

Accounting Manual

January'2009

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- Project -

Financial Management System

- Procedure -

Finance & Admin Procedure

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GENERAL ACCOUNTING SYSTEM

1.1 Basic Features

The general accounting system presents the flow of accounting information from the original source documents (vouchers) to the books of original entry (journals) and eventually to the book of final entry (general ledger). The book of final entry serves as the basis for the preparation of periodic trial balance and various financial reports.

1.2 Accounting Cycle

The following accounting cycle is presented to guide management to understand and appreciate accounting as a basic management tool.

Recording

This phase is popularly called Journalisation. It involves the process of chronological recording into the books of accounts (cash receipts book, cash disbursements book, journal voucher book) of the organization, all financial transactions that take place on a day-to-day basis in accordance with generally acceptable accounting rules and procedures.

Classifying

This phase involves sorting or grouping of similar and interrelated transactions and events into their respective classifications. It is performed by posting to the ledger financial transactions, which are initially recorded in the books of original entries referred to as journals. The ledger is a group of accounts that are systematically categorized into the following elements:

- a) Asset
- b) Liabilities
- c) Equity
- d) Revenues
- e) Expenses

Each element is further subdivided into accounts or account titles. An account is the most important accounting device in the classification of recorded transactions and events.

Summarising

This part involves the preparation of financial statements or reports. Financial statements are usually prepared periodically either annually, semi-annually, quarterly or monthly.

Interpreting

This is the analytical phase. It provides interested groups with quantitative information that are financial in nature and are intended to be useful in making economic decisions.

1.3 Chart of Accounts

The Chart of Accounts is designed to facilitate recording and summarization of transactions and the preparation of the required financial reports.

Accounts are grouped into

- a) Assets
- b) Liabilities
- c) Equity
- d) Revenues
- e) Expenses

1.4 Books of Accounts

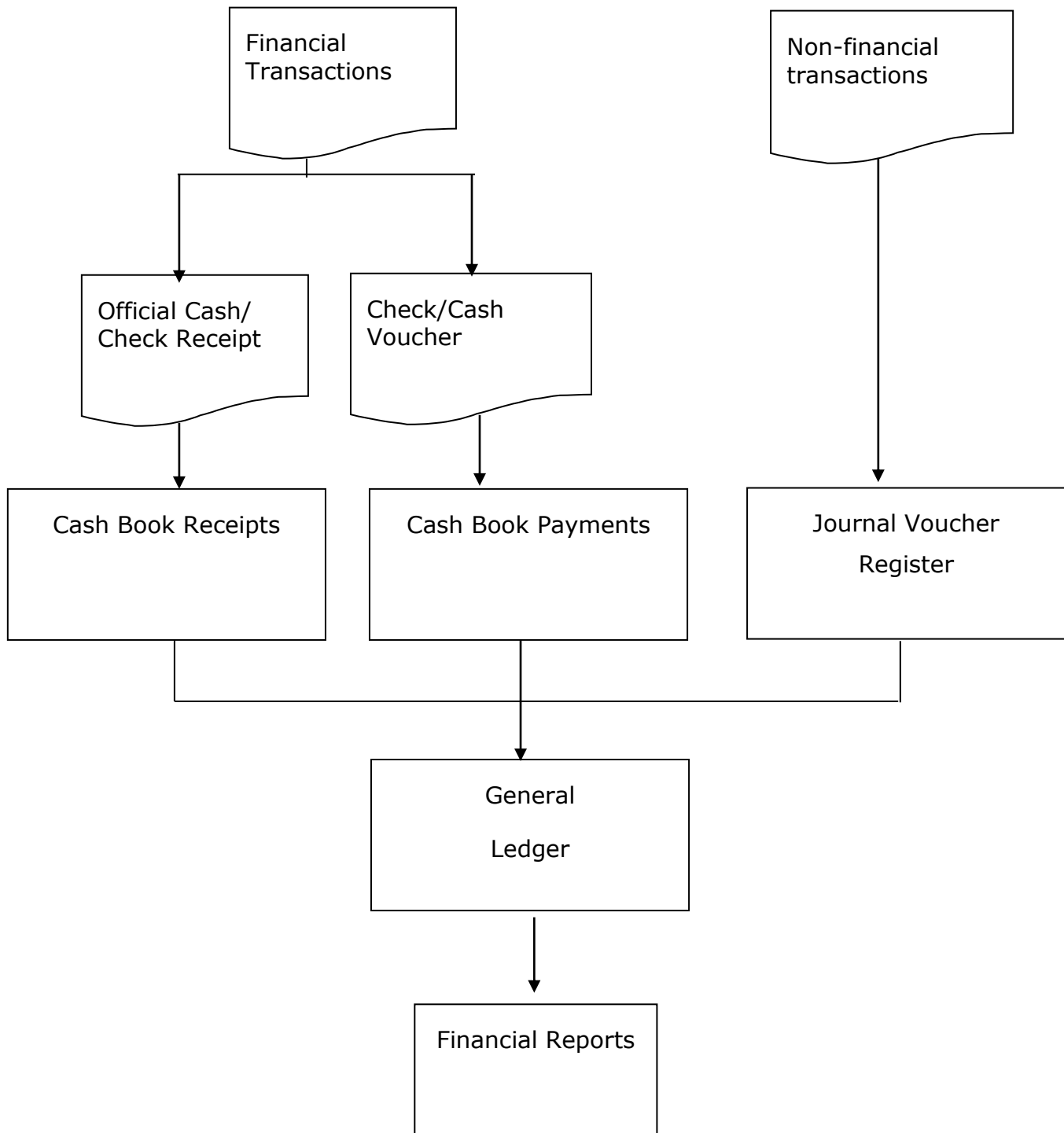
The books of accounts are designed to record the different financial transactions in a systematic manner. These are the sources of information for the preparation of management reports.

The present Tally accounting system has been designed to encode following types of entries.

1. Cash Book consists of following transactions:

- a. Cash receipt: records all kinds of collection / receipt transactions involving check and cash receipts.
 - b. Cash Disbursements Book /- records all transactions involving check and cash disbursements.
2. Journal Voucher / Journal Voucher Register – serves as a source document and as a book of accounts to record all non-cash transactions. Example of such transactions are adjusting or reclassifying entries, liquidation of advances, and depreciation of fixed assets.
3. General Ledger – serves as the book of final entry. This book summarizes all entries in the books of original entry. The account balances in this book are the basis for the preparation of the Trial Balance and Financial Statements.

1.5 Financial System Flow



2 FINANCIAL POLICIES & INTERNAL CONTROL GUIDELINES

2.1 BASIC FEATURES

The principal objectives of the financial policies and internal control guidelines are:

- To physically safeguard the organization's assets i.e. to prevent fraud and other losses.
- To ensure that accuracy and completeness of the accounting records.
- To encourage adherence to prescribe policies and procedures.

To achieve these objectives, the accounting system should be designed to include the following basic internal control features.

- Segregation of duties (i.e. physical control over assets must be separate from recording and operational functions.
- Appropriate authorization of transactions
- Internal check and balances
- Adequate management supervision
- Plan of organization
- Regular and independent review by an external auditor (statutory audit)

Furthermore, for reporting and analysis purposes all transactions presented below should be encoded with the following codes:

Donor code: to analyze revenues and costs, each transaction inside one book should be attributed to one specific donor – Core (for those contributing to the main programme) and project-specific (for those contributing to specific projects)

2.2 CASH/BANK RECEIPTS

2.2.1 Financial Policies and Internal Control Guidelines

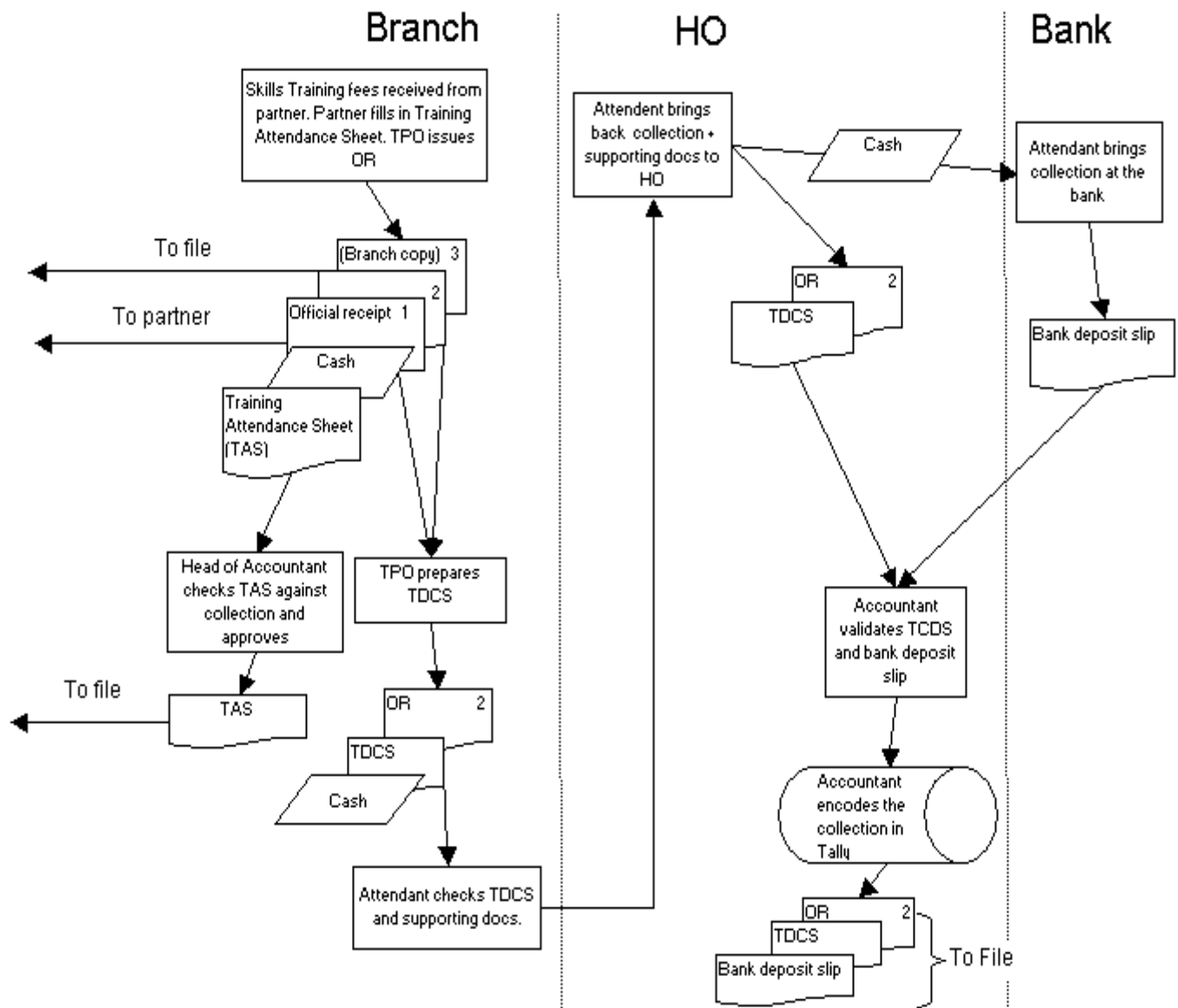
1. Official Receipt (OR) shall be issued for all cash/checks received regardless of the nature of collection received such as training fees, local donations, payment of inter/intra network borrowings. No cash or check shall be accepted without issuing an OR.
2. ORs should be used in numerical sequence. Voided or cancelled ORs must be marked "Cancelled" and filed for future reference.
3. All printed ORs shall be under the custody of the Accountant.
4. A cabinet for unreleased ORs (accountable documents) should be used in the head office and keys should be secured. Access to the cabinet should be limited to the Accountant/Office Manager. In his/her absence, the Programme Director or his designate will take over the responsibility for the cabinet.
5. A cash box should be used in head office and the accountant should secure keys. Access to the cash box should be limited to the Accountant. In his/her absence, the Programme Director or his designated officer will take over the responsibility for the cash box.
6. The Office Assistant should deposit all collections intact to the proper bank accounts.
7. Undeposited collections should not be used for any kind of expenditure or for encashing of cheques whether personal, or others.
8. Training Income Report (TIR) report should be prepared by Accountant/Officer Manager.
9. All receipts of donations shall be accounted for and corresponding reports to the funder shall be prepared by Accountant and submitted to the Programme Director.

10. Monthly bank reconciliation statement should be prepared by Accountant/Office Manager for submission and review by Head of Accountant

2.2.1.1 CASH/CHEQUE COLLECTIONS (Training Fees, Donations and Other Cash/Cheque Receipts)

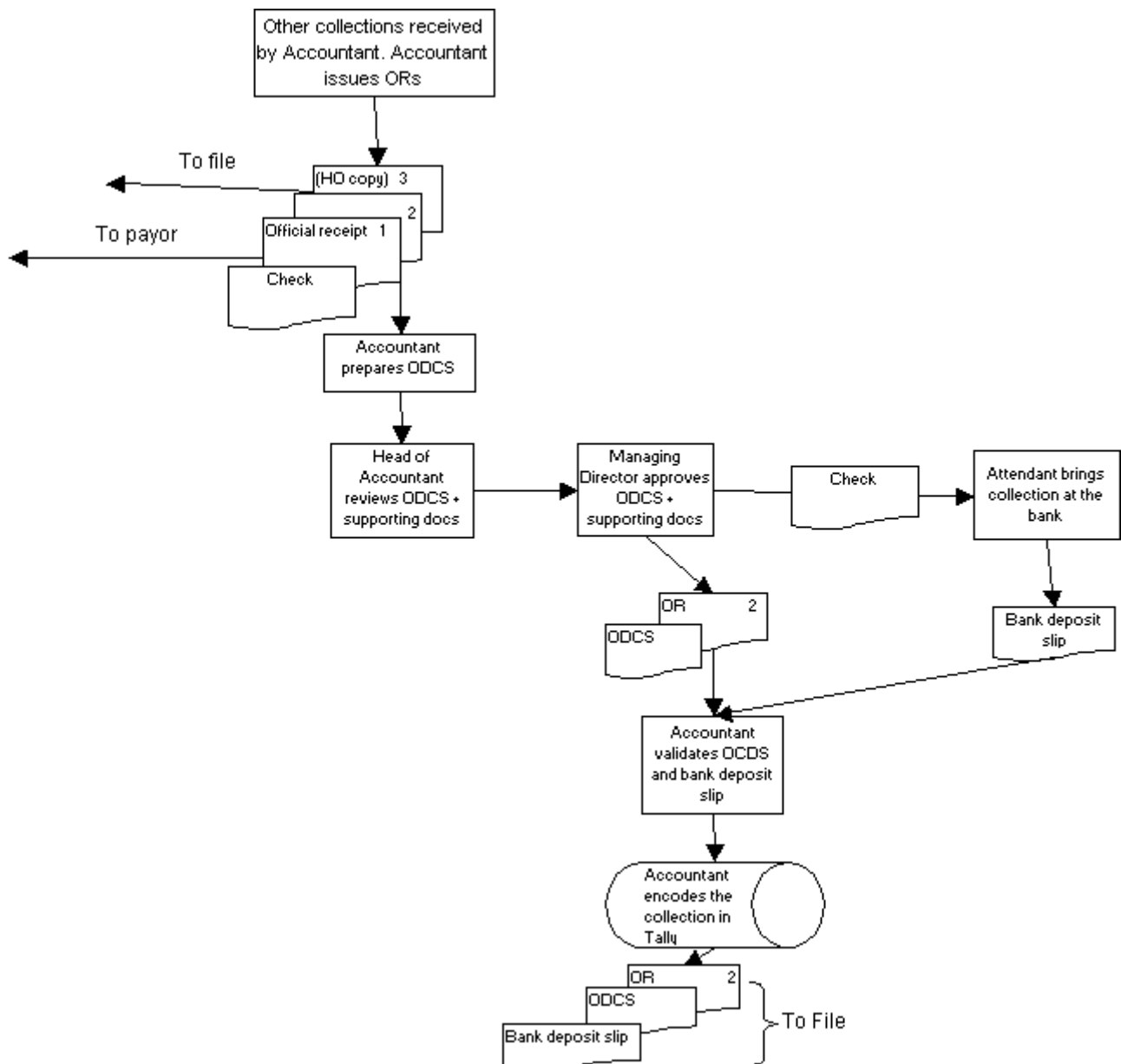
1. The Senior Training Specialist is responsible for tracking the Training Fee Accounts with all trainees and ensuring that these are appropriately reconciled to training attendance records.
2. The Accountant issues Official Receipt (2 copies) for all collections such as training fees, donations and other cash/cheques received.
3. Original Copy of the OR goes to the person/organisation making the payment, the duplicate remains in the OR booklet in the Accounts department.
4. The Accountant summarizes the collection for the month, by preparing the TIR, which will show the accounts (invoices issued and payments received) for each organisation/individual who participates in *Bhavishya Bharat* training.
5. The TPO will remit collection amount for the day, TDCS and attached ORs receipts to the Attendant, on the working day following collection.
6. Attendant checks the correctness of the TDCS against actual collection received and files properly the ORs to check no one is missing in the booklet.
7. The Attendant will deposit collection for the day within the same day. The Accountant checks the bank deposit slip with the TDCS.
8. Accountant will encode the collections in Tally.

2.2.1.1.1 FLOWCHART - Deposit for Skills training fees



2.2.1.2 OTHER RECEIPTS (Local Donations, Intra-Program Borrowings)

1. Accountant issues Official Receipt (in 3 copies) for other receipts such as donations, and intra-network borrowings. In the absence of accountant, the Head of accountant will issue receipt.
2. Original Copy of the OR goes to the Payor, duplicate is attached to the Other Daily Collection Summary (ODCS) and the triplicate remains as head office file.
3. The Accountant summarizes the collection of the day, by preparing the ODCS.
4. The Head of Accountant checks the correctness of the ODCS against actual collection received and reviews completeness of ORs by referring to the last OR issued. The ODCS is remitted to Managing Trustee, who signs it. In case Head of Accountant issues receipt, the review function shall be done by Managing Trustee
5. The Attendant will deposit collection for the day within the same day.
6. Accountant receives the ODCS, validated bank deposit slip and duplicate copy of the ORs before encoding in Tally
7. Accountant generates monthly OR listing report

FLOWCHART - Other receipts

2.2.2 Collection Overage / Shortage

In the case the bank deposit slip doesn't tally with the total ORs the discrepancy must be well accounted for (see next paragraph for proper accounting entry):

- ✓ Bank deposit slip > ORs means overage
- ✓ Bank deposit slip < ORs means shortage

In both cases it is the responsibility of the accountant to reconcile the difference and if any difference remains the Head of Accountant will be the one to investigate further and to approve if necessary the final difference (and justify it in a short comment).

Whatever difference remains is accounted for on a clearing account called "Overage/shortage clearing account".

At the end of each month, this clearing account has to be zeroed out:

- ✓ Overage should be returned to the collector.
- ✓ Shortage should be deposited the next banking day. If this is not done at the end of the month, the corresponding uncollected amount is moved to current asset account "other receivable" having the name of the collector as subsidiary, who will have to pay back the loss.

2.2.3 Illustrative Journal Entries

Collection for loans

Cash in bank	XX	
Revolving fund	XX	
Overage account		XX
Shortage account	XX	

Reception of Shortage collection

Cash in Bank	XX	
Shortage Account		XX

Distribution of collection to its proper account (end of the month)

Revolving Fund	XX	
Loans receivable		XX
Interest income	XX	
Loan CBU payable		XX

Closing of loan & transfer of LCBU to partner savings account

Loan CBU payable	XX	
Discount on loans (rebate)	XX	
CBU payable	XX	
Interest income (additional interest)	XX	

Deposit for CBU only

Cash in bank	XX	
CBU payable		XX

Collection for Skills Training fee

Cash in bank	XX	
Skills training fee		XX

2.3 CASH/BANK DISBURSEMENTS

2.3.1 Financial Policies and Internal Control Guidelines

1. All disbursements must be documented by supporting documents: the money should not be disbursed, neither should the accounting entry be done without the appropriate documents (depending on the nature of disbursements).
2. Disbursements must not be taken directly from undeposited collections. Supporting documents shall be requested for all payments made.
3. All Check Vouchers (CV's) must be **pre-numbered** for monitoring and control purposes.
4. All checks must be made payable to a specific payee (but not self). Checks payable to "Cash" or to "Bearer" should not be allowed.

However, concerning loan disbursement, the following procedure shall be followed:

- 1 loan: **cash**
 - 2 loan: (up to 5000 rupees): **bearer check** (if above 5000 rupees, **crosscheck**)
 - 3 loan: **crosscheck**
5. In all cases, there must be at least two (2) checks signatories having the powers to do so given by the Board of Trustees. Authorized persons for the Bhav programs should be the following:

- ✓ Managing Trustee
- ✓ Director Programmes / Designated Coordinator

6. For loan release, the signatories should be as follows:
 - a. Compulsory is one of the Managing Trustee
 - b. The Director Programmes / designated coordinator shall sign all loan release (up to a certain amount, see disbursement scale below)

In the absence of the coordinator, two Managing Trustee shall sign. **In any case, signatory of the Managing Trustee is required.**

7. The signing of the checks should not be made by the authorized signatories without the necessary supporting documents.
8. Blank checks should never be signed.
9. All CVs together with supporting documents should be stamped "Paid" with the date of payment and check number indicated thereon to prevent the possible recycling of supporting documents for illegal payments.
10. Spoiled or voided checks and vouchers must be properly marked "Cancelled" and filed for future reference.
11. Person receiving the check should acknowledge receipt of payment by signing on the corresponding CVs.
12. A monthly bank reconciliation statement should be prepared by the Accountant for review by the Head of Accountant.

2.3.2 Possible Results for Non-Compliance

1. Checks may be fraudulently encashed by unauthorized persons.

2. Signed blank checks may be misused by unauthorized personnel.
3. Check payments may be duplicated
4. Supporting documents not stamped “Paid” may be used again Illegal payment.
5. Wrong disbursements may be allowed.

2.3.3 Scale of Responsibility

The following scale indicates who should be the approving authority for different types of disbursement:

Positions / Decision bodies	Loan Approval	Checks signatories	
		Loan scale	Other disb. Scale
Board of Trustees	>40000	> 40,000	> 100,000
Managing Trustee	0-40000	0-40,000	0 – 100,000
Coordinator	0-5000	0 – 20,000	0

1. This scale of responsibility is designed to clarify the responsibilities: the decision making with regards to cash disbursement should be fairly distributed among the key officers to smoothen the process, but still it doesn't mean that an officer should no longer be responsible for the decisions of lower positions. In his absence (vacation leave, etc.) an officer could delegate authority to an officer below him in the scale of responsibility.
2. In any case, all disbursements must be thought in terms of priority for Parvati.
3. To secure a proper “check and balance”, the Head of Accountant is the one to check and review all disbursements. Especially by refusing to sign (on “checked/reviewed by”) a document submitted to the approval of the Managing Trustee, he can block the processing of a disbursement.

4. For regular high disbursements, the Managing Trustee could decide to delegate permanently the responsibility to the lower position.
5. Especially, it is the responsibility of these officers to get (and the duty of the Finance department to provide) proper information through financial and accounting reports to monitor the results of the operations, the liquidity, etc. as well as the detail of accounting information that would be below their own scale (especially when submitting funder reports).
6. The disbursements for CBU withdrawals are submitted to above Loan disbursement scale.
7. The disbursements for staff loan and cash advance are also submitted to the above other disbursement scale: The Head of Accountant must check and review all these disbursements since amounts of loans and savings must be checked in the system.
8. All disbursements must be in line with the monthly/yearly budget: office bearers must forecast their expenses either for the yearly plan, or more precisely for a monthly forecast to properly inform the MD. Obviously the yearly budget limit has to be considered before executing decisions that would engage important expenses. In terms of final responsibility, the board of Trustees should get information and reports on the respect of this scale of responsibility and approved budget, through the reports of the network audit team.

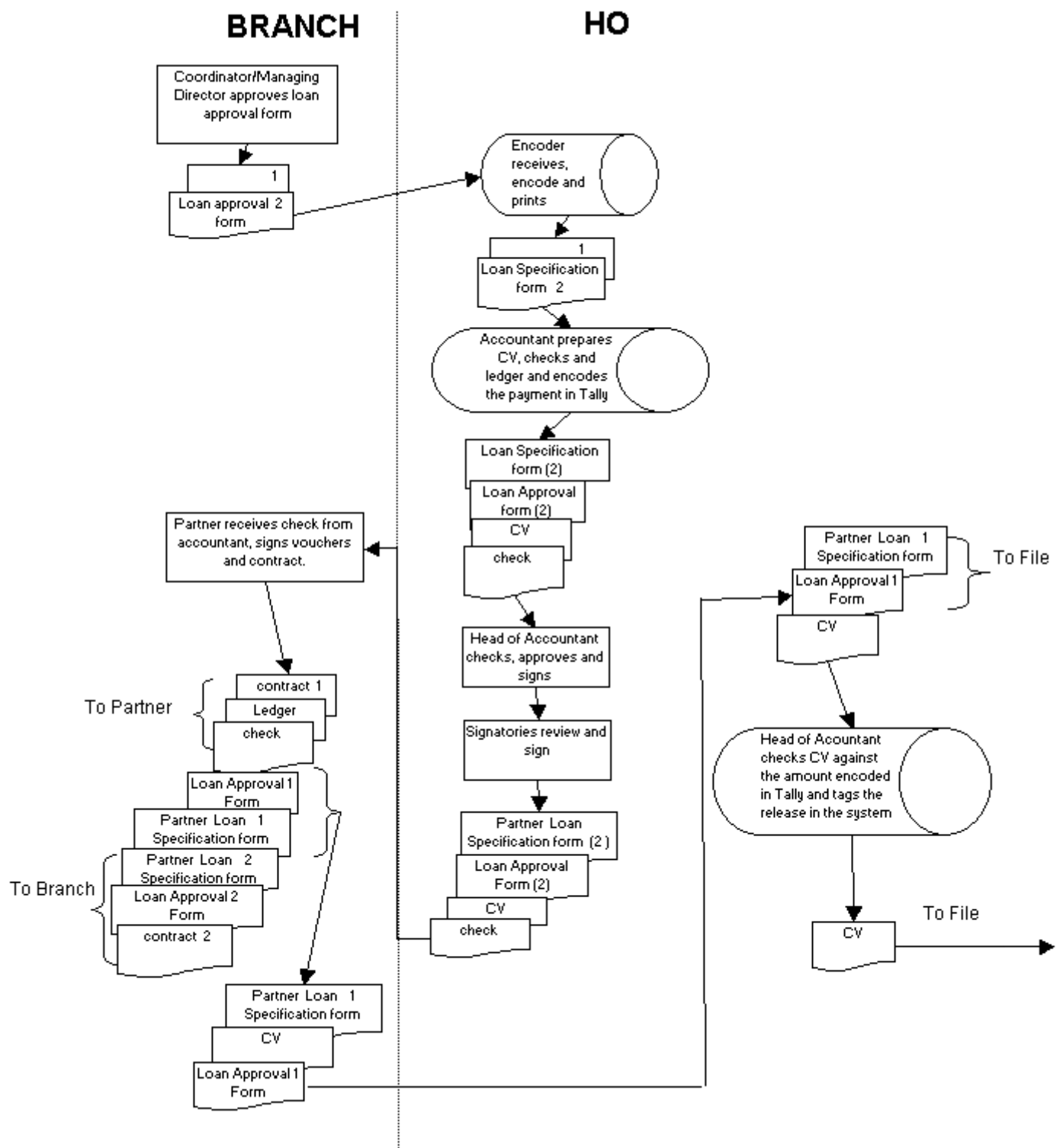
2.3.4 Narrative Procedures

2.3.4.1 LOAN RELEASE

1. On decision day, the loan is approved by coordinator/Program Manager (refer to above scale). After D Day, loan approval form is filled in two copies, one of them is submitted to the encoder.
2. Both copies of the approved Loan Form will be forwarded to the Head Office.
3. Encoder receives the Approved Loan Form and encodes all the proper information in the Loan Application. Two copies of the loan specification forms are printed from the system.
4. Accountant prepares the CV and the corresponding check, and encodes the payment in Tally.
5. Head of Accountant reviews all documents before signing.
6. The documents are then forwarded to the other signatories (refer to scale).
7. The check together with the original copy of the voucher and two copies of loan Approval Form and the two copies of the loan specification forms are forwarded to the branch office for release.
8. BM will prepare contracts (2 copies) and ledger.
9. Accountant releases the check to the Partner who acknowledges the same by signing in the “received by” column in the CV (The partner receives one copy of the contract as well as the ledger).
10. Partner keeps the ledger to be presented to the CM for updates every time collections are made and for proper acknowledgement. Partner should maintain separate the ORs from the ledger to avoid the loss of both of them.

11. The acknowledged CV and original copy of the loan approval form and one copy of the loan specification form are returned to the HO while the copy of the contract, the duplicate copy of the loan application and one copy of the loan specification form remain in the Branch Office for file.
12. HO Head of Accountant checks the acknowledgment made by the Partner before filing and tags the contract on the system from “for release” to “signed”. If the documents are not accepted/signed or cancelled the contract will be tagged “cancelled” which will automatically generate the reversing entry.
13. Ho Head of Accountant checks the CV against the amount encoded in Tally.

2.3.4.1.1 FLOWCHART - Loan Release



2.3.4.2 CBU WITHDRAWAL

1. Partner fills up Request for CBU withdrawal form in three (3) copies and gives his passbook to the BM.
2. Branch Manager verifies partner signature against the specimen, and reviews Request for CBU withdrawal form. Coordinator makes approval.
3. Duplicate copy of the approved Request for CBU withdrawal form will be forwarded to the Head Office while the triplicate copy remain in the branch office and the original to the partner. Partner passbook is also forwarded to HO.
4. Encoder receives the duplicate copy of the Request for CBU withdrawal form. After verification, Encoder encodes all the proper information, checks if there is enough withdrawal CBU.
5. Accountant prepares the CV, check (or cash), encodes the payment in Tally and fills up partner passbook. Head of Accountant reviews documents and remits the CV and check to Managing Trustee for signature.
6. The check together with the copy of the CV with the attached duplicate copy of the Request for CBU withdrawal form and partner passbook is forwarded to the Accountant for release.
7. Accountant releases the check to the Partner who acknowledges the same by signing in the “received by” column in the CV. The partner receives his passbook together with the check.
8. The CV with the attached duplicate copy of the Request for CBU withdrawal forms are returned to the HO.
9. HO Head of Accountant receives the acknowledged CV with the attached duplicate copy of the Request for CBU withdrawal form, checks the acknowledgment made by the Partner before filing and tags the withdrawal status on the system from “for release” to “signed”.

2.3.4.3 OTHER DISBURSEMENTS

1. Supporting documents (SD) will be brought by the requesting party.
2. The necessary supporting documents are presented to the designated officer for approval: Head of Accountant recommends for HO related expenses, Coordinator recommends branch related expenses and all expenses are ultimately approved by MD.
3. Accountant receives the approved SD, encodes the disbursement in Tally and prints the CV and check.
4. Managing Trustee reviews documents before signing the CV and check.
5. The check together with the CV and the attached supporting documents are forwarded for release.
6. Payor releases the check to the Payee who acknowledges the same by signing in the “received by” column in the CV.
7. The CV with the attached supporting documents are returned to the HO.
8. Accountant checks the CV against the disbursement encoded in Tally.

2.3.5 Illustrative Journal Entries

Release of loan

Loans receivable	XX	
Cash in bank		XX
Processing fee		XX

Withdrawal of partner's CBU

CBU payable	XX	
Cash in bank		XX

Recognition of interest for partner's CBU (end of the month)

Interest expense – CBU	XX	
CBU payable		XX

Other expenses

Other expenses	XX	
Cash in bank		XX

2.4 PETTY CASH FUND AND REPLENISHMENTS

2.4.1 Financial Policies and Internal Control Guidelines

1. The Petty Cash Fund (PCF) should be maintained at a fixed amount, such as three thousand rupees (R5, 000.00) for minor and recurring expenses and/or advances.
2. At any time, the PCF set-up should equal the sum of the replenished petty cash vouchers, unliquidated cash advances, plus the remaining cash in the Fund
3. A maximum single disbursement limit such as five hundred rupees (R 500.00) must be set.
4. Replenishment should be done when the fund balance is below the minimum balance (R 600.00) to avoid deficiency of PCF.
5. The fund should be physically segregated from the Accountant's personal and other cash fund- undeposited collection in the cash box.
6. The Fund should not be used to accommodate personal and/or company checks issued by other parties.
7. An unscheduled physical count of petty cash fund must be conducted weekly by the Head of Accountant.
8. The PCVs and all supporting documents should be stamped "Paid", with the date of payment indicated thereon to prevent re-use of supporting documents.
9. The Accountant should maintain a cash box and the keys should be under his/her safekeeping. Access to the Funds should be restricted only to the **Accountant** (In his absence, the Head of Accountant shall be responsible for securing keys)

10. Cash advances from the funds must be liquidated within three (3) working days from the last day of activity/purchase.
11. Liquidation reports should be reviewed by Head of Accountants and approved by Managing Trustee.
12. No cash advance shall be granted to employees with existing unliquidated cash advance from the petty cash fund.
13. No personal cash advance must be allowed from the petty cash fund.
14. A daily balance should be maintained by Accountant and signed by MD (see form in Exhibit)

2.4.2 Possible Results for Non-compliance

1. Petty cash fund may be misappropriated.
2. Long unliquidated advances.
3. Illegal payments
4. Deficit Petty Cash Fund Balance.

2.4.3 Narrative Procedures

1. The request for cash advance will be done by employee who fills up the Advance slip and submits it to the Petty Cash Fund Accountant.
2. The PCF Accountant checks the request.

3. Employee approves receipt of Advance by signing the Advance slip.
4. Upon Liquidation, employee fills up the Liquidation form and attaches all supporting documents.
5. The Accountant reviews liquidation report and attaches payment voucher before forwarding to the Managing Trustee for Approval.
6. The approved liquidation report is forwarded to the Accountant for recording and filing.
7. Accountant refunds any shortage or collects any overage from the employee.
8. When the PCF reaches a 80% spent, Accountant prepares Tally Petty Cash sheet, attaches all the Vouchers and supporting documents, prepares the CV and check.
9. Managing Trustee reviews the Check Voucher and supporting documents and signs CV and checks before forwarding to the other authorized signatories.
10. PCF Accountant encashes the check and keeps the CV and supporting documents on file.

2.4.4 Illustrative Journal Entries

Establishment of Petty Cash Fund

Petty Cash Fund	XX
Cash in bank	XX

Replenishment of PCF

Various Expense accounts	XX
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Cash in bank

XX

OPERATING CASH ADVANCES AND LIQUIDATION (more than 500 Rupees)

2.4.5 Financial Policies and Internal Control Guidelines

Cash advance is allowed for the following:

1. Expenses for out of town travel.
2. Transportation expenses for official tasks.
3. Training/seminars expenses.
4. Other necessary expenses to be incurred for authorized activities.

2.4.6 Scale of Responsibility

The following scale indicates who should be the approving authority for different types of disbursement:

Positions / Decision bodies	Needs approval
Board of Trustees	General Meeting
Managing Trustees	Board of trustees
All other positions	Managing Trustee

2.4.7 Financial Policies and Internal Control Guidelines

1. Cash advance for out of town travel outdoor meeting should be covered by a Travel Approval Form (TAF).
2. All requests for cash advance shall be approved by authorized personnel and must be requested two (2) days before the activity at latest.

3. Cash advances must be liquidated not later than three (3) working days after the completion date of the activity for which the advance was made.
4. The Liquidation Report together with the detailed list of expenses must be properly supported by receipts.
5. The liquidation report and supporting documents shall be stamped "Paid" with the date of payment thereof to prevent their unauthorized use or double payment.
6. The liquidation report shall be initially reviewed and approved by the Managing Trustee or his appointed deputy.
7. Cash advances intended for personal purposes are not allowed.
8. No new cash advance shall be granted to a person with unliquidated cash advance.
9. Remaining balance after settling the expenses should NOT be availed of as personal advances this should be returned for liquidation.
10. Accountability for cash advances is non-transferable. An employee is solely responsible for disbursing and liquidating his cash advance
11. The Accountant shall be responsible in sending out statement of unliquidated advances to the Head of Accountant for review fortnightly.

2.4.8 Possible Result for Non-Compliance

1. Cash advances may be used for items not authorized by the officer in charge.
2. Double payment of some transactions.

3. Long unliquidated Cash Advance

2.4.9 Narrative Procedures

1. Employee fills up Travel Claim Form (TCF) for out of town travels and submits the same together with the supporting documents and Advance slip to the approving personnel. The Program Manager will authorize staff advances and one Managing Trustee will authorize PM advances (see scale).
2. Employee submits the Approved TCF and Advance slip to the Accountant.
3. Accountant releases the check and keeps the advance slip and Training& exposure visit proposal on file. The employee approves receipt by signing on the advance slip.
4. Upon Liquidation, employee fills up the Liquidation form and attaches all supporting documents.
5. The Accountant reviews liquidation report and attaches payment voucher before forwarding to the Head of Accountant for review and Managing Trustee for Approval.
6. The approved liquidation report is forwarded to the Accountant for recording and filing.
7. Accountant refunds any shortage or collects any overage from the employee.

2.4.10 Illustrative Journal Entries

Release of cash advance

Advance to employee	XX
Cash in bank	XX

Upon liquidation

Cash in bank (if there is an excess)	XX	
Expense account (or the appropriate account)	XX	
Advance to employee		XX

2.5 OTHER GUIDELINES

2.5.1 Custody of accountable documents and cash:

As mentioned previously, it is essential that the following accountable documents be under a well-defined responsibility:

ORs, CVs, Petty cash vouchers, JVs, check booklets are under the responsibility of the Accountant.

As far as cash handling is concerned, 2 different persons should be appointed to handle them:

- ✓ Petty cash: **Accountant**.

In his absence, the **Head of Accountant** shall be in charge of Petty Cash.

- ✓ Cash from undeposited collections: **Attendant**

In his absence, the **Accountant** shall be in charge of cash from undeposited collection.

2.5.2 Payroll

2.5.2.1 Financial Policies and Internal Control Guidelines

1. Original records of employment, rates and authorized deductions for each employee should be maintained by the Head of Accountant. The Accountant as well as the Managing Trustee should be notified by the Head of Accountant of any changes affecting personnel employment and salary.
2. Deductions required by government agencies such as Provident Fund, withholding taxes on compensation and other deductions should be reviewed by Head of Accountant before being deducted from each employees pay time to time.
3. The Managing Trustee should review and compare payroll against the personnel records once a month.
4. The Employees Earning's Record (EER), which contains pertinent data on the employee's salary rate, earnings deductions and sick leaves, casual leave and on-leave should be maintained by Head of Accountant for easy reference in payroll checking.
5. Every month, before salary disbursement, a monthly reconciliation must be done by the Head of Accountant to keep track of any change in salaries.
6. In case of employee's complaints about his salary, the salary computation shall be reviewed for explanation by the Head of Accountant with the complainer by referring to the appropriate sources.

2.5.2.2 Possible Results for Non-Compliance

1. The rates salaries and wages paid may not be the duly approved ones.
2. Deductions required by government agencies may be ignored resulting to payment of penalty.

2.5.2.3 Narrative Procedures

1. One day before salary disbursement, the Head of Accountant checks:

- In the Attendance Register

- Attendance of employees.

- In the EER

- Leaves taken

- Legal deduction (PF...)

- Loan to staff

- Staff cooperative deduction.

- In the fortnightly unliquidated advance statement

- Unliquidated advances

- Other deduction

According to those data, he computes the monthly salary and prepares the payroll for each financial unit (1 copy) with employees pay slip.

A monthly reconciliation with previous month is prepared, and any modification of salary amount is duly explained.

2. The payroll together with the cash and checks and the reconciliation are given out for approval and signature of the Managing Trustee.
3. The Accountant receives the signed checks and the payroll. He fills in the EER.

4. The staff signs the payroll after getting check and pay slip. The payroll is kept in file.
5. The taxes and social securities payable to the government, deducted from salaries, are to be deposited in respective department (e.g. PF: Provident Fund Department) before stipulated time.

2.5.2.4 Illustrative Journal Entries

To record HO payroll (HO book)

Salaries & Wages	XX	
Bonus	XX	
Transportation expense	XX	
Advances to Branch (Branch payroll)	XX	
W/tax payable	XX	
Advances to employee	XX	
Staff CBU*		XX
Interest income from Staff Loan	XX	
Cash in bank	XX	

To record branch payroll (Branch book)

Salaries & wages	XX	
Transportation expense	XX	
W/tax payable		XX
Advances to employee		XX
Staff Loan		XX
Staff CBU*		XX
Interest income from Staff Loan		XX
Advances from HO (Branch payroll)		XX

2.5.3 Conveyance Reimbursement

2.5.3.1 Policies and Internal Control Guidelines

1. Reimbursement of transportation is done **fortnightly**.
2. Only actual transportation is allowed to be included in the reimbursement report.
3. Conveyance reimbursement form shall be prepared for all reimbursement of transportation.
4. Coordinator reviews for the BM and CM transportation reimbursement form while Head of Accountant reviews for HO staff. MD will review Head of Accountant and Coordinator transportation reimbursement form.
5. The Managing Trustee does the final approval.

2.5.3.2 Narrative Procedure (refer to Petty Cash)

2.5.4 Purchases & Suppliers Selection

2.5.4.1 Financial Policies and Internal Control Guidelines

1. The Head of Accountant shall be in charge of requesting all purchases for HO. Coordinators will be in charge of requesting all branches purchases. At the same time, they will monitor all needs in material.
2. All purchases, other than those through the Petty Cash Fund should be supported by a Store & Purchase Requisition.

3. Supplier selection procedures should be followed, whenever applicable, to ensure that goods of satisfactory quality are required at reasonable price and term of payment.
4. The Store & Purchase Requisition, the quotation of the selected supplier together with two quotations of other suppliers with comparable prices and same specification, (if required, see scale below) should be the basis for preparing the Purchase Order.

-For purchases ranging from Rs500 to Rs2000, 1 quotation will be sufficient

-For all purchases above Rs2000, 3 quotations shall be compulsory.

5. Purchases should be made with the following guidelines:
 1. Quantities and specifications ordered should correspond to the qualities and specifications invoiced and received.
 2. Goods of satisfactory quality are acquired at a reasonable price; and all goods are being paid for having been duly accepted in good order.
6. A purchase committee, which is composed of Managing Trustee, Head of Accountant and Coordinator, will review all comparative forms.
7. Payments to suppliers should be properly approved and must be made by check in the name of the suppliers.
8. The Invoice and supporting documents shall be stamped "Paid" with the date of payment thereof to prevent their unauthorized use or double payment.
9. Purchases must be in accordance with the approved budget and approved by the Managing Trustee.

2.5.4.2 Narrative Procedures

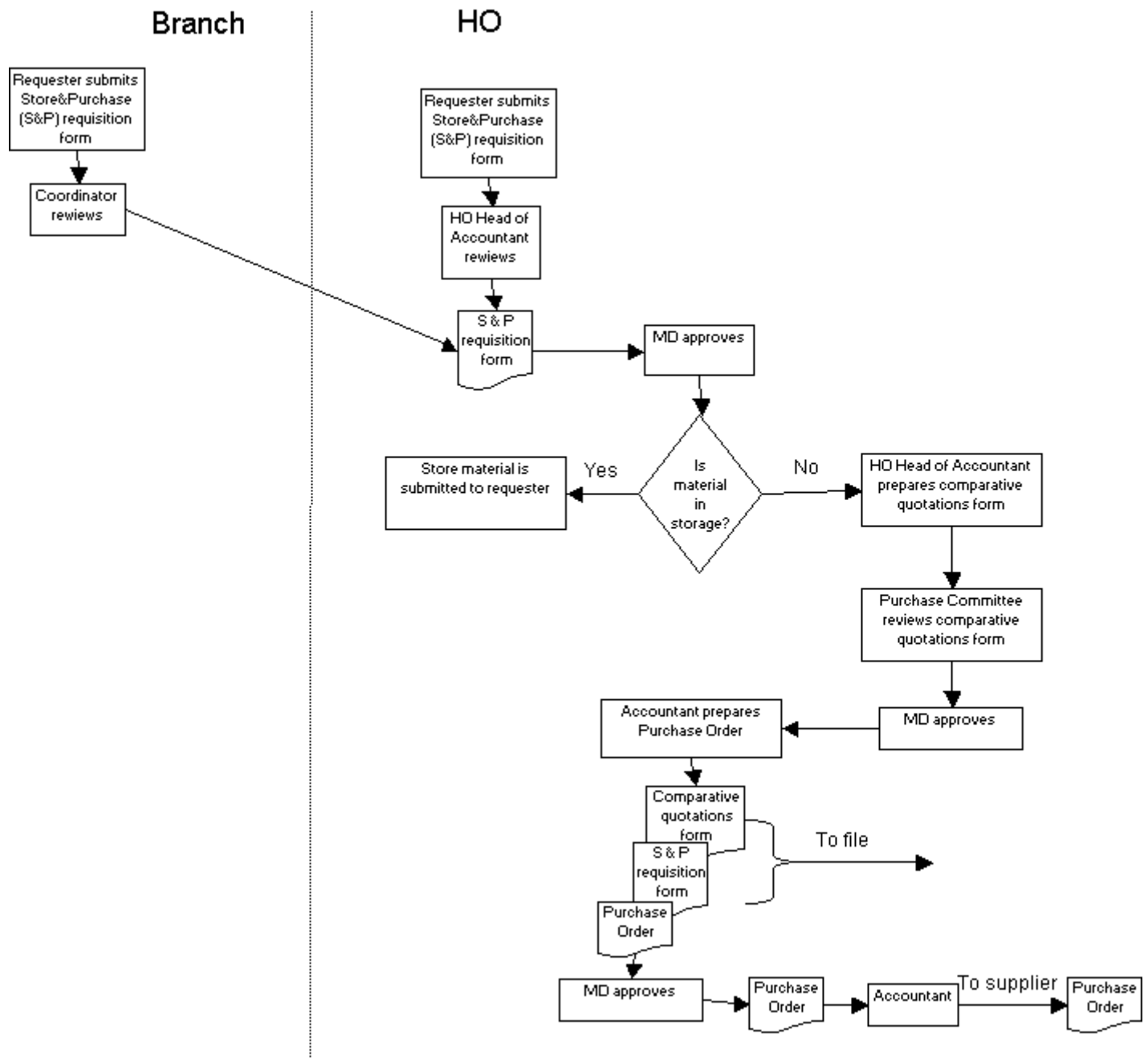
1. Requester submits Store & Purchase requisition form to the Head of Department (Coordinator for field or Head of Accountant for HO). Managing Trustee eventually approves the form.
2. If material is kept in storage, it shall be issued as per requested.
3. If the material is not stored, the comparative quotations form of the three suppliers (if required) shall be prepared by the Head of Accountant.
4. Purchase Committee reviews form, and, if necessary, asks for a renegotiation.
5. MD reviews, approves and signs.
6. Accountant prepares Purchase order and attaches the store & purchase requisition together with the approved quotation and the two other quotations (if required)
7. All documents are forwarded to MD for approval. MD signs purchase order.
8. Purchase order is given by Accountant to supplier. The other documents are filed.
9. After receiving goods, Accountant checks the actual goods against the purchase order and the actual invoice, and prepares check and CV for review by Head of Accountant and approval of MD. He records the purchase in the stock (or fixed asset) register.
10. Checks is remitted to the supplier who acknowledges receipt by signing the CV.

2.5.4.3 Possible Result for Non-Compliance

- ✓ Prices may not be competitive

- ✓ Needs of material cannot be identified at proper time.
- ✓ Quality may not be up to the mark.
- ✓ Suppliers belonging to relatives or friends of staffs could be unjustly chosen.

2.5.4.4 FLOWCHART – Purchase Procedure



2.5.5 Materials/Supplies

2.5.5.1 Financial Policies and Internal Control Guidelines

1. Adequate storage space, enclosed and well protected, should be provided and manned by Program Manager. Access to the storage areas should be limited to Accountant.
2. Requisitioning of materials and supplies must be done through the Store & Purchase Requisition.
3. Stock Register should be maintained to record receipts, issuance and returns of high-value items (greater than 500 Rupees)
4. Physical count of high value-items should be conducted regularly by persons other than the Accountant. Results of the physical count should be reconciled with the balances in the stock register. Any difference shall be properly recorded and explained. The count will identify slow moving, damaged, or obsolete items that may be resold at scrap value.
5. Inventory reports should be prepared quarterly by the Head of Accountant. Reordering level has to be managed by Head of Accountant for HO, and Coordinators for branches.

2.5.5.2 Illustrative Journal Entries

To record purchase of office supplies (expense recognition)

Stationery & supplies	XX	
Cash in bank		XX

To take up unused office supplies at the end of the quarter

Supplies Inventory	XX	
Stationery & supplies		XX

2.5.6 Training

2.5.6.1 Financial Policies and Internal Control Guidelines

1. Training budgets should be based on approved training programs.
2. Selection of participants, resource persons and other contractors should be based on approved guidelines and attached with training proposal.
3. Training budget should be reviewed by the MD, Coordinator and in any case communicated to Training Manager.
4. Participants should sign the training attendance sheet as proof of participation in the training.
5. Minimum documentation required to be filed by Training Manager:
 - ✓ Approved training budget
 - ✓ Contracts with trainers and venue provider
 - ✓ Training attendance sheet

2.5.6.2 Different UPLiFT Trainings

Staff Training

1. Composed of basic orientation and other follow up training.

2. Basic orientation is done whenever there is at least five new staff.

Access to Job Placement training

1. Created to support young people who are looking for jobs, it assists Beneficiaries to facilitate a systematic and more organized job-hunting activity.

2. To assist beneficiaries, different services are provided such as: Job-hunting enhancement training, Job vacancy information & referral, Job-hunting facilities & materials, Counseling, Loan, and Close follow-up/monitoring.

Skills Training.

Alternative business training provided to partner who wants to venture into new business or simply interested to learn new skills.

2.5.7 Properties & Equipment

2.5.7.1 Policies & Internal Control Guidelines

1. Distinction between expense and fixed asset will be done accordingly to the life of the asset.
2. Depreciation is computed using reducing balance method.
3. Fixed Asset register book of properties and equipment must be maintained in each financial unit.
4. Annual physical inventory of all properties must be conducted.
5. Reconciliation of result of inventory against fixed asset register book must be done. If any loss or damaged is recorded, a justification must be given.

6. Transfer of fixed assets from one NGO to another must be well accounted for and approved by MD.

2.5.7.2 Illustrative Journal Entries

To record transfer of fixed asset (Book of transferor)

NGO. Transfer – Fixed asset	XX	
Accumulated dep'n – Equipment/Fur. & Fix.	XX	
Equipment/Fur. & Fix. (At cost)		XX

To record fixed asset received (Book of recipient)

Equipment/Fur. & Fix. (At cost)	XX	
Accumulated dep'n – Equipment/Fur. & Fix.	XX	
Inter-prog. transfer – Fixed asset		XX

2.5.8 Vehicle

2.5.8.1 Policies & Internal Control Guidelines

1. A log book is held by the custodians
2. One key is kept by the custodians, an other key remains in HO/Project Offices.
3. User should fill the logbook when using the vehicle.
4. Custodian will be responsible for proper utilization of vehicles.
5. Vehicles are not allowed to be kept at custodian's home.
6. Users have to take proper care of the vehicle. Any damages due to their fault will be charged to them.

3 OTHER FINANCIAL MANAGEMENT MATTERS

3.1 BUDGETING

3.1.1 Financial Policies and Internal Control Guidelines

1. Annual budget of the Organization shall be presented to the Board of trustees for approval.
2. Budget Status Report shall be prepared quarterly as a tool to determine budget performances and / or availability.
3. Review of budget against actual expenditures shall be conducted in order to determine financial goals and objectives of the Organization are being achieved effectively and efficiently.

3.2 CASH MANAGEMENT

3.2.1 Financial Policies and Internal Control Guidelines

1. Proper cash management means ensuring the right amount of cash at the right place at the right time.
2. On the one hand it is necessary that the capital or fund balance allocated to each branch is sufficient and not excessive.
3. On the other hand on a daily basis it is necessary to monitor the amount of money on each bank account based on the forecast of cash flow.
4. Finally, proper cash management is related to proper budgeting, which can be seen as a long-term cash management: short term cash management will be eased by the proper mid and long term definition of expenses and sourcing of funds

3.2.2 Narrative Procedures

3.2.2.1 Management of Internal cash (transfers and advances)

1. Every day Accountant must communicate to the Head of Accountant the balance of all the bank accounts in order to monitor the total cash available in Parvati to optimize the allocation as well as to face emergencies.
2. The intra-network advances must be monitored at the level of each program and at each monthly closing it must be checked that the credits = debits.
3. Once the books are closed at the end of the year, it is the time when a precise study of the capitalization should be done for all the books, and based on the ratio between advances and fund balances, adjustments should be done to balance the distribution of capital through the accounts and intra-network fund transfer.

3.2.2.2 Grants and Donations

1. Aside from regular interest income and other fees, donations and grants are also source of cash inflows.
2. For funds received, OR must be issued, recognition must be made through journal entry.
3. Monthly report must be prepared by Head of Accountant and will be checked by the Program Manager. This report will be sent to funder to keep them abreast with the status of the fund.

3.2.3 Illustrative Journal Entries

Transfer of funds within the network

Intra-program advances	XX	
Cash in bank		XX

To record donations received from Inter-Aide / others

Cash in bank	XX	
Donation		XX

4 FINANCIAL MANAGEMENT REPORTING SYSTEM

The Financial Management Reporting System summarizes the reports to be generated and person responsible for their preparation. The system also identifies the source of report data, frequency of report preparation, deadline for submission, number of copies, and the recipient of each report. The System provides UPLiFT, creditors, grantor and timely information on the status, financial condition, and operating performance of the various programs of the organization.

FINANCIAL REPORTS				
Name of Report	Prepared by	Frequency	Deadline	Recipient
Salary Report/ Request	Accountant	Monthly	25 th of the month	Programme Director
Outstanding Advances Report	Accountant	Monthly	25 th of the month	Programme Director
Training Income Report	Accountant	Monthly	12 th of succeeding month	Programme Director
Bank Reconciliation	Accountant	Monthly	12 th of succeeding month	Programme Director
Monthly Expenditure Report	Accountant	Monthly	15 th of succeeding month	Programme Director
Quarterly Financial	Accountant	Quarterly	15 th of succeeding month	Programme Director

Report Annual Financial Report	Accountant	Annually	30 th of April	PMC and donors Programme Director Auditors PMC and donors
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5 EXHIBITS

The following are the list of forms, reports and policies.

Name of Forms, Reports and Policies
Forms
Official receipt (OR)
Daily collection summary (DCS)
Bank passbook
Check/Cash vouchers (CV)
Loan approval form
Contracts
Ledger
Request for withdrawal form
Petty cash balance sheet
Training & Exposure visit proposal
Skill/Vocational Training Proposal
Store & Purchase requisition form (PR)
Purchase order
Comparative Statement for purchase of material form
Transportation reimbursement form (TRF)
Salary Monthly Reconciliation form

5.1 SAMPLES OF FORMS USED IN HO

5.1.1 Petty Cash Balance Sheet

Petty Cash Balance Sheet <div style="text-align: right; margin-top: 10px;">Date / /200</div>			
A) Petty cash balance			
Particulars	Details	Amount	Amount
Opening Cash Balance			
Add: Withdrawn	Ch.No.		
Less: Paid	CV. No. To		
Less: Advance			
Closing Balances			
B) Any Other Cash <hr/> <div style="margin-top: 10px;"> 1) Collection 2) 3) </div> <div style="text-align: right; margin-top: 20px;"> <hr style="width: 200px; margin: 0 auto;"/> <hr style="width: 200px; margin: 0 auto;"/> <hr style="width: 200px; margin: 0 auto;"/> </div> <div style="text-align: center; margin-top: 10px;"> Total of B Total of A + B </div>			
Notes x quantity		Amount	
1000 x			
500 x			
100 x			
50 x			

20	x		
10	x		
5	x		
Coins			
Total			

C) Signed Cheques in hand

Name	CH.NO.	Date	Amount

Accountant/Administrator **Project Manager**

5.1.2 Advance Slip

<u>ADVANCE SLIP</u>	
Date:	
Rs :	(Rupees _____
Advance required on / /200 for the purpose of	

Will be settled on / /200

Name

Prepareby

Approved by

Received by

Amount

Balance

PCV No. dt. / /200

PCV No. dt. / /200

PCV No. dt. / /200

PCV No. dt. / /200

5.1.3 Conveyance Form

<u>CONVEYANCE FORM</u>						
NAME:				DATE		/ /200
DATE	MODE	FROM	TO	PURPOSE	KILOMETERS	AMOUNT
TOTAL						
	Signature			Approval		

5.1.4 Store & Purchase Requisition

PARVATI SWAYAMROJGAR / VIKAS YUVA SANSTHA					
STORE PURCHASE REQUISITION					
DATE:					
DEPT: _		SPR. NO.			
SR.NO	ITEMS	REQUIRED QTY	RECEIVED QTY	RECEIVER SIGNED	LF NO.
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;"> <u>PREPARED BY</u> DEPT.HEAD </div> <div style="text-align: center;"> <u>APPROVED BY</u> SUPERVISOR </div> <div style="text-align: center;"> <u>RECORDED BY</u> ACCTS. DEPT </div> </div> <p style="margin-top: 20px;">NOTE : PURCHASE ITEMS ONCE A MONTH ONLY</p>					

COMPARATIVE STATEMENT FOR PURCHASE OF

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5.1.6 Purchase Order

PURCHASE ORDER													
						DATE:							
NAME: _____				PO. NO.									
SR.NO	ITEMS	BRAND NAME	QTY	RATE	AMOUNT	LF NO	SPR NO						
<table style="width: 100%; border: none;"><tr><td style="text-align: center; width: 33%;"><u>PREPARED BY</u></td><td style="text-align: center; width: 33%;"><u>APPROVED BY</u></td><td style="text-align: center; width: 33%;"><u>RECORDED BY</u></td></tr><tr><td style="text-align: center;">ACTT. DEPTT.</td><td style="text-align: center;">DIRECTOR</td><td style="text-align: center;">ACCTT. DEPT</td></tr></table>								<u>PREPARED BY</u>	<u>APPROVED BY</u>	<u>RECORDED BY</u>	ACTT. DEPTT.	DIRECTOR	ACCTT. DEPT
<u>PREPARED BY</u>	<u>APPROVED BY</u>	<u>RECORDED BY</u>											
ACTT. DEPTT.	DIRECTOR	ACCTT. DEPT											

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