

DARSHNA MAHILA KALYAN SAMITI



FINANCE MANUAL

Darshna Mahila Kalyan Samiti

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FINANCE MANUAL

(Policies & Procedures for Accounting & Managing Funds)

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CHHATARPUR (M.P.)

Book Keeping and Accountancy

Cash Transactions

The norms for cash transactions are laid down below:

Cash Payments

- a) Cash payments would be made only if the supports are obtained to that effect;
- b) The accountant would fill in, on payment voucher(s), the 'Project Title' and the 'Name of Program' for which the expenses have been incurred and send the same to Authorized Signatory for approval;
- c) The Authorized Signatory¹ would give approval on payment voucher(s)² and supports thereof;
- d) The accountant would obtain recipient's signature on cash payment voucher;
- e) Where cash payment is more than Rs. 5,000/-, 'Revenue Stamp' of Re 1/- must be affixed and recipient's signature is obtained;
- f) Cash payment voucher would be entered in Main Cash Book Only;
- g) A serial control number would be given to each payment voucher;
- h) Cash book Folio number would be mentioned on each payment voucher;
- i) No Cash payments would be made to any outside party engaged with the organization on a regular/ routine basis;
- j) In case of one time payment, ensure that cash payment is kept below Rs. 5,000 on a single day to a particular person³. If the need be, make the payment through a Bank Draft/ Pay Order only;
- k) Total cash in hand at day end should not be more than Rs. 35000/-. If in certain case, it happens the following authorised person needs to submit the reason for such expenditure in cash.
- l) Follow Authorization Norm in case of Cash Advances to outside parties and staff/workers;
- m) For Petty cash expenses related to concerned projects, cash can be withdrawn from the FC account also.
- n) Advance payment to staff/ workers would be done only on the basis of an Authorized Plan for program/ Plan for travels⁴;

¹ Refer section 'Authorization Procedure' for cash payments

² Refer the section 'Formats' for Voucher

³ Cash payment of more than Rs. 20,000 can be made only when the person does not have any bank operating in his area of work/ residency

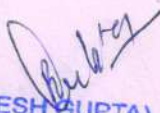
⁴ Refer the section 'Formats' for Program/ Travel Plan & Advance Request


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Cash Receipts

- a) No cash would be accepted unless the receipt is authorized as per the 'Authorization Procedure;
- b) Receipts would be pre-numbered at the time of its printing;
- c) The Receipt would be printed in duplicate. First copy for donor/ party, second copy for accounting and second copy for references and records;
- d) A 'Receipts Control Register'¹ would be maintained to record Cash Receipts and ready reference;
- e) A cash receipt voucher will be made for total cash received during the day giving reference of cash receipts and the 'Receipt Control Register';
- f) Reference of cash receipt voucher will be given in the Receipt Control Register.
- g) The accountant would clearly mention the purpose for which cash has been received;
- h) Cash book folio would be mentioned on cash receipt voucher;
- i) The blank Cash Receipts would be kept in a safe custody;

¹ Refer Format of Receipt Control Register


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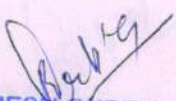
Cash Book (s)

- a) The organization would maintain separate cash book for Foreign Currency (FC) funds as well as Local Funds;
- b) The Project related cash transactions of FC funds would be routed through individual Project FC cash book;
- c) The Project related cash transactions of local funds would be routed through individual Project local cash book;
- d) The accountant would clearly mention the Program/ expenses head with respective project name in the cash book of Tally or in the manual cash book (as per the donor requirement);
- e) Ensure that brief narration of nature of transaction is given in each case;
- f) The accountant would mention ledger folio against each cash voucher entered in the case of manual cash book(if required);
- g) No alteration in the project name, program/ expenses head and amount;
- h) If the change is in-avoidable, do so by clearly striking it off and writing again;
- i) The cash book(s) would be closed monthly mentioning physical balance of cash available. S (he) would mention denomination of cash in the cash book itself at the close of the day and mark his/her signature;


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Physical control of cash and monitoring

- a) Cash of the organization would be kept at a secured place, preferably a steel almirah;
- b) No personal cash would be mixed with Organization's cash;
- c) Physical control of cash would be with Project Accountant or Chief accountant of the organization;
- d) In no case, cash would be moved out of the organization's premises without corresponding payment voucher and Authorization;
- e) Withdrawal of cash would be done only when a proper planning for program or administrative expenses have been approved by the Authorized Signatories and maintain a minimum amount of INR 2000/- each project petty cash account on weekly basis.
- f) Must insure cash-in-safe and cash-in-transit to the extent of necessary volume and safety;
- g) Periodic physical verification (without any notice to cashier/ accountant), in a proper format meant for this purpose, would be done by each project;
- h) The persons responsible for physical verification would be decided by the Board members;
- i) Stern action would be taken in case of discrepancies which is beyond explanation of the cashier/ accountant and any other party involved;


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Bank Transactions

The organization would adhere to the following guidelines:

Bank Payments

- a) Bank payments would mean payment through cheques or direct debits by bank(s) only. The draft/ pay order (made on cash payment) should be treated as cash payment and be recorded in books of accounts as per the guidelines in the section 'Cash Payments';
- b) Try and practice cheque payments for DD/pay-orders as well;
- c) No Authorization of cheque payment¹ would be made unless supported by a Bank Payment Voucher;
- d) No payment without the ledger copy/ detail of that particular account attached to the bank payment voucher;
- e) Payments By NEFT/ RTGS for can also be made by the authorized person Here, transfers made are quick and can be helpful in emergencies.

Routine Payments

- f) In case of payments for monthly salaries, only one payment voucher would be made per project. A statement mentioning cheque numbers and amount against the cheques for each staff would be attached to the voucher for one time authorization;
- g) Try and practice opening staff salary account in the same bank where you are holding bank account in order to save time and safety of salary payments;
- h) In case of any advance payment to staff, Advance Request Form² would be attached with the voucher for authorization;

The below section covers the signing of cheques, and other instructions issued to a bank, including approval of electronic transfers.

- i) For the protection of accounts staff all cheques issued to parties must be signed by any two people, President or Secretary and Treasurer of the society.
- j) For the protection of accounts staff all instruction / actions from our society to the bank must be given in writing and should be signed by President/Secretary/Treasurer of the society.

¹ See 'Authorization Procedure'

² Refer 'Formats' for Advance request


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Payment to Outside supplier/ Creditors

- k) No Bank Payment Voucher would be entertained unless supported by supplier/ creditor's accounts in the books of the organization;
- l) Supplier/ creditor's accounts in organization's books of accounts would be properly reconciled with all the bills raised and payments made till the date before the same is considered for payment;
- m) Insist on Statement of Accounts from supplier/ creditor, if necessary, for account reconciliation;
- n) The accountant would ensure that the payments to parties are done only on or after the due dates or after receiving the service/deliverables as agreed by both the parties;


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General

- a) The accountant would check availability of funds in the bank from where cheque would be issued;
- b) The accountant would ensure, at the time of obtaining Authorization, that the supports attached to the Bank Payment Voucher are also signed;
- c) All the cheques issued would be crossed 'Payee's Account Only' unless it is for internal cash withdrawals;
- d) Complete detail of cheque issued would be mentioned on the payment voucher;
- e) The accountant would fill in, on payment voucher(s), the 'Project Title' and the 'Name of Program' for which the expenses have been incurred;
- f) The particulars of Bank Payment Voucher would be entered in the Bank book/ ledger as soon as the cheque is issued;
- g) A serial control number would be given to each payment voucher through Tally or manual as per recording guidelines;
- h) Folio number would be mentioned on each payment voucher in the case of manual recording of transactions;
- i) The cheque issued would be entered in the 'Cheque/ Draft Issue Control Register'¹;
- j) In case, the recipient is outside party, an acknowledgement would be requested in the form of receipt/e-mail/letter;
- k) Backup of data should be maintained on monthly basis on two places. One at office in the same computer and other must be on external source i.e. pen drive or hard disk or compact disk etc.

¹ Refer 'Formats' for Cheque/ Draft Issue Control Register


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Bank Receipts

- a) Every cheque, draft/ pay order, RTGS, NEFT received by the Organisation would be entered in the 'Receipts Control Register';
- b) Receipts would be pre-numbered as explained in cash receipts section;
- c) The Receipt would be printed in duplicate. First copy for donor/ party and second copy for references and records;
- d) A bank receipt voucher would be prepared for all the bank receipts individually for each fund receive;
- e) Reference of bank voucher would be given in the Receipt Control Register;
- f) The accountant would clearly mention the purpose for which NEFT, RTGS, cheque/ draft has been received;
- g) Bank Book/ Ledger folio would be mentioned on the Bank Receipt Voucher in case of manual recording of transactions;



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Bank Books/ Ledger

- a) The Organizations should maintain separate Bank Book for each Project.
- b) Organization would maintain separate Bank book/ Ledger for Foreign Currency (FC) funds as well as Local Funds;
- c) All the Bank transactions related to FC funds would be routed through Project Bank Book/Ledger;;
- d) All the bank transactions related to Local Project funds would be routed through Project Local Bank Book/ Ledger;
- e) The accountant would clearly mention the Program/ expenses head with respective project name in the Bank book/account;
- f) Brief narration of the nature of transaction would also be given in each case;
- g) The accountant would mention ledger folio against each Bank voucher entered in the manual Bank book;
- h) Avoid alteration in the project name, program/ expenses head and amount;
- i) If it becomes necessary to alter any thing for some reason, do so by clearly striking it off and writing again;
- j) The Bank Book/ account would be closed monthly basis and reflect bank balances;


k) Do not attach the deposit slip with Bank Receipts Vouchers;

l) Keep all the deposit slips separately and safely till the time banks are reconciled;


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Maintaining cheque books/ deposit slips

- a) In case of travelling more than 4 working days by the Signatories, cheques can be single signed by any one Signatory and should be kept in the steel safe almirah.
- b) Avoid giving post dated cheques unless absolute necessity but not without approval;
- c) Avoid giving bearer cheques to a complete stranger;
- d) Do not leave any blank spaces in cheques between the figures and at the start of the box meant for filling amount in figures. Also, do not leave any spaces when writing amount in figures;
- e) Strike out the blank spaces after the name and figures in words;
- f) Preferably, use indelible ink pen for filling cheques;
- g) In case of cancellation of any cheque, deface the cheque diagonally with a good ball pen;
- h) If bank payment voucher has been made a day earlier(or more days) for the cancelled cheque, prepare a bank receipt voucher and record in bank book/ account to avoid any confusion in future;
- i) Mention detail of cheques issued in the cheque counterfoils. It serves as ready reference and is also useful at the time of preparing Bank reconciliation;
- j) Do not attach the deposit slips with Bank Receipts Vouchers;
- k) Keep all the deposit slips separately and safely till the time banks are reconciled;


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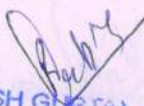
General Accounting

Journal Vouchers

- a) Journal vouchers would be prepared in all the activities falling in the category of bank transactions viz; advance settlements, credit purchases, Depreciation on assets etc; or as per the donor instructions in the case of Project account.
- b) The effect of these vouchers would be directly taken in the Main Ledger;
- c) No Journal voucher would be accounted for without approval from Authorized Signatory;
- d) Every Journal/ Adjustment voucher would be required to have adequate supports unless the same is a transfer entry;
- e) In case of transfer entry, previous voucher reference will be given with complete narration;

Maintaining Vouchers

- a) Ensure that all the particulars required in voucher(s) are properly filled;
- b) Ensure that all the vouchers bear the 'Project Name' and 'Program' description;
- c) Organization would maintain Project wise control of vouchers for each Foreign Currency (FC) funds and Project wise control for all local funds irrespective of the number of projects/activities;
- d) All type of vouchers namely, Cash Payments, Cash Receipts, Bank Payments, Bank Receipts and Journals/ adjustments would be separately filed for FC funds and Local Funds;
- e) Vouchers related to FC funds for all the projects would be filed numerically;
- f) Vouchers related to local funds would be filed separately in the same manner;
- g) The accountant would use 'Index Files' for filing the vouchers;
- h) Proper binding of the vouchers would be done as and when required, depending on the volume of transactions;


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Maintaining ledgers

- a) Organization would maintain Project-wise ledger for both FC funds and Local funds;
- b) Project-wise ledger would contain transactions of that project only;
- c) Bank account(s) would also be maintained in the ledger meant for a particular project;
- d) Every transaction in the ledger would reflect cashbook/ bank book / ledger folio;
- e) Ensure that the date and voucher reference is given in case of each transaction;
- f) Each entry reflected in the ledger would have One Line Description of the nature of transaction;
- g) The balance of the ledger would be checked at the close of every month;
- h) Any correction of the entry (ies) would be done by striking off the wrong entry and putting in correct entry;
- i) No alteration would be allowed;

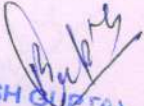
COMMON COST ALLOCATION POLICY

A cost is allocable to a particular project, if that cost is incurred directly for that project only. But if the cost is common cost which cannot be assigned to single project, it should be assigned to different projects on the basis of grants sanctioned from them.

Some allocation methodologies & guidelines are :

All expenditure allocations must be done on a rational basis. Prohibited allocation methodologies include any methodology based on rotation of budgets, funding or available funds.

- **Always document the allocation methodology.** Allocation methodologies must be documented and auditable. Documentation should include support for the specific costs allocated and indicate how the allocation methodology is logically related to the cost being allocated. This support should be retained by the department and be made available for review. Always remember to document why measures such as head account, square footage or hours directly relate to the benefit received.
- **Allocate expenditures on a routine basis.** Do not wait until the end of the fiscal year or the end of the grant year to allocate expenditures!
- **Allocation methodologies should be reviewed periodically to ensure they are reasonable.** Methodologies based on sampling, surveys, etc. should be reviewed and updated at least once each fiscal year. Changes to the population may signal the need to review the allocation methodology more frequently.
- **Allocation methodologies need to be reviewed when the project begins and ends to ensure compliance.**


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Advance control

Program/Work Advance

Obtaining/ Authorization of Advance


- a) Program/Work Advances would be given only if the request for the same is given in required format¹;
- b) The request for advance would be made 3 -7 days prior to the program;
- c) On receiving the request for Advance, the accountant would check for any unutilized advances lying in the person's name;
- d) Outstanding advance (if any) in his/ her name would be mentioned on the Request Form;
- e) The Authorized person would ensure that the outstanding advances are settled first then only the request for more advances are entertained;
- f) Exception to the rule can be made only by One Step Higher Authorized Signatory with valid reasons for granting such request;

Settlement of accounts

- a) The Program/Work Advance would be settled within 7 (seven) working days from the end of the program(s);
- b) Exception to this rule can be made only where more than one programs have been clubbed and is taking longer time;
- c) In no case, however, the program Advance would remain unsettled beyond the end of the month; or end of the program(s) whichever is earlier;
- d) Persons responsible would be required to give complete detail of expenditure on each program/ work in the desired format²;
- e) Each expenditure would be supported with the adequate bills/ receipts/supports/ detail as the case may be;
- f) A narrative program report for each program would be prepared and attached to the claim for settlement of program advances with photographs of the activity ;
- g) Expenses claimed without proper Program Report/bills/ receipts/supports/ detail would be treated as non-expenditure and reflected as un-utilized in the hands of the person who has taken advance;

¹ Refer the section 'Formats'

² Refer the section 'Formats' for Program/ Travel Plan & Advance Request



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- h) The person responsible for expenses would ensure that all the Program Reports/ bills/ receipts/supports/ detail attached to the Advance Settlement Form are authorized as per the 'Authorization Norm';
- i) The accountant would be responsible to mention voucher reference/ cashbook/ ledger folio on the Program Report submitted;
- j) Any expenses claimed and paid without authorization both accountant and the respective person would be liable to be penalized to the extent of such amount;
- k) Any amount remaining unutilized at the end of the program/ work would be returned to the accounts department for accounting and depositing back;

- l) The committee would fix the maximum tenure, installments, rate of interest etc. as per the paying capacity of the person;
- m) The Committee would arrange such fund from Local Fund Pool after proper consultation with the accounts department;
- n) In no case, the committee would recommend the advance/loan amount which is in excess of the person's accumulated fund and Organization's contributions thereon;
- o) Entire proceedings of the committee would be documented;
- p) The committee would grant its approval in the minute book giving complete detail of person, loan amount, tenure, installment amount etc.;
- q) In case of emergency the advance would be granted by the President only on the basis of recommendation of the secretary, this functionary of the organization;
- r) Based on committee's recommendation, the authorized signatory would initial the requisition form for advance and forward to the accountant for payments;
- s) The payment of such advance/ loan would be made by an 'A/c Payee cheque' or cash if cheque payment is not feasible;
- t) The accountant would ensure that no advance/ loan is given out of FC funds;

Repayment/ Settlement of Advance/loan

- a) The accountant would ensure that the advance/ loan is recovered from concerned person on a regular basis in the manner recommended by the committee;
- b) In case of a person leaving the organization, outstanding advance/loan amount would be first adjusted at the time of final settlements;


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Personal Advance/ Loan

Obtaining/ Authorization of Advance

- a) Person associated with the organization for more than three years only would be eligible for a personal advance/ loan except in emergency cases;
- b) Request for Personal advance/loan would be submitted in the desired format 15 days prior to actual need except for emergency cases;
- c) Before arriving at the decision of granting the advance/loan and amount that of, the committee would assess paying capacity of the person, association with the organization and past track records of repayments (if any);
- d) The committee would fix the maximum tenure, installments, rate of interest etc. as per the paying capacity of the person;
- e) The Committee would arrange such fund from Local Fund Pool after proper consultation with the accounts department;
- f) In no case, the committee would recommend the advance/loan amount which is in excess of the persons' accumulated funds and Organization's contributions thereon;
- g) Entire proceedings of the committee would be documented;
- h) The committee would grant its approval in the minute book giving complete detail of person, loan amount, tenure, installment amount etc.;
- i) In case of emergency the advance would be granted by the President only on the basis of recommendation of the Secretary/chief functionary of the organization;
- j) Based on committee's recommendation, the authorized signatory would initial the requisition form for advance and forward to the accountant for payments;
- k) The payment of such advance/ loan would be made by an 'A/c Payee cheque' or cash if cheque payment is not feasible;
- l) The accountant would ensure that no advance/ loan is given out of FC funds;

Repayment/ settlement of Advance/ loan

- a) The accountant would ensure that the advance/ loan is recovered from concerned person on a regular basis in the manner recommended by the committee;
- b) In case of a person leaving the organization, outstanding advance/loan amount would be first adjusted at the time of full & final settlements;


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Salary Advance

Obtaining/ Authorization of Advance

- a) Request for salary advance would be made in the recommended format only;
- b) The salary advance would be granted as per the Authorization Norm and as per the donor agreement and guidelines subject to the upper ceiling of one month's salary;
- c) No salary advance would be granted in case of any outstanding salary advance/ personal advance/ loan in person's name;
- d) No salary advance would be granted for next three months after the salary advance has been settled except in case of emergency;
- e) In case of emergency, authorization of advance would be required by one step further in the Authorization Norm;

Repayment/ settlement of Advance

- a) Monthly deduction of salary advance would be made maximum in 2 (two) installments;
- b) In case of a person leaving the organization, outstanding advance would be adjusted at the time of full & final settlements;


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Bank Reconciliation Statements

In normal cases, Bank book/ account maintained by you should match with the Bank Statements/Pass Books maintained by the bank on your behalf. There are, however, some cases where both do not match and needs reconciliation to arrive at the un-traced entries at both the end.

These are the cases where your bankbook and bank statement/passbook may not match:

- I. Cheques issued by you but not presented by party (ies) in bank for payments;
- II. Cheques deposited by you but are still to be credited by bank;
- III. Bank charges debited by bank on account of issue of cheques, bank draft clearing charges, commission for TT clearance etc;
- IV. Some deposits directly done in your bank but not accounted for by you for lack of information or bank interest on the saving accounts;

It is, therefore, necessary to prepare Bank reconciliation Statement to ensure that transactions entered in the bank-book/ account is matched with the bank statements/ passbooks on a periodical basis.

Every organization would be required to follow these:

- a) Obtain Bank Statements or get the Bank's Passbook updated immediately after the end of the month;
- b) Prepare Bank reconciliation Statement at the end of every month for each bank;
- c) The reconciliation statement would be filed along with the bank statement for each month;
- d) Any deviations on bank's part would be immediately taken up with the bank and follow-up done periodically;
- e) Mistakes/ deviations on Organization's part would be corrected/ adjusted immediately in next month;
- f) The accountant would obtain Bank Balance confirmation at the end of each accounting year;


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Salary Payment System

Salary Computation

- a) The cut off date will be 28th of each month (26th for February) for the calculation of salary;
- b) The accountant would be responsible to obtain authorized statements for salary payments from respective project heads for their field workers/ staff for the previous month latest by the 3rd day of the following month;
- c) The project heads would be responsible to verify the leave records of each staff/ worker before number of days is authenticated for salary payments;
- d) The leave records¹ for office staff would be maintained at Organization's Project or Main office and would be paid subsequently from the Main Office;
- e) The accountant would prepare Salary Computation Sheets² on the basis of Project Head's statements for field staff and office leave records for office staff;
- f) The Salary Computation Sheet for previous month would be prepared latest by the end of 2nd day of the following month and produced for Authorization;
- g) Separate Salary sheet would be prepared for field based staff for convenience in payments;
- h) The salary Computation sheet would clearly mention the cheque payment/DD payment or direct transfer in bank accounts against each name;
- i) The Salary Computation sheet would be Authorized on the same day;
- j) Salary payments for previous month would be done latest by 5th of the following month;
- k) Salary to all the workers would be paid by only through bank transfers or by DD;

¹ Refer the section 'Formats' for leave records

² Refer the section 'Formats' for Salary Computation Sheet


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Salary Payments and accounting

- a) The accountant would send a consolidated statement and a cheque to bank for or direct bank transfer for salary payments as the case may be;
- b) The accountant would prepare a consolidated salary payment voucher for each month mentioning the project name;
- c) All the staff using personal vehicle would also require to keep and maintain a Vehicle Logbook;
- d) Vehicle log book would be updated on a daily basis by the user of the vehicle;
- e) Each Vehicle Logbook would be Authorized as per 'Authorization Procedure';
- f) The accountant would not entertain any claim for expenses on vehicle use unless the Vehicle Logbook is updated and Authorized;
- g) All the major repair & Maintenance of the vehicle would be mentioned in the Logbook;

Organization's vehicle use for Programs

- a) User would ensure that use of vehicle for any program is mentioned in the Vehicle logbook;
- b) The Authorization would be given on the logbook as per the Procedure;
- c) The user would ensure that the name of the project and program name is clearly mentioned in the logbook;
- d) The accountant would check the authenticity of logbook and calculation of meter reading before accounting for program expenses;
- e) The expenses allocated on a particular program would be charged directly;
- f) In case, expenses are not directly allocable to a program, a percentage would be fixed on the basis of use and available budget for the month;
- g) Such allocation would be mentioned on the vouchers of the expenses itself.


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Vehicle usage control


Vehicle Log book

- a) Organization would ensure that there is maintained a Vehicle Logbook¹ in case of every vehicle registered in the name of the Organization;
- b) All the staff using personal vehicle would also require to keep and maintain a Vehicle Logbook;
- c) Vehicle log book would be updated on a daily basis by the user of the vehicle;
- d) Each Vehicle Logbook would be Authorized as per 'Authorization Procedure';
- e) The accountant would not entertain any claim for expenses on vehicle use unless the Vehicle Logbook is updated and Authorized;
- f) All the major repair & Maintenance of the vehicle would be mentioned in the Logbook;

Organization's vehicle use for Programs

- a) User would ensure that use of vehicle for any program is mentioned in the Vehicle logbook;
- b) The Authorization would be given on the logbook as per the Procedure;
- c) The user would ensure that the name of the project and program name is clearly mentioned in the logbook;
- d) The accountant would check the authenticity of logbook and calculation of meter reading before accounting for program expenses;
- e) The expenses allocable on a particular program would be charged directly;
- f) In case, expenses are not directly allocable to a program, a percentage would be fixed on the basis of use and available budget for the same;
- g) Such allocation would be mentioned on the supports of the expenses itself;

¹ See the section 'Formats' for Vehicle Logbook


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Organization's vehicle use for Administration

- a) Vehicle use for administration would be properly authorized as defined in the 'Authorization Norm';
- b) The detail of use of the vehicle would be mentioned in the Logbook;
- c) The accountant would check the authenticity of logbook and calculation of meter reading before accounting for common expenses;

Vehicle Insurance

- a) Organization would ensure that all the vehicles registered in its name are insured at any given point of time;
- b) Use an index file with proper separators for each vehicle;
- c) Keep a ready reference of the due dates of the renewal of insurance of vehicles inside upper leaf of the index file;
- d) Remember to obtain no-claim bonus from insurance company at the time of renewal of the insurance of vehicle;

Vehicle repair & Maintenance

- a) Organization would explore the possibility of giving contract, after proper analysis of quotations, to a reliable vendor for major repairs;
- b) All repair & maintenance of vehicle would be done with the prior approval as per the 'Authorization Norm';
- c) No prior approval would, however, be required for regular repair such as 'punchers', 'brake/ accelerator wires', bulbs etc. The user, however, would take approval as per the Authorization Norm';

Hiring vehicle from outside agencies

- a) Organization would explore the possibility of giving contract, after proper analysis of quotations, to more than one vendor for hiring of the vehicles;
- b) No cash payment would be given to the contractual vendors;
- c) In case of vehicle hiring in the field, prior approval would be required as per the 'Authorization Norm';
- d) Further, all the users would sign on the Travel Claim Form for such vehicle hiring;
- e) The accountant would check the formalities of prior approval, in case of vehicle hiring, without any fail before final payment is made to claimant;


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Telephone usage control

Own Bill payments

- a) Organization would request telephone department for itemized/ detailed bill;
- b) The accountant would cross check telephone bill(s) with the telephone log book to segregate project-wise/ program-wise usage of telephone as well as personal calls made by staff;
- c) A summary of program-wise/ project-wise telephone calls would be attached to the telephone bill for accounting purposes;
- d) Any personal calls or the calls made without proper authorization would be debited to concerned worker/ staff;
- e) The accountant would ensure that the telephone bills are paid on its due date.
- f) Late charges, due to delayed payments without valid reason, would be debited to accountant's personal account;
- g) The bill(s) would be paid by 'A/c Payee cheque only';

Mobile Phone bill reimbursements

Cash card connections

- a) In case of all cash card connections, recharge coupon is obtained from the user of mobile phone;
- b) Ensure that reimbursements of such coupons are within the limit as per the 'Authorization Procedure';

Post Paid connections

- a) Obtain itemized bill from the user of the phone;
- b) The user of the phone would define each ISD calls made with name called and the purpose thereof;
- c) Ensure that local calls are within the limit defined in 'Authorization Procedure';


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Travel expenses reimbursements

- a) Request for each travel will be done in the suggested format only;
- b) Each person will be required to submit claim for reimbursements/ adjustments against advance taken only in the form 'Travel/Program Expense Claim' along with following supports:
 - Original tickets of travel by Train (including e-tickets)/ bus;
 - Boarding pass along with book copy of the Air ticket or E-ticketing case of Air Travels;
 - Original Bills for stay at hotel(s)/ lodge/guest house;
 - Receipt(s) for payments made to hotel/ lodge/guest house;
 - Bills/ receipts for use of jeep/ other vehicles for local conveyance;
 - Bills/ cash memo for in-transit boarding;
 - Authorized detail for the expenses where bills/ supports are not available

Accounting

- a) Center accountant will ensure that after the end of each Training/ Seminar/ Workshop, proper detailing of the program is done separately for each organization (if required);
- b) He will ensure that photocopy of the Visitors' Control Register, Kitchen Control Register and Utility Control Register is attached with the detail of respective program;
- c) The original copy of the Control Registers would be kept in safe custody for future references;
- d) In addition to the above, the Center Accountant will adhere to all the Policies & Procedures explained in earlier segments of this Manual.

Income Generation Programs (IGP)

Records for IGP

Organization will maintain separate set of accounts for IGPs

- Separate cash book for IGPs. Do not maintain separate cashbook for each IGP;
- Separate ledger for each type of IGP;
- Maintain separate bank account IGPs;
- Sales Invoices;

Training/ seminars/ workshop accounting

Records at Training/ Service Center

- a) Each Training/ Service center will maintain a 'Visitor/ Guest Register'¹. The Center-in-charge would ensure that each visitor - his/ her detail in the desired format at arrival and departure;
- b) In addition to the above, the Centers will also maintain following records;
 - Stock Control Register
 - Fixed Assets Register
 - Attendance Register for staff
 - Generator Logbook
 - Vehicle Logbook
 - Cashbook, Ledgers, Bank books
 - Receipt book

Accounting

- a) Center accountant will ensure that after the end of each Training/ Seminar/ Workshop, proper detailing of the program is done separately for each organization (if required);
- b) He will ensure that photocopy of the Visitors' Control Register, Kitchen Control Register and Utility Control Register is attached with the detail of respective program;
- c) The original copy of the Control Registers would be kept in safe custody for future references;
- d) In addition to the above, the Center Accountant will adhere to all the Policies & Procedures explained in earlier segments of this Manual.

Income Generation Programs (IGP)

Records for IGP

Organization will maintain separate set of accounts for IGPs

- Separate cash book for IGPs. Do not maintain separate cashbook for each IGP;
- Separate ledger for each type of IGP;
- Maintain separate bank account IGPs;
- Sales invoices;

¹ Refer the section 'Formats' for Visitor Control Register'

- Sales book;
- Sale invoice files;
- Delivery challans;
- Purchase book;
- Purchase Orders;
- Purchase invoices/ bills/challan file;
- Stocks register for finished products;
- Stocks register for raw/ processing materials;
- Material Requisition slips;
- Stock Return slips;
- Gate-in register;
- Gate-out register;
- Sales Tax Register as required under Local Government;

Accounting for IGP

- a) The accountant will ensure that separate set of accounts as indicated above is maintained for IGPs;
- b) A combined Trial Balance, Trading Account, Profit & Loss Account and Balance Sheet will be prepared for all the IGPs;
- c) Debtors and Creditors for IGPs program will be handled separately and not mixed with main activities of the organization;
- d) The accountant will adhere to the policies and procedures discussed in this manual for each segment of accounting/ control.


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Computerized Accounting system

Organization will maintain its accounts in Tally ERP 9 for the uniformity of the accounts and generation of related reports. All will maintain parallel manual accounts as explained in this Finance Manual for at least one year to able to get accustomed to the computerized accounting environment.

Each Project field office may, however, maintain manual accounts for the time being in the manner explained in this Manual.

Procedure for maintaining Accounts in Tally

- a) Organization will create separate companies for each Project of FC funds, Indian funds.
- b) All manual vouchers will be fed in Tally on a daily basis;
- c) A day book will be printed and cross checked with all the vouchers to ensure correct account heads/ project/ program descriptions etc.;
- d) The day book will be filed monthly for future references;
- e) The accountant would ensure that back-up files are created on a monthly basis and stored at secured place(Place other than business Place);
- f) Monthly trial balance will be printed out for preparation of Monthly Finance Reporting System (as per the format).


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Purchases Control

Capital Purchases

- a) No capital item would be allowed to be purchased unless budgeted beforehand;
- b) A request for purchase and a Capital Item Justification¹ would be prepared by the user and submitted to Purchasing Committee of the organization;
- c) The committee would ask for at least three quotations (many quotations should be obtained) from open market for rate and quality comparison. A Vendor Analysis Chart² would be prepared by the committee for approval as per the 'Authorization Procedure';
- d) After receiving approval from the committee, the organization would place a Purchase Order³ giving full description to designated vendor;
- e) The user of the capital item would ensure that item purchased is properly installed as per the User Manual supplied with the asset;
- f) The accountant would ensure that all the cost till the time of installation of the capital item has been accounted for and capitalized;
- g) The accountant would also ensure that the item so purchased is duly recorded in the Fixed Assets Register (dealt with separately in this manual) giving description of assets, its location and user;
- h) The assets received as grant would be valued at the cost mentioned or Re.1/-, if no cost is mentioned;
- i) No depreciation would be charged on such grant assets;
- j) The accountant would also ensure that the asset is comprehensively insured for adequate value (market value);

¹ Refer the section 'Formats' for Capital Item Justification

² Refer the section 'Formats' for Vendor Analysis Chart


³ Refer the section 'Formats' for Purchase Order

Non-capital purchases/ services

Purchases

- a) The purchases of stocks would be done on the basis of 'Purchase Requisition' by the user/ field/ administration department;
- b) The requisition would be given to the purchase committee/ accountant at least one week (7 days) prior to the actual need;
- c) The organization would segregate routine/ regular purchases and one off purchases;
- d) If the expenditure value for purchase/service is more than Rs. 50,000 from one vendor, than the committee would ask for at least three quotations (many quotations should be obtained) from open market for rate and quality comparison. A Vendor Analysis Chart¹ would be prepared by the committee for approval as per the 'Authorization Procedure'
- e) The selection of the vendor(s) would be done by the Purchase Committee formed for this purpose by the organization;
- f) The vendors for routine/ regular items would be finalized for at least yearly;
- g) The Committee would negotiate with local vendors for credit facilities;
- h) Cash purchases would be minimized for routine/ regular items as well;
- i) Cash purchase may be allowed for one off purchases or purchases in the remote areas;
- j) Such purchases would be done with prior approval as per the Authorization Procedure';
- k) The accountant/ user would ensure that bills/ supports for the purchases are cross checked with the physical quantity (wherever quantifiable);
- l) Wherever purchases are not quantifiable, the user would verify the purchases along with proper authorization;
- m) The accountant would segregate the purchases allocable to programs/ projects or organization's own use;
- n) The accountant would not account for any purchases unless such stamp/ mark/ verification is put on challans/ bills;
- o) The payments to vendors, in case of credit purchases, would be done only after the due dates;

¹ Refer the section 'Formats' for Vendor Analysis Chart


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Services

- a) The organization would, as far as possible, finalize contracts for services to be rendered beforehand as per the recommendation of the 'Purchase Committee';
- b) A proper requisition of services will be raised by the program person in form of ToR (Terms of Reference). The Organisation would invite/collect quotations at least three nos. A comparative statement would be prepared. Approval of Purchase Committee would be obtained on the meeting minutes. The Organisation will engage the service provider through contract.
- c) After delivery of the services, reports would be provided and verified by the program person. Based on approval and contract the bill will be submitted to the Organisation.
- d) The organization would not entertain any payment unless proper bills have been raised on it for the service (s) rendered/provided;
- e) The accountant would verify the bills with the contact and its conditions and follow the 'Authorization Procedure' before processing for payment;
- f) TDS would be deducted under the applicable section as per Income tax Act 1961.

Maintenance of Stores

Stores/ stocks are considered as cash as the same have high realizable value in market next only to hard cash. The organization, therefore, is required to do proper monitoring of stocks and exercise stringent control thereon.

Organization would follow these guidelines for proper maintenance of stocks:

Stock records

- a) Organization would maintain a 'Stock Control Register¹' for all kind of quantifiable and routine/ regular purchases;
- b) All the purchases of stocks would be entered in the Register through party's bills/challans;
- c) In case of return of stocks, the user would prepare 'Stock Return Slip²';
- d) All the issues of stocks would be done on the basis of 'Material Requisition Slip³' given by user
- e) The user would take prior approval as per "Authorization Procedure" on the Requisition slip(s);

¹ Refer the section 'Formats' for Stock Control Register'

² Refer the section 'Formats' for Stock Return Slips'

³ Refer the section 'Formats' for Material Requisition Slip'

- f) The stock register would be updated after each transaction of receipts/ issues;

Fixed Assets Maintenance

Fixed Assets are one of the most significant items of any organization's being which normally forms more than 90% of the total of the assets side of its Balance Sheet. It is, therefore, pertinent for each organization to take good care of the fixed assets.

Organization would follow these guidelines for proper recording and maintenance of the assets:

Assets Register

- a) Organization would maintain fixed assets in the prescribed 'Fixed Assets Register'¹;
- b) Separate sheet would be used for each asset;
- c) Every asset/ sheet would be given a control/code number in following manner:

- : Name of the Donor/s & Project

(name of donor)

- Project No.
- Organisation Name
- Asset Name: Table
- Acc.: Accounts (Location of assets)
- 14-15: Financial Year of purchase
- 01: Control Number

The code of the asset would appear as: /DMKS/Table/FF/Acc./14-15/01

- d) A control sheet would be used for each group/ block of asset;
- e) Asset register would be updated for each purchase and sales/ disposal;
- f) In case of re-location of assets, a copy of corresponding fixed asset sheet of the assets would also move along to be incorporated in the recipients' Fixed Assets Register;

¹ Refer the section 'Fixed Assets Register'

Fixed Assets Control

- a) The user of the asset would use the assets as per the instruction manual/ training for use of the asset;
- b) The organization would ensure that Annual maintenance contract is given to competent party for the maintenance of the assets such as Computer, Fax Machines, Photocopier, UPS, invertors, generators etc.;
- c) Any warranty claim, in case of damage/ operational problem of the assets, the user would contact the vendor in time;

Physical verification of assets

- a) Physical verification of assets would be done at least once in two years;
- b) The organization would form a special team for physical verification of assets;
- c) The detail of verification of assets would be done in the format suggested in 'Physical Verification of Assets'¹;
- d) Any discrepancy in asset as compared to the asset register would be immediately reported to the Secretary along with a copy marked to National Committee;


Depreciation on assets

- a) Depreciation on assets would be provided on Straight Line Method (SLM) as per the rates prescribed under the Income Tax Act;
- b) The assets depreciated fully would be kept in the books with the value of Re. 1/-
- c) No depreciation would be charged on assets received as grant/ donation;

Sales/ disposal of assets

- a) Sales/ disposal of assets, if required, would be done as per the 'Authorization Procedure';
- b) Depreciation charged on the asset being sold/ disposed off would be adjusted before arriving at the figure of profit/ loss of on sale of such assets;
- c) Where the asset sold was originally purchased from FC funds, realization from the sales/disposal of assets would be treated as FC funds and reflected in the FC books of accounts;

¹ Refer the section 'Formats' for Physical Verification Sheet'


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Debtors/ creditors control

Organization following mercantile/ accrual basis of accounting are required to deal with these two aspects i.e. Debtors and creditors.

In general terms, debtors are those who owe money (against sales, advances, loans given etc.) to your organization and creditors are those to whom your organization owes money (against purchases, services, loans/ advances taken etc.).

The organizations need to have proper system to deal with them on a periodical basis.

Organization will follow these guidelines:

Debtors' realization

- a) The accountant will update his accounts on a regular basis (as suggested elsewhere) to be able to keep debtors' accounts ready for follow-up;
- b) As soon as the payment is due from a particular debtor, a reminder will be given through telephone or letter as the case may be;
- c) The information of reminder will also be given to the Secretary of the organization;
- d) In case of internal debtors, refer section 'Staff Advances/ Loans' for the guidelines for accounting and realizations;

Payments to creditors

Refer section 'Bank Payments' under the head Bank Transactions for the payment procedures to creditors

Revolving Fund (RF)

Revolving Fund means that the fund would change hands within the community on the basis of stipulated time frame. The very idea of this fund is to provide benefits to maximum possible people of a target community. In this process, the fund is given to a target community to distribute, manage, recover and redistribute the funds.

It is our responsibility to ensure that objective of having a RF is achieved at optimum level. We need to exercise control in the following defined manner:

Payments of RF

- a) Payment of RF would be made to beneficiaries or Village Committee on the basis of their request for the same in writing;
- b) Such requests would need to be approved by the Village Committee in their meeting with the proceeding duly recorded in the Village Committee Register;
- c) The Village Committee would need to ensure that the name of the proposed beneficiaries are duly recommended in the meeting and the same have been mentioned in the Register;
- d) Ensure that the RF is given to the Village Community by 'A/c Payee Cheque Only' wherever possible;
- e) Request for RF from Village Committee would be attached to the payment voucher

Program records for RF at various levels

Village Committee Level

- a) The Village Committee would maintain Meeting register reflecting its decision and request for RF from the organization;
- b) Minutes of Village Committee meetings for distribution of RF to beneficiaries from time to time;
- c) Minutes of Village Committee meetings for recovery of RF from beneficiaries and re-distribution to new beneficiaries;
- d) The Village Committee register would also reflect the cash and bank balances on the date of meeting

Organization Level

- a) Application forms from Village Communities along with a copy of the Village Committee Register for the purpose would be filed separately in a designated file. The applications would be filed in a chronological order;
- b) The Organization would put its comments on such applications during its meetings meant for decision on such requests;
- c) Copy of minutes of the Village Committee meetings on various occasions for distribution, recovery and re-distribution of RF;

Accounting records for RF at various levels

With Beneficiary/ Village Committee

- a) RF pass book;

At Village Committee Level

- a) Village Committee Register reflecting each and every transaction as and when distribution/ recovery takes place.
- b) The Register would clearly reflect name of the beneficiary mentioning the amount distributed to/ recovered from;

At Organization Level

- a) Copy of the Minutes of the Village Committee Meetings reflecting each transaction which has taken place;
- b) Based on that a cash book would be maintained for respective Village Committee;
- c) Beneficiary Ledger showing detail of loan distributed, recoveries made and interest earned thereon;
- d) A reconciliation of the RF with the RF pass book of the beneficiaries would be done once in every six months;

Program records

We as development organizations are working with the target communities in a very diverse area of operations. These endeavors require a lot of funds, which are generated through various sources such as Donations (both Indian and International), FC funds, Government grants, our own Income Generation Programs etc.

The funds so generated need to be accounted for in a manner so that our efforts at various levels are reflected in books of accounts as well. But our developmental work may not always be converted into bills/ supports/ vouchers etc.

It is, therefore, a necessity that our work is reflected in narrative terms as well at various levels. Unless the efforts are properly documented at all the levels, the same would remain un-noticed. Also the same are required to pass on the legacy to next generation to show the transition of the society from one phase to another and so on.

At Village level

Organization would ensure that each target village and the field worker are groomed in a manner to maintain at least these records:

By Village Committee

a) A Village Committee Register would be maintained giving these details:

- Date of meeting/ training/program
- Name of participants with their signatures/ thumb impressions
- Agenda of the meeting
- Summary of the proceedings of the day
- Final outcomes of the meeting
- Follow-up required by the Village Committee
- Follow up required by the Field Worker/ Organization
- Signatures of the Village Committee Governing Body members

Each meeting/ training/ program in the village would be recorded in the register mentioned above;

b) A Revolving Fund Register would be maintained to record these:

- Name of the beneficiary with father's/ husband's name
- Nature of loan
- Loan amount
- Tenure
- Installment


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- Rate of interest
- c) Each beneficiary would be given a RF passbook which would also reflect all the detail mentioned above;
- d) The Register and Passbook would be updated at the Village Committee meeting only with the proceedings duly recorded in the Community Register;
- e) A file for application forms for the request for RF loan(s);
- f) SHG Register with complete detail of members, their contribution, interest earned on them, loan distributed among members, recoveries etc;
- g) Copy of the Village Committee applications/requests to the Organization for community work;

By the village worker

- a) A Program cum Daily Activity Diary¹;
- b) Copy of the approved budget for his/ her target village/ community;
- c) Copy of program report(s) submitted to the organization;
- d) Copy of follow-up issues raised by the village communities;
- e) Copy of follow-up issues raised by the organization during monthly meeting or at the end of a program;
- f) Any other document/ information as and when required;

At organization level

- a) Application forms from Village Communities along with a copy of the Village Committee Register for the purpose would be filed separately in a designated file. The applications would be filed in a chronological order;
- b) The Organization would put its comments on such applications during its meetings meant for decision on such requests;
- c) Program reports submitted by the field staff or any other related person. The program reports would be filed in chronological order in the same sequence as reflected in the books of accounts;
- d) Monthly meeting register of the staff/ field workers giving these detail:
 - Date of meeting/ training/program
 - Name of participants with their signatures/ thumb impressions
 - Agenda of the meeting
 - Summary of the proceedings of the day

¹ Refer the section 'Formats' for Daily Activity/ Program Diary


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- Final outcomes of the meeting
 - Follow-up required by the Village Committee
 - Follow up required by the Field Worker
 - Follow up required by the Organization
 - Signatures of the Secretary/ Chief Functionary or any other members;
- e) Monthly calendar detailing activity of each staff with the budgeted amount;
- f) Copy of monthly program report sent to with program-wise planning for next month;

At Level

- a) Copy of Monthly Program report submitted by Partner Organization(s);
- b) Compilation of all the programs done by partner organizations;
- c) Circulation of the compiled report as and when required;


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Authorization Process

Field Level Transactions –

- a) The Program Co-ordinator is responsible to ensure that all the transactions are taken place as per the programmatic requirement.
- b) The Program Co-ordinator is the first authorization person of the transaction or any advance requisition for activity or workshop. A signature and stamp of PC is required on the bill/summary/requisition.
- c) The field staff or the vendors from field staff would present the authorised bills/advance requisition to the Accountant Assistant for the second check. The account assistant can return the bill in case proper supporting and evidence and/or the authorization of PC is not available.
- d) The Accountant Assistant would also ensure that the donor compliances is adhered. Organization voucher would be prepared by the A. Assistant for recording the transaction, sign on the voucher and further present to Chief functionary/Treasurer for final authorization of the payment.
- e) The authorized voucher/advance requisitions with supportings would be presented to the Chief Accountant for releasing the payment.
- f) The Chief Accountant would ensure legal and statutory compliances such as FCRA Act, Income Tax Act and other applicable compliances.

Office Related Expenses –

- a) The staff or the vendors would present the bills/advance requisition to the Accountant Assistant for the first check. The account assistant can return the bill in case proper supporting and evidence and/or if the authorization of PC is required.
- b) The Accountant Assistant would also ensure that the donor compliances is adhered. Organization voucher would be prepared by the A. Assistant for recording the transaction, sign on the voucher and further present to Chief functionary/Treasurer for final authorization of the payment.
- c) The authorized voucher/advance requisitions with supporting would be presented to the Chief Accountant for releasing the payment.
- d) The Chief Accountant would ensure legal and statutory compliances such as FCRA Act, Income Tax Act and other applicable compliances.


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