auditors provide a true and fair view about the performance of the Hospital. It is therefore, imperative that private Not- For-Profit Hospitals carry out audits as this enables them to see the real picture of their performance.

2.5 Financial Statements and Performance of PNFP Hospitals

Giles et al. (1997) define financial statements as “sets of all financial accounts an organisation presents at the end of each trading period, usually a year”. Financial statements are also referred to as accounting reports that show what happened in an organisation’s financial year.

According to IASB framework, the objective of financial statements is to provide information about the financial position, performance and changes in the financial position of an enterprise that would be useful to a wide range of users such as stakeholders, shareholders and management in economic decision making, checking progress towards financial goals and making performance evaluation.

According to Griffin (2009) the financial statements are the reason the accounting cycle exists. The journals, ledgers, trail balance and adjusting entries are done to put the accountants in the position to prepare the financial statements that is the balance sheet, income statement, statement of retained earnings and a cash flow statement. It is with these

reports that important decisions are made, such as whether to invest in the organisation. Brigham and Houston (1995) agree with Griffin as they say that the annual report presents four basic financial statements which include; the balance sheet, income statement, statement of retained earnings and statement of cash flows that give an accounting picture of the firms' operations and financial position.

2.5.1 Types of financial statements

Income statement

According to Hodge et al. (2008) the income statement, also called a profit and loss statement, is an accounting statement that matches a company's revenues with its expenses over a period of time, usually a quarter or a year. Its major purpose is to reveal information about the business to various interested parties most of whom are non-accountants. The components of the income statement involve a company's recognition of income and the expenses related to earning this income. Paramasivan and Subramanian (2009) continue to assert that Income statement reflects the operational position of the firm during a particular period and it determines the entire operational performance of the concern like total revenue generated and expenses incurred for earning that revenue.

Balance sheet / statement of financial position

The balance sheet shows the financial position of the organisation; however, in some situations however, it is not always the case because some items like depreciation are calculated based on assumptions. A balance sheet shows the resources an organisation own, the debts it owes and the amount of owner's equity. (Kisawuzi, 2004)

According to IAS 1 (2003), each organisation should determine based on the nature of its operations whether or not to present current and non-current assets, current and non-current liabilities as separate classifications on the face of the balance sheet in order of their liquidity.

Statement of cash flows

According to Revsine et al. (1999), defines a statement of cash flows as one which shows why a firm's investments and financial structure have changed between two balance sheet dates. According to Kisawuzi (2004), a cash flow statement summarizes the cash receipts and payments of the organisation over the same period of time. It shows the inflows and outflows of the organisation's funds. Lewellen et al. (2000) agrees with Kisawuzi (2004) as they emphasise that the cash flow statements focuses on the magnitude and composition of the firm's cash generating power.

According to IAS 1(2003) the cash flow statement should report cash flows during the period classified by operating activities, investing activities and financing activities. In addition, the cash flow statement when used along with other financial statements provides information that enables users to evaluate changes in net assets of an enterprise, its financial structure including its liquidity and solvency.

2.5.2 Accounting policies in preparing financial statements

According to the IAS 1 (2001), accounting policies refer to, specific principles, bases, conventions, rules and practices adopted by enterprises in preparing and presenting financial statements''.

According to IAS 1 (2003), management should select and apply an organisation's accounting policies so that the financial statements comply with the requirements of each applicable IAS. The accounting principles to be used when preparing financial statements in an organisation include;

The objectivity principle: This asserts that there is need to obtain a definite factual basis for valuation when preparing financial statements. For instance, assets should be valued at their cost rather than the market value.

Materiality and aggregation: Here, each item should be separately in the financial statements. Immaterial amounts should be aggregated with amounts of a similar nature or function and need to be presented completely.

Consistency in presentation: According to IAS 1 (2001), this principle states that, presentation and classification of the financial statement items should be retained from one period to the next unless a significant change in the nature of the operations of the enterprise demonstrates that the change will result in a more appropriate presentation of the event. Consistent accounting or presentation gives clear information for financial decision making.

The cost principle: Under this principle, financial statements are prepared under historical cost convention. This helps to give an objective variable evidence of values for the goods and services to the decision makers. However, PNFP hospitals use the accrual basis accounting this is because transactions and events are recognised as they occur and are reported in the financial statements of the periods to which they relate.

2.5.3 Sources of Funds

According to Nsubuga (2014), there are always many issues to be considered before financing a private health institution. With set aims and objectives, a private hospital has to engage in financial mobilization.

According to Needham and Dransfield (1993)

“The various sources of finance that may be available to the private health institution include trading income, loans from the banks or other financial institutions, fundraising, government funding, donations, user fees among others.”

A medical unit generates its funds from user fees, Donations from donors and well-wishers, refunds of taxes by revenue Authorities and government grants (PHC). All these aid the

hospital administration to render good medical services to the concerned patients at reasonable cost and are in built in the cash budget of the private health institution.

Conclusion

Every organisation to perform effectively and efficiently, it should ensure that it prepares its financial statements which include the balance sheet, income statement and cash flow statement this is because they are essential for the organisation as they portray the financial position of an organisation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The study was conducted at Kitovu Hospital where the researcher thought that financial management plays roles on the performance of the entire organisation. This chapter points out the overall research process; it provides a detailed description of the selected research design, the research methods used in obtaining the essential information and methods of data analysis. It also covers the population, sampling size, data analysis techniques, reliability and validity, ethical issue, the criteria for the interpretation of the results and expected limitations to the study. Thus the methodology explains the means the research is going to apply.

3.1 Research Design

The research design is the overall plan or strategy for conducting the research. Kumar (2011) defines research design as a plan structure and strategy of investigation so conceived as to obtain answers to research questions or problems. The importance of research design stems from its role as a critical link between the theory and argument that informs the research and empirical data collected (Nachimias&Nachimias 2008).

The researcher adopted a case study design focusing on Kitovu Hospital. This is because it helped the researcher to describe and explain rather than predict the outcomes of the study. A combination of qualitative and quantitative techniques or approaches was used to obtain the data since some data was in numerical and theoretical form. This was to bring out an insight of the roles of financial management on the performance of the Kitovu Hospital which represents other Private Not-For-Profit hospitals in Uganda.

The study is concerned with the need to take arraign of proper financial management with the responsibility of managing all the health unit resources and also derive ways of how to lessen the challenges encountered in planning and budgeting for these resources, which affect the performance of the hospital.

The research design was specifically intended to investigate the relationship between financial planning and budgeting and efficiency and effectiveness, Auditing and quality control as well as financial statements and cash flows. Such issues are best investigated through case study. The research design will aid the researcher in obtaining the information on the roles of financial management on the performance of private Not-For-Profit hospitals specifically Kitovu Hospital.

The case study research design generally entails intensive, descriptive and holistic analysis of a single entity the bounded case. The purposes of the design are to study a single entity in depth in order to gain insight into the larger cases and to describe and explain rather than predict. The justifications for this design are smaller samples, in-depth analysis, concrete and contextual.

3.2 Area of the Study

Kitovu Hospital is located in Masaka district located in central Uganda, situated about 37km from the equator towards the south with a population of the district was estimated to be 296,649. The main town in Masaka district is Masaka whose estimated population in 2011 was 74,100649 where the residents of are mainly involved in agriculture and small scale businesses. It covers three divisions; KatweButego, KimanyaKyabakuza and NyendoSsenyange divisions.

3.3 Study Population

The study population was estimated to be 160 employees who work in Kitovu Hospital as informed by the Human Resource Manager. Out of these, 30 were considered eligible because they fall under the top staff members and they are involved in the financial management of the hospital. These included departmental heads, administrators, financial managers and cashiers from the hospital.

Table 1: Showing the study population

Category	Actual number
Administrators and cashiers	17
Accountants	5
Heads of department	8
Total	30

Source: Research data, 2015

3.4 Sampling Procedures

3.4.1 Sample Size and Selection

Amin (2005) defines a sample size as the number of elements in a portion of the population whose results can be generalized to the entire population. Kumar (2011) says that a sample size is the number of individuals from whom you obtain the required information and it is usually denoted by letter. Saunders *et al* (2007) emphasizes that collecting data from a sample which represents the entire population is a valid alternative when there are constraints on time, budget and it is impracticable to survey the entire population for the research.

The sample size deduced from study population with the help of Krejcie and Morgan's table and which is attached in the appendix consisted of 28 respondents whose structure were the Accountants, administrators and cashiers, and heads of department to obtain relevant information. However out of the 28 questionnaires that were distributed to various respondents 20 questionnaires were received back and 7 were incompletely filled.

3.4.2 Sampling Technique

Sampling refers to the method used to select a given number of people or things from population. It also refers to the selection of some part of an aggregate or totality on the basis of which judgment is made. The researcher used purposive sampling to get the relevant data from the respondents Gay and Airasian (2003). Further the authors suggested and defined purposive sampling technique as one of the best ways of selecting the population. The researcher chose this technique because of the need to have past experience, knowledge and the content relevant to the topic of financial management on the performance of the organisation.

Cluster sampling was used to select the particular respondents that were needed for the research within the hospital. This helped the researcher and the respondents to focus on the topic under study as they were knowledgeable about it. Therefore, the researcher was able to obtain viable and relevant information on the study to find out the role of financial management on the performance of Kitovu Hospital.

In addition, the researcher used convenience sampling to identify the case study relevant to the topic under investigation. This was because Kitovu Hospital is a place within reach as it is not far away from where the researcher studies. Furthermore the hospital has been in existence for more than 50 years as a result, the researcher in this case would get relevant

information about the role of financial management on the performance of Kitovu Hospital over the years.

3.5 Data Collection Methods and Instruments

This refers to the mechanism through which data can be collected. Tools refer to the instruments used in data collection. The researcher employed different instruments or tools for collecting data like; interview guide, self-administered questionnaires, and observation. Primary data was collected using interviews and questionnaires while the secondary data was obtained by reviewing the private health institutions records especially financial statements. The collected data enabled the researcher to understand the roles of financial management on performance of Private-Not-For- Profit Hospitals.

3.5.1 Observation

The researcher observed the exercises of the financial management system in different departments handling finance within the hospital. The internal controls in use were observed. For instance, in accounts department, physical observation was made of how cash inflows and outflows are recorded and how cheque payments are made and receipts are written as well as the approval processes that are followed. This yielded data, which was used to supplement information, got through interviews. The researcher used this method because it avoids reporting bias information and helps in overcoming language barriers.

3.5.2 Interviews

Interviews give an opportunity to probe and obtain detailed information on the research questions (Amin 2005). The interview guide was used because it is essential for the purpose of clarity especially on some issues that would need to be raised clearly. The respondents were identified and requested to answer certain questions. The interview question focused on the specific objectives of the study.

In addition, interviews were used to help the researcher to connect information that was collected from the questionnaires and thus giving validity to the data collected. The researcher conducted interviews with the accountants and heads of the finance department who have a hand in financial management. The interviews were used to help the researcher understand more about financial management in Kitovu Hospital as well as collecting enough data to meet the objectives of the study. This method was employed because it was cheap to use and could explain more in depth some questions which the questionnaires could not provide enough information about.

3.5.3 Questionnaires

The researcher used questionnaires. These were written to seek explanations, views and ideas on the roles of financial management on the performance of Kitovu Hospital. These were answered by 20 respondents in the hospital. These are literate people who were in position to answer the questionnaires. The questionnaires were chosen because they were cheap to administer and the targeted group were eligible to understand them. The questionnaires had both open ended and closed ended where by the closed ended had options like strongly agree, agree, disagree and strongly disagree. This limited the respondents from giving their own views. The open ended questions gave chance to the respondents to feel free to express in their own words matters regarding financial management in view of the performance of the organisation.

3.5.4 Review of Records

These were used to determine the quality of records keeping, and completeness of the records and management of the flow of resources within a hospital. The basic records that were assessed by the researcher include the financial statement such as statement of cash flows, balance sheet, financial position of 2013&2014.

3.6 Quality Control Methods

This refers to the validity and reliability of instruments. According to Christensen (1997), reliability refers to consistency or stability. Reliability in the literature review was addressed by using existing literature sources, theories and models that are available to other interested academics. All questionnaires were given serial numbers for easy tracking and also to avoid double inclusion. The questionnaires were pre-tested to control ambiguity and varied elucidation of questions. Interviews and observation were used concurrently to supplement each other and improve the implication of information.

3.7 Data Management and Processing

The data was grouped into various categories as directed by the objectives of the study. Questions which looked for similar data will be put under the same sections. This was to enable the researcher to analyze the relevancy to the study.

3.8 Data Analysis

The researcher used both Qualitative and Quantitative methods to be able to analyze the collected data in the field. For the Quantitative method; tables, bar graphs, pie charts were used to analyze and present the data. The researcher also used a statistical Package of Social Science (SPSS) 16.0 version to be able to carry out all the illustration in the analysis of the data.

The researcher also used qualitative methods to analyze and evaluate the roles of financial management on the performance of PFNP hospitals, which will enable the researcher to draw informed conclusions.

3.9 Ethical Considerations

A letter seeking authorization to conduct the study was obtained from Uganda Martyrs University that introduced the researcher to the administration of Kitovu Hospital. This helped to avoid inconveniencies the researcher would have met when collecting the data.

Formal authorization was sought from the hospital administrator in-charge which enabled the researcher to be free to carry out the interviews, observation as well as questioning the respondents.

Confidentiality was taken into consideration during the entire process of carrying out the research.

3.10 Limitations of the Study

In any study carried out, there are always obstacles that come in the way of the researcher during the research process. As a result, this requires patience, perseverance and commitment in order to achieve the set objectives when one goes out to collect data for a given study. One of the major limitations the researcher encountered few number of employees who were knowledgeable about the topic that is only the finance department as a result this led the researcher to having a small sample size.

Getting financial information from the accountants was very difficult as they feared that the researcher was going to misuse their information for personal benefit.

Some of the respondents were not willing to take up the questionnaires due to the fear of committing themselves on the issue of the hospital and also the limited time for the workers to fill the questionnaires.

The lack of interest from the side of some respondents hindered the research from getting adequate information to make comprehensive work whereby 20 of the targeted respondents did not answer the questionnaires given to them.

In the course of carrying out the research, the researcher incurred high expenses in terms of stationary, transport to collect the data from the respondents. It was overcome by investing in more money and suspending other needs.

Conclusion

The chapter has discussed in depth methodology and design that was used to collect data. The instruments used, the way of presentation analysis and discussions form the basis on which chapter four will base. However, though there were limitations, the methods of data collection, analysis, and interpretation, generally resulted in to reliable conclusions.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the research findings, analysis and interpretation of data collected, concerning the roles of financial management on the performance of private not-for-profit hospitals (Kitovu Hospital). The information lies on data collected by use of various research methods mentioned in chapter three. Reference was made to the literature review of chapter two in order to make comparisons. Questionnaires and interviews were designed to collect data and they were administered to the selected respondents. Results from a few observations carried out at the hospital have been used in the discussion and drawing of the conclusion. In the results presentation, the statistical package for the social science (SPSS) was used to obtain quantitative results and the statistical tests used include; frequency tables, bar graphs and pie charts.

4.1 Presentation and analysis

This part is presented according to the following objectives of the research study;

- Financial planning and budgeting on the performance of private Not-for-Profit Hospitals.
- Auditing and risk management and the performance of private Not-for-Profit Hospitals.
- Financial statement reports on the performance of private Not for Profit Hospitals.

4.3 Background Information of Respondents

Out of 20 respondents, 13(65.0%) respondents were females and 7(35.0%) males. The big percentage of female respondents indicated that women by their nature of nurturing life are more than men which affects positively the performance of the hospital. The table below gives us the explanation on the frequency and percentages.

TABLE 1: Number of respondents in category

Sex	Frequency	Valid Percentage (%)
Female	13	65.0
Male	7	35.0
Total	20	100.0

Source: Research data 2015

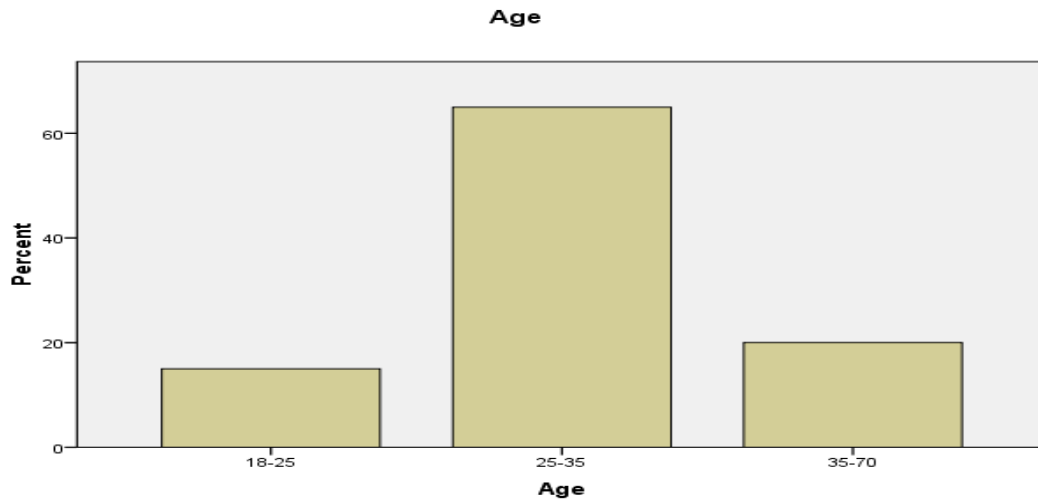
According to the data, 15.0% of the respondents were aged 18-25 years, 65.0% of the respondents were aged 25-35 years and 20.0% were between 35-70 years. This implies most respondents were aged between 25-35 years as shown in the table and the bar graph below thus Kitovu Hospital has energetic, youthful staff that can render good services:

TABLE 2: showing the Age of respondents

Range	Frequency	Valid Percentage (%)
18-25	3	15.0
25-35	13	65.0
35-70	4	20.0
Total	20	100.0

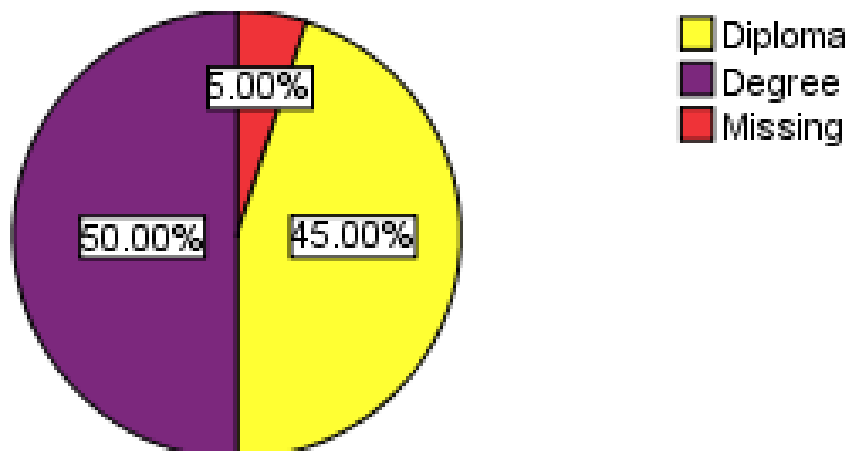
Source: Research data 2015

Figure 5: The bar graph showing the respondents age brackets



According to the respondents and from the analysis of the questionnaires, it was clear that education is vital in their lives. The research observed that Kitovu Hospital has qualified personnel which are a key factor given the fact that it is health institute. The statistics showed that most of the staff are on and above the average with their level of educations as majority are of degree level 10 (50.0%) diploma 9 (45.0%) and 1(5.0%) respondent did not answer the question as shown in the figure below.

FIGURE 6: Showing the education levels of the respondents



4.3 Financial Planning and Performance of Private Not-For-Profit Hospitals.

Financial planning and budgeting is carried out every year

The table below shows that 17(85.0%) of the respondents strongly agree, 2(10.0%) agree and 1(5.0%) strongly disagree that they are not carried out every year. This means that majority of the respondents acknowledged that financial planning and budgeting should be carried out every year. Therefore, the researcher also agrees that financial planning and budgeting should be carried out every year.

TABLE 3: Showing whether financial planning and budgeting is carried out every year

	Frequency	Percentage	Valid Percentage (%)
Valid Strongly Agree	17	85.0	85.0
Agree	2	10.0	10.0
Strongly Disagree	1	5.0	5.0
Total	20	100.0	100.0

Source: Research Data 2015

Careful planning enables successful performance of operations

From the research findings, out of 20 respondents 15(75.0%) respondents strongly agreed, 4(20.0%) Agreed and 1(5.0%) strongly disagreed that careful planning enables successful performance of operations for better performance of the hospital. Finkler (2005) also agrees to this fact as he says that it takes careful thought and planning for an organisation to excel. It was further emphasised in the interview session that through careful planning the management is able to come up with strategies on how they can perform better. Therefore,

the Researcher agrees with the author as well as the respondents that careful planning enables successful performance of operations.

Planning determines how effective and efficient the hospital is as well as its performance levels

In analyzing the data about the case in point, 16(80.0%) respondents strongly agree, 3(15.0%) agree and only 1(5.0%) strongly disagree. George & Gareth (2003) further support this fact as they say that how well the manager’s plan determines the effectiveness and efficiency of the organisation and its performance levels. As shown in the pie chart below, majority of the respondents concurred with the fact that planning determines how effective and efficient the hospital is as well as its performance levels. Case in point, the researcher agrees that planning determines effectiveness and efficiency of the hospital and its performance levels.

TABLE 4: Showing whether Planning determines how effective and efficient the hospital is as well as its performance levels

	Frequency	Valid Percentage (%)
Valid Strong Agree	16	80.0
Agree	3	15.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research Data 2015

Unclear goals and strategies set by the hospital can lead to failure of the planning process.

According to the findings, 15(75.0%) of the respondents strongly agreed, 4(20.0) Agreed to the case in point and 1(5.0%) strongly disagreed. The majority of the respondents agreed with the fact that unclear goals and strategies set by the hospital can lead to failure of the planning process. Therefore, the researcher also asserts that even if an organisation has goals and strategies but they are unclear, they will not enhance the planning process as a result management of the hospital should ensure that the set goals are clear as well as the strategies that are to be used to implement them.

Financial planning and budgeting enables effective and efficient performance of the hospital

The research data showed that 14(70.0%) of the respondents strongly agree, 5(25.0%) Agree and only 1(5.0%) strongly disagreed that financial planning and budgeting enables effective and efficient performance of the hospital. Therefore, the respondents agree that financial planning and budgeting enables effective and efficient performance of the hospital.

The planning process helps management in decision making

The table below shows that 15(75.0%) of the respondents strongly agree, 4(20.0%) Agree and only 1(5.0%) respondent strongly disagrees with the statement. Therefore, the research with reference to the data collected, asserts that the two process that is the planning process and the decision making process work hand in hand as the out puts of planning process act as the inputs of the decision making process.

TABLE 5: Showing whether the planning process helps management in decision making

	Frequency	Percentage	Valid Percentage
Valid Strongly Agree	15	75.0	75.0
Agree	4	20.0	20.0
Strongly Disagree	1	5.0	5.0
Total	20	100.0	100.0

Source: Research Data 2015

The hospital needs to plan for its funds for proper functioning and medical service provision.

According to the data collected, 17(85.0%) of the respondents strongly agreed, 2(10.0%) and only 1(5.0%) strongly disagree meaning that the hospital needs to plan for its funds for proper functioning and medical service provision. Heitkamp (2008) also agrees with this fact as he emphasises that management should be allocating funds and resources to the projects highlighted in the budgets so as to function properly and provide medical services. Therefore, the researcher also agrees with the research findings that the hospital funds need to be planned for in order for the hospital to function properly and also provide medical services.

Financial planning and budgeting enable the hospital to help it achieve its goals and objectives

The research data showed that majority of the respondents agree that financial planning and budgeting enable the hospital to help it achieve its goals and objectives where by 15(75.0%) respondents strongly agreed, 4 (20.0%) agreed and only 1 (5.0%) respondent strongly

disagreed out of the 20 respondents. Therefore, this means that goals and objectives of an organisation can be achieved through financial planning and budgeting.

Budgets act as a control tool of the hospital funds

For many organisations, budgets are used as control tools for the organisation's funds to help organisations to manage their finances. The research data collected showed that 15 (75.0%) strongly agreed, 4(20.0%) Agreed and only 1(5.0%) strongly disagree with the statement. Wood & Sangster, 1999 further asserts that budgets are drawn up for control purposes, which is an attempt to control the direction that the firm is taking. Therefore, the budgets determine the performance of the organisation. The research confirms with the authors' assert whereby majority of the respondents agree that budgets act as a control tool of the hospital funds.

Employees should be involved in the budgeting process for better performance of the hospital.

From the research findings, out of the 20 respondents 10(50.0%) strongly agree, 8(40.0%) Agree, 1(5.0%) Disagree and 1(5.0%) strongly disagree. Therefore, majority of the respondents agreed that employees should be involved in the budgeting process for better performance of the hospital. Mercantile (1981) agrees with this fact as he says that employees participation in budgeting, it will result into reduced costs, improved motivation and job commitment and therefore enhance performance. The researcher also agrees that employees should be involved in the budgeting process for better performance of the hospital.

The performance budget is the most important budget for planning, implementation, monitoring and evaluation

The table below shows that 12(60.0%) respondents strongly agree, 6(30.0%) Agree and only 2(10.0%) disagree with the statement. The respondents seemed to agree with William (1988) who asserts that among all the different types of budgets, the performance budget is found to be the most useful throughout the process of planning, implementation, monitoring, and

evaluation in the hospital. The researcher agrees that the performance budget is the most important budget for planning, monitoring and evaluation.

TABLE 6: Showing whether the performance budget is the most important budget for planning, implementation, monitoring and evaluation

	Frequency	Valid Percentage (%)
Valid Strongly Agree	12	60.0
Agree	6	30.0
Disagree	2	10.0
Total	20	100.0

Source: Research Data 2015

Different budgeting techniques should be used when carrying out budgeting

The table below shows that 12(60.0%) respondents strongly agree, 7(35.0%) agree and only 1 (5.0%) strongly disagrees. This implies that most respondents see that there are different budgeting techniques of carrying out budgeting therefore; the different techniques should be used. This is also emphasised by Finkler (2005), that there are different budgeting techniques such as flexible budgeting, performance budgeting, cost-benefit analysis, zero-based budgeting and forecasting. The researcher also agrees that different budgeting techniques should be used when carrying out budgeting.

TABLE 7: Showing whether different budgeting techniques should be used when carrying out budgeting

	Frequency	Valid Percentage (%)
Valid Strongly Agree	12	60.0
Agree	7	35.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research Data 2015

4.4 Auditing And Performance of Private Not-For-Profit Hospitals

Auditing should be carried out by the hospital

The data analysis carried out indicated that the majority of the respondents accept that Auditing should be carried out by the hospital. This is shown whereby 12(60.0%) of the respondents strongly agree, 7(35.0%) Agree, 1(5.0%) Disagrees and 1(5.0%) strongly disagrees with the statement. Therefore, the big percentage of the respondents who agreed means that auditing should be carried out by the hospital.

TABLE 8: Showing whether Auditing should be carried out by the hospital

	Frequency	Valid Percentage (%)
Valid Strongly Agree	14	70.0
Agree	4	20.0
Disagree	1	5.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research data 2015

An audit presents a true and fair view of the financial position of a business

When the respondents were asked whether an audit presents a true and fair view of the financial position of a business, out of 20 respondents 15(75.0%) strongly agree, 4(20.0%) agree and only 1(5.0%) strongly disagree to the statement. Saleemi & Ngigi (1999) also asserts this fact as they say that the main purpose of an audit is to ascertain whether or not these accounts present a true and fair view of the financial position of a business. Therefore, the researcher also agrees with the statement that an audit presents a true and fair view of the financial position of a business.

Carrying out auditing enables quality control in the hospital

The responses got from the research about this issue showed that out of the 20 respondents, 14(70%) strongly agree, 5(25%) agree and only 1(5.0%) strongly disagree. This indicates that quality control can be enhanced by carrying out auditing in the hospital. During the interview, it was also observed that the organisation has an internal auditor who is a full time employee and carries out auditing weekly, monthly, quarterly and yearly basing on a time table for each

department and the organisation also carries out external auditing whereby an auditing firm is hired to carry out auditing every two financial years. Therefore, it has been proved by the researcher that in order to ensure quality control in the hospital there is need to carry out auditing.

TABLE 9: Showing whether Carrying out auditing enables quality control in the hospital

	Frequency	Valid Percentage (%)
Valid Strongly Agree	14	70.0
Agree	5	25.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research data 2015

Internal control systems are essential during auditing

The data analysis carried out indicated that the majority of the respondents accept that internal control systems are essential during auditing. This is shown whereby 16(80.0%) of the respondents strongly agree plus 3(15.0%) of the agree respondents accept that internal control systems are essential during auditing only 1(5.0%) strongly disagrees with the statement. This therefore means that internal control systems are essential during Auditing.

Auditing enables efficient and effective performance of the hospital

The table below shows that that majority of the respondents agree that Auditing enables efficient and effective performance of the hospital where by 14(70.0%) respondents strongly agreed, 5 (25.0%) agreed and only 1 (5.0%) respondent strongly disagreed out of the 20 respondents. Since the big percentage agrees with the statement, this confirms that through auditing, there is effective and efficient performance of the hospital.

TABLE 10: Showing whether Auditing enables efficient and effective performance of the hospital

	Frequency	Valid Percentage (%)
Valid Strongly Agree	14	70.0
Agree	5	25.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research data 2015

Auditing reports are essential for decision making by management

According to the findings, Auditing reports are essential for decision making by management this is evidenced in the way that the research data showed that respondents 17(85.0%) strongly agreed, 2(10.0%) Agreed to the case in point and 1(5.0%) strongly disagreed. Therefore, the researcher agrees that auditing reports are essential for decision making by management.

Auditing is a control mechanism designed to provide an internal and independent check on the financial statements

In analyzing the data about the case in point, out of 20 respondents, 14(70.0%) strongly agreed, 5(25.0%) agreed and only 1(5.0%) strongly disagreed on This means that Auditing is a control mechanism designed to provide an internal and independent check on the financial statements.

TABLE 11: Showing whether Auditing is a control mechanism designed to provide an internal and independent check on the financial statements

	Frequency	Valid Percentage (%)
Valid Strongly Agree	14	70.0
Agree	5	25.0
Strongly Disagree	1	5.0
Total	20	100.0

Source: Research data 2015

Internal control measures are designed to detect and correct fraud and error

Out of the 20 respondents, 17(85.0%) strongly agreed, 2(10.0%) and only 1(5.0%) strongly disagree. According to what was observed during the interview, the hospital has different control measures that aim at detecting and correcting fraud these include issue of receipts, signing for any money issue or received and many others. Therefore, the big percentage of the respondents who agreed confirms that internal control measures are designed to detect and correct fraud and error.

Auditors advice and provide solutions to different problems faced by their clients such as accounting problems

The responses which the researcher got from the respondents concerning the issue showed that out of 20 respondents, 15(75.0%) strongly agreed, 5(25.0%) agreed to the statement.

Therefore, since all respondents agreed to the case in point, this implies that that in Kitovu hospital, Auditors advice and provide solutions to different problems faced by their clients such as accounting problems.

Auditors' opinions on the financial statements have an effect on the decisions made by management

According to the researcher's findings, the data showed that 14(70.0%) of the respondents strongly agree 4(20.0%) Agree and only 1(5.0%) disagrees with the statement. In addition, during the interview it was observed that management consider the internal auditor's opinion on the financial statements while making decisions. Therefore, the research findings show that the auditors' opinions on the financial statements have an effect on the decisions made by management.

The solution to the problem of credibility in reports and accounts lies in appointing an independent auditor

The table below shows that 12(60.0%) respondents strongly agree, 7(35.0%) agree and only 1 (5.0%) strongly disagrees. This implies that most respondents see that that the solution to the problem of credibility in reports and accounts lays in appointing an independent auditor.

Kurt (2001), also further asserts that through appointing an independent auditor, the problem of credibility in reports and accounts can be solved because they will help to investigate the management reports and report on their findings. Therefore, the researcher also agrees with the statement.

The auditing procedures enable the auditor to carry out a successful audit

Out of the 20 respondents 13(65.0%) strongly agreed, 6(30.0%) Agreed to the case in point and only 1(5.0%) disagreed. The big percentage of those who agreed with statement implies that the auditing procedures enable the auditor to carry out a successful audit. This is further supported by what was observed during the interview that the Auditor follows auditing procedures such Therefore, the researcher agrees that the auditing procedure enable the auditor to carry out a successful audit.

TABLE 12: Showing whether the auditing procedures enable the auditor to carry out a successful audit

	Frequency	Valid Percentage (%)
Valid Strongly Agree	13	65.0
Agree	6	30.0
Disagree	1	5.0
Total	20	100.0

Source: Research data 2015

4.5 Financial Statements and Performance of Private Not- For- Profit Hospitals

Preparation of financial statements is an essential activity

The table below shows that 19(95.0%) strongly agree and only 1(5.0%) strongly disagree that preparation of financial statements is an essential activity. Griffin (2009) supports the statement as he emphasises that the financial statements are the reason the accounting cycle exists. It is with these reports that important decisions are made, such as whether to invest in

the organisation. The research results therefore mean that preparation of financial statements is an essential activity.

TABLE 13: Showing whether preparation of financial statements is an essential activity

	Frequency	Valid Percentage (%)
Valid 1	19	95.0
4	1	5.0
Total	20	100.0

Source: Research data 2015

Financial statements are used for effective decision making.

The table below shows that 17(85.0%) of the respondents strongly agree, 2(10.0%) Agree and only 1(5.0%) strongly disagrees with the statement. This means that financial statements are used for effective decision making. The researcher also agrees with the respondents that the financial statements are used for effective decision making.

TABLE 14: Showing whether financial statements are used for effective decision making.

	Frequency	Valid Percentage (%)
Valid 1	17	85.0
2	2	10.0
4	1	5.0
Total	20	100.0

Source: Research data 2015

Daily transactions need to be recorded in the accounting books.

The research findings showed that out of the 20 respondents, 17(85.0%) strongly agreed, 2(10.0%) and only 1(5.0%) strongly disagree. Furthermore, the observations showed that the hospital carries out a number of transactions in form of user fees on a daily basis due to the many patients that come to receive medical services. The cashiers of the hospital at the different wards make record of transactions made and store the information on computers. Therefore, the researcher also agrees that daily transactions need to be recorded in the accounting books.

Financial Statements reflect a combination of recorded facts, accounting conventions and personal judgments.

The table below shows that 13(65.0%) strongly agree, 5(25%) Agree, 1(5.0%) disagree and only 1(5.0%) strongly disagree with the statement. Therefore, since majority of the respondents agree with the statement this implies that financial statements reflect a combination of recorded facts, accounting conventions and personal judgments. In the table 1=strongly agree 2=agree 3=disagree 4= strongly disagree

TABLE 15: Showing whether financial statements reflect a combination of recorded facts, accounting conventions and personal judgments

	Frequency	Valid Percentage (%)
Valid 1	13	65.0
2	5	25.0
3	1	5.0
4	1	5.0
Total	20	100.0

Source: Research data 2015

Regulators such as auditors and management use financial statements to check the progress toward financial goals

The table below shows the responses got from the research about this issue showed that out of the 20 respondents, 17(85.0%) strongly agree, 2(10.0%) agree and only 1(5.0%) strongly disagree that Regulators such as auditors and management use financial statements to check the progress toward financial goals. Griffin (2009) asserts that a set of financial statements may be required by regulators who make a performance evaluation that is fed by the metrics for which the financial statements serve as important inputs. Therefore, the researcher also agrees that Regulators such as auditors and management use financial statements to check the progress toward financial goals.

TABLE 16: Showing whether Regulators such as auditors and management use financial statements to check the progress toward financial goals

	Frequency	Valid Percentage (%)
Valid Strongly agree	17	85.0
Agree	2	10.0
Strongly disagree	1	5.0
Total	20	100.0

Source: Research data 2015

Proper financial reporting enables efficient and effective performance of the hospital

It has been observed from the research that out of the 20 respondents, 16(80.0%) strongly agree that proper financial reporting enables effective and efficient performance of the hospital 3(15.0%) agree and only 1(5.0%) strongly disagree with the statement. This implies that it is true that proper financial reporting enables efficient and effective performance of the

hospital. The table below shows the findings. 1=strongly agree 2=agree 3=disagree 4=strongly disagree.

TABLE 17: Showing whether proper financial reporting enables efficient and effective performance of the hospital

	Frequency	Valid Percentage (%)
Valid 1	16	80.0
2	3	15.0
4	1	5.0
Total	20	100.0

Source: Research data 2015

The cash flow statement summarizes the cash inflows and outflows of the hospital

The responses got from the research about this issue showed that out of the 20 respondents, 14(70%) strongly agree, 5(25%) agree and only 1(5.0%) strongly disagree. This showed that majority of the respondents agree that the cash flow statement summarizes the cash inflows and outflows of the hospital. This was also observed by Revsineet.et al. (2004), suggested that the cash flow statement summarizes the cash inflows and outflows of an organisation breaking them down into three principal activities which include: Operating activities, Investing activities and Financing activities. Therefore, the researcher also agrees that the cash flow statement summarizes the cash inflows and outflows of the hospital.

Cash flows of the hospital should be monitored

The table below shows that 17(85.0%) of the respondents strongly agree, 2(10.0%) agree and only 2(5.0%) strongly disagree. This therefore means that cash flows of the hospital should be monitored. According to interviews, it was also observed that monitoring the cash flows of

the hospital, management is able know its cash inflows and outflows so that it can plan and budget accordingly. Therefore, the researcher agrees with the statement since cash flows are very important to an organisation and thus need to be monitored.

TABLE 18: showing whether Cash flows of the hospital should be monitored

	Frequency	Valid Percentage (%)
Valid 1	17	85.0
2	2	10.0
4	1	5.0
Total	20	100.0

Source: Research data 2015

Financial statements discloses only monetary facts

The responses got from the research about this issue showed that out of the 20 respondents, 15(75.0%) strongly agree, 3(15.0%) agree and only 2(10.0%) disagree that financial statements discloses only monetary facts. This implies that majority of the respondents agree that financial statements disclose only monetary facts. The table below illustrates the findings where 1=strongly agree 2=agree 3=disagree 4= strongly disagree.

Table 19: Showing whether financial statements discloses only monetary facts

	Frequency	Valid Percentage (%)
Valid 1	15	75.0
2	3	15.0
3	2	10.0
Total	20	100.0

Source: Research data 2015

Financial statements provide adequate information about the sources of funds.

According to the research carried out, it was observed that financial statements provide adequate information about the sources of funds. The table below shows that 12(60.0%) respondents strongly agree, 8(40.0%) agree. This implies that all respondents agree that financial statements provide adequate information about the sources of funds. The table below illustrate the research findings 1=strongly agree 2=agree.

TABLE 20: Showing whether financial statements provide adequate information about the sources of funds

	Frequency	Valid Percentage(%)
Valid 1	12	60.0
2	8	40.0
Total	20	100.0

Source: Research data 2015

Financial management plays roles on the performance of Private Not-For-Profit Hospital

Finally, according to the research data collected during the interview, it was observed that out of the 20 respondents 20(100.0%), all the respondents agreed that financial management plays the above roles that is financial planning and budgeting, Auditing and Financial statements on the performance of Private Not-For-Profit Hospital (Kitovu Hospital). In addition, the respondents suggested that financial management also plays other roles such as controlling, risk management.

TABLE 21: Showing whether financial management plays roles on the performance of private not-for-profit-hospitals

	Frequency	Valid Percentage (%)
Valid 1	20	100.0

Source: Research data 2015

4.6 Conclusion

From the study findings, a good number of respondents indicated that financial management plays the roles of is financial planning and budgeting, Auditing and Financial statements on the performance of Private-Not-For-Profit Hospitals. The model of analysis used in this study confirms that financial management plays roles on the performance of the hospital. An organisation that does not carry out financial management risks deteriorating in performance over the years. According to the findings the performance of the organisation depends majorly on how its finances are managed. Therefore, management should ensure that the finances of the organisation are properly managed and the right people are employed to manage them as result this will enable the organisation to perform better.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusion and recommendations on roles of financial management on the performance of PNFH Hospitals basing on the findings from the study. The findings, conclusions and recommendations are were to examine the roles of financial management on the performance of private hospitals in Uganda in terms of financial planning and budget, Auditing and financial statements.

The data was analyzed inform of tables, bar and pie charts which were used to test the relationship between the independent variable (financial management) and dependent variable (performance of PNFH Hospitals).

5.1 Summary of findings

Financial planning and Budgeting and performance of PNFH Hospitals.

While assessing financial planning and budgeting, the researcher is carried out by the management team and departmental heads which are carried out carefully to enable successful performance of operations for better performance of the hospital. Financial planning and budgeting also determines how efficient and effective the hospital is as well as its performance levels this was observed that the hospital develops different types of plans such as financial plans, Strategic plan, annual plan, departmental plan, management plan, money management plan, functional plans thus enable the hospital to achieve its goals and objectives.

In addition, it was observed that financial planning and budgeting play roles on the performance of PNFH Hospitals. The different roles include the following; Helps in minimizing expenditures, help to know the financial stand of the hospital, ensure the financial

sustainability of the hospital, act as controls for all operations and reporting, ensures continuous provision of health services, help to regulate the daily activities of the hospital and enables management to make informed decisions through ascertaining the cash position.

According to the interviews carried out, the findings from the study revealed that majority of the respondents agreed that financial planning and budget enhance the performance of PNEP Hospitals by for example acting as a control tool, enabling achievement of goals and objectives and enhancing efficient and effective performance.

Auditing and the performance of PNEP Hospitals

Assessment of Auditing; the research findings and observations showed that Auditing presents a true and fair view of the financial position of a business. Auditing should be carried out by the hospital by either the internal and external auditors who are appointed by the board of directors through a vetting and procurement process.

According to the interviews carried out, the findings from the study revealed that majority of the respondents agreed that Auditing enhances the performance of PNEP hospitals by for example; enabling quality control in the hospital, enhancing effective and efficient performance of the hospital as well as enhancing decision making by management.

Financial statements on the performance of Private Not-for-Profit hospitals

While assessing financial statements, it was measured under uses of financial statements, types of financial statements and accounting standards. The research findings and observations showed that preparation of financial statements is an essential activity which reflects a combination of recorded facts, accounting conventions and personal judgments used to check the progress toward financial goals. Financial statements include; Statement of comprehensive Income and expenditure, statement of financial position and cash flow

statement, statement of equity that are prepared on accrual basis, the international accounting standards as well as those which are authorized by the UCMB.

According to the interviews carried out, the findings from the study revealed that majority of the respondents agreed that financial statements enhance the performance of PNFP Hospitals by for example enabling effective and efficient performance of the hospital, summarizing the cash inflows and outflows of the hospital, disclosing monetary facts and provide adequate information about the sources of funds main sources of the hospital funds

5.2 conclusions

According to the research findings and observations, financial planning and budgeting as a dimension of financial management play roles on the performance of private Not-For-Profit hospitals. Therefore, financial planning and budgeting should be carried out efficiently and effectively in order for the organization to perform better.

According to the findings and observations, there is a positive relationship between auditing and the performance of private Not-for-Profit Hospitals. This is shown whereby Kitovu hospital refer to the audit reports during decision making this in turn enables the management to avoid making past mistakes that affects the performance of the organization. Furthermore, the hospital has in place internal controls that aim at ensuring quality control within the hospital in terms of performance and service delivery.

The financial statements of PFNP Hospitals provide information about their financial position, performance and changes in the financial position of an enterprise that are useful to a wide range of users such as stakeholders, shareholders and management whereby they are used for decision making as well as checking progress towards financial goals and making performance evaluation. Therefore, this shows that financial statements have an impact on the performance of Private Not-for-profit hospitals.

Finally, according to the research data collected during the interview, it was observed that out all the respondents agreed that financial management plays the roles of financial planning and budgeting, Auditing and Financial statements on the performance of PNFP Hospitals (Kitovu Hospital). This therefore addressed the identified problem of the statement as the research provides that finances of PFNP hospitals need to be effectively and efficiently managed in order to avoid under performance of the hospital.

5.3 Recommendations

Financial Budgeting being a key element in financial management and performance of an organisation, budgeting and budgetary controls should be improved to include monitoring aspect of all the revenues and expenditures of the hospital against its budgeted amount and in accordance with the work-plan.

As a hospital which is dealing with saving lives which necessities the availability of all the resources needed to save lives. The element of diversification of the sources of funds from user fees and conditional grant to local projects creation other sources is critical for the hospital and this should be strengthened to reduce over dependency on the grants and donations which are being withdrawn.

The administration of the health institute should ensure that all the departments comply with proper record keeping and management with the sense that information is wealth so good record keeping gives reliable information which management can base in making informed decisions for the good and development of the health institution.

Management should ensure that internal controls are effective in the organization since they are key to good performance and therefore, the management of the Kitovu Hospital is charged with the responsibility of ensuring that all financial procedures are followed and they should be considered to introducing an internal auditor who will strengthen the controls and reinforce procurement procedures and process.

As a legal requirement, management of Kitovu Hospital should ensure that its financials are prepared according to International Accounting Standards IAS 1. This standard requires that all the four sets of accounts are prepared, that statement of comprehensive income, financial position, cash flow statement, and changes in equity. And accrual basis of accounting is recommended rather than cash basis. Therefore, the financial management should be carried out efficiently and effectively in order to enhance performance of the hospital.

5.4 Suggestions for further research

The other researchers can also find out the effect of financial management on the performance of the organisation since finance is a critical area of an organisation that needs to be effectively and efficiently managed by the organisation.

There are also other chances for further research that would give more insight into the areas of the roles of financial management on the performance of PFP Hospitals, some of these include:

1. Roles of contract management on the performance of Private Not-For-Profit hospitals.
2. Roles of risk management on the performance of Private Not-For-Profit hospitals.
3. Roles of financing decisions on the performance of Private Not-For-Profit hospitals.

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APPENDICES

Appendix I: Research Questionnaire

Introduction

Dear Respondent:

I am NAMULI JOAN a student of Uganda Martyrs University in the Faculty of Business Administration and management. I am doing a research in partial fulfilment of a degree of Bachelor of Business Administration and Management. The research is about The Roles of Financial Management on the Performance of Private Not-for-Profit Hospitals. I am soliciting your contribution to this undertaking by requesting you to answer these questions for me. All information will be treated with confidentiality. I will be very grateful for your contribution.

I accept to participate in the research.

Name: -----

Post held: -----

Phone number: -----

Signature: -----

PART 1

A. PERSONAL DATA

0	Respondent signed consent form.	A.	Yes
		B.	No

1	Sex	A.	Female
		B.	Male

2.	Age	A.	18-25
		B.	25-35
		C.	35-70

3.	Education level	A.	O'level
		B.	A'level
		C.	Diploma
		D.	Degree

4.	For how long have you worked in this Hospital?	A.	Enter the number here:
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PART 2

Please Tick the most appropriate one;

1= Strongly agree 2= Agree 3= Disagree 4= strongly Disagree

FINANACIAL PLANNING AND BUDGETING AND PEFORMANCE OF PRIVATE NOT-FOR-PROFIT HOSPITALS

1.	Financial planning and budgeting is carried out every year.	1	2	3	4
2.	Careful planning enables successful performance of operations.	1	2	3	4
3.	Planning determines how effective and efficient the hospital is as well as its performance levels.	1	2	3	4
4.	Unclear goals and strategies set by the hospital can lead to failure of the planning process.	1	2	3	4
5.	Financial planning and budgeting enables efficient and effective performance of the hospital	1	2	3	4
6.	The hospital needs to plan for its funds for proper functioning and medical service provision.	1	2	3	4
7.	The planning process helps management in decision making.	1	2	3	4
8.	Financial Planning and Budgeting enables the hospital to help it achieve its goals and objectives.	1	2	3	4
9.	Budgets act as a control tool of the hospitals funds.	1	2	3	4
10.	Employees should be involved in the budgeting process for better performance of the hospital.	1	2	3	4
11.	The performance budget is the most important budget for planning, implementation, monitoring, and evaluation.	1	2	3	4
12.	Different budgeting techniques should be used when carrying out budgeting	1	2	3	4

AUDITING AND PERFORMANCE OF PRIVATE NOT- FOR- PROFIT HOSPITAL

1.	Auditing should be carried out by the hospital	1	2	3	4
2.	An audit presents a true and fair view of the financial position of a business.	1	2	3	4
3.	Carrying out auditing enables quality control in the Hospital	1	2	3	4
4.	Internal control systems are essential during auditing	1	2	3	4
5.	Auditing enables efficient and effective performance of the hospital	1	2	3	4
6.	Auditing reports are essential for decision making by management	1	2	3	4
7.	Auditing is a control mechanism designed to provide an internal and independent check on the financial statements.	1	2	3	4
8.	Internal control measures are designed to detect and correct fraud and errors.	1	2	3	4
9.	Auditors advice and provide solutions to different problems faced by their clients such as accounting problems.	1	2	3	4
10.	Auditors opinions on the financial statements have an effect on the decisions made by management	1	2	3	4
11.	The solution to the problem of credibility in reports and accounts lies in appointing an independent Auditor.	1	2	3	4
12.	The auditing procedures enable the auditor to carry out a successful audit	1	2	3	4

FINANCIAL STATEMENTS AND PERFORMANCE OF PRIVATE NOT- FOR- PROFIT HOSPITALS

1.	Preparation of financial statements is an essential activity	1	2	3	4
2.	Financial statements are used for effective decision making.	1	2	3	4
3.	Daily transactions need to be recorded in the accounting books.	1	2	3	4
4.	Financial Statements reflect a combination of recorded facts, accounting conventions and personal judgments.	1	2	3	4
5.	Regulators such as auditors and management use financial statements to check the progress toward financial goals.	1	2	3	4
6.	Proper financial reporting enables efficient and effective performance of the hospital.	1	2	3	4
7.	The cash flow statement summarizes the cash inflows and outflows of the hospital.	1	2	3	4
8.	Cash flows of the hospital should be monitored.	1	2	3	4
9.	Financial statements discloses only monetary facts	1	2	3	4
10.	Financial statements provide adequate information about the sources of funds.	1	2	3	4

Appendix 11: Introductory Letter

Uganda
Martyrs
University



making a difference

**Office of the Dean
Faculty of Business Administration and Management**

Your ref.:

Our ref.:

Nkozi, 22nd January, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you NAMULI JOAN who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

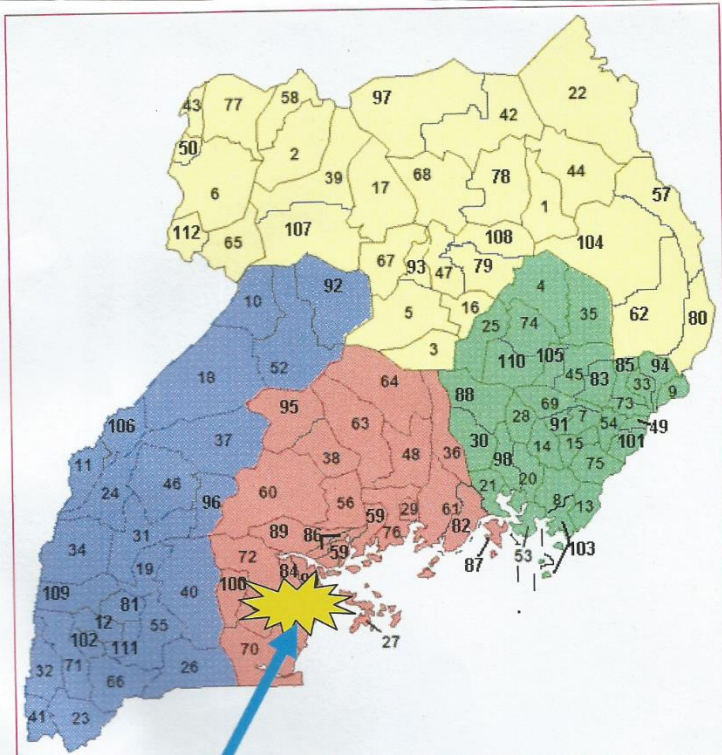
Thank you in advance.

Yours Sincerely,

Moses Kibrai
Dean



Appendix 111: Map of Uganda showing location of Masaka District



Source: <http://www.google.co.ug/imgres=http://upload.wikimedia.org/>.

• Masaka District

Appendix VI: KREJICE AND MORGAN SAMPLING TABLE

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size

“S” is sample size.

From : Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.