

FINANCE MANUAL

2012



RURAL EDUCATIONAL ACTIVITIES FOR DEVELOPMENT (READ)
*Ambapua Main Road, Bimanagar Square.
Berhampur -760010.
District : Ganjam. Odisha. India.*

ABOUT READ

Rural Educational Activities for Development (READ) is an organization that has been working since 1992, to bring about sustainable improvement in the quality of life of Dalit, Tribal, poor & marginalized rural communities in Odisha. Strengthening people organizations at various levels, capacitate them & facilitate to enjoy equal rights, opportunities through participatory process.

Vision: Peace, justice and equality are realized among Dalit, Tribals and marginalized communities, accessing transformational development.

Mission: Empowering ethnic groups in order to enjoy socio-political rights, economic self reliance and cultural independence through participatory development process. In order to achieve this mission the organization

- Initiates women network among Dalit, Tribal & other marginalized community at local, Block, District, State & National level to emphasis on their human and cultural dignity.
- Establishes strong alliances and working arrangements with other likeminded groups including other networks, government & non-government bodies.
- Facilitates for enabling institutional strengthening at various levels with long term development work and in capacity building for policy advocacy to those aspects where dalit & tribal community is affected.

Objectives

- Working toward economic sustainability; serve one and all. Build social equity and have a positive community impact; and sustain or improve environmental conditions.
- To sensitize & organize the disadvantaged community, make them aware of Govt. resources and privileges meant for them, empower them to raise their voice and facilitate the process the justice, rights and equity are ensured for all.
- To capacitate the community to fight against social injustice, exploitation, inequality and oppression any form and facilitate that their voices are heard and they become the part of socio-economically sound & just society.
- To take up relief & rehabilitation activities at the occurrence of natural and manmade calamities to express our sympathy & solidarity and reach out the victims.
- To encourage and promote building of community based village level institutions of the rural people to take up various awareness and developmental programmes. Empowering such Village groups and institutions taking greater responsibility of managing programmes

Section 1

Introduction.

Finance defined as “art & science of managing money”. Financial Management is the part of management considered in deciding the volume of funds required, obtaining the funds and using the funds efficiently to achieve the objectives. Financial management entails planning, organising, controlling and monitoring the financial resources of an organisation to achieve objectives.

Financial Management is the lifeblood of READ organisation. Everyone working in READ achieve the organisational objectives has playing an key role in ensuring effective and proper use of financial resources for well being of poor. The transparency and good practice in financial management helps organisation to make effective and efficient use of resources to achieve objectives and fulfil commitments to stakeholders and prepare themselves for long-term financial sustainability.

1.1 Purpose of the manual

Receiving funds and accounting for it is a key and critical function to be undertaken by any organization. The organization can have its own sources, its own corpus funds and receives funds from various sources earmarked for specified type of work such as welfare of the children, vocational training, relief & rehabilitation and construction. There are resources raised locally.

The accounting for money received and reflecting the same in the designated accounts is one element addressed by this manual. The resources received are expended for different purposes and the same needs to be verified for appropriateness and captured suitably after verification of the same having been duly authorized and budgeted for.

The purpose of this manual is to describe the systems for maintenance of accounts and the processes to be followed for different types of financial transactions that take place within the organization.

This manual is meant to be a guide to help organization set and maintain high standards of accountability. This will result in an enhancement of their credibility and allow the work to be more fruitful and effective.

1.2 Intended Users of the Manual

READ receives funding from various sources for implementation of the program at the Unit levels and the projects/Training centres are implemented through selected areas. In order to accurately record the funds received, post them into

the different account heads is one of the main tasks. The funds are allocated to different donor for carrying out works and we have to draw money under different heads according to an approved budget and account for the same. The accounting personnel at different levels of the organization and the accounting persons in the units are the main intended users.

The users are management personnel of the organization, the finance and accounting personnel within the organization and the external and internal auditors of the organization.

1.3 Document Explanatory map

This document has been developed to facilitate the READ to handle the finance and accounts function for the internal management and different programs being implemented by READ. The guidelines provided are generic and need to be appropriately used for specific projects.

1.4 OBJECTIVES

The objectives of this manual are:

- To serve as a guide for financial management
- To document the accounting and reporting system
- To readily assist the Finance Department with the financial Policies and procedures
- To help to Board to take financial decisions for smooth sail of READ projects

This manual is only meant to serve as a guideline and provide the purpose and principles but needs to be modified to suit the situation and the specific context.

1.5 SCOPE AND ORGANISATION

- This manual outlines the steps in the cycle from receipts of funds to utilizing them for the intended purpose and accounting for the same.
- It serves as a guideline for recording all financial transactions.
- It describes the process to be adopted for approvals and generating the basic accounting documents.
- The process of compilation of the different accounting statements
- The process required for budgeting and the heads under which budgets need to be prepared.

Section 2

Accounting Policies

2.1 Financial Policy

Introduction

- a.** Financial policy is a tool as well as a measure for the standards of accountability of READ.
- b..** Good financial policy enables the fulfilment of the vision of READ. The nobler the vision the higher the standards of accountability should be. Transparency and high standards of accountability can be infused in READ only if there is a sound financial policy.
- c.** The financial policy of READ is its guiding light and if it is to be implement and correctly translated into reality, proper systems and procedures have to be evolved and practised. This is the very core of a financial system.
- d.** READ should have a healthy economic policy and for that purpose there should exist a good set of financial policies.

Arising out of the policy that READ will follow a Mercantile System of Accounting

2.2 Areas Covered by the policy

A Professional set of financial policies must ensure the following:-

- a.** A creative, honest and sound management of resources entrusted to READ.
- b.** Optimum utilisation of the above resources for the objectives of READ.
- c.** Creative investments of the funds of READ.
- d.** High accountability standards.
- e.** A professional systems of reporting, monitoring and evaluation.

Training of Finance Staff

The finance staff should not only have education and experience but also be provided with refresher and orientation courses and workshops on a continuing basis since there is a need for constant training and continuing education in finances.

This measure will improve the quality of the accounting standards and therefore will promote better financial management in READ.

External Review

There should be an external expert familiar with the finances of READ who will review the finances and financial policies and systems of READ to see whether they are adequately adhered to. The expert should alert READ in regard to any lapses, delinquencies and deficiencies in standards and policies.

Procedures and Systems

Procedures and systems are like the nuts and bolts of machinery which ensure its smooth running. A good system will make sure there is a clear and automatic functioning of READ preventing domination or manipulation by any one person or group of persons for their own personal benefits.

The following are some of the common and generally accepted systems and procedures for READ :-

- a. Internal Control**
- b. Professional Accounting Systems**
- c. Reporting and Monitoring Systems**
- d. Handing Over System.**

Internal Controls

Internal controls are like checks and balances which help to keep the system in its place to avoid frauds and misappropriation or deviations from accepted policies and procedures. Periodic review of internal controls is required to maintain the vitality of the system

The following internal controls are recommended

A. Cash Transaction

i. Segregation of cash payments into petty cash and larger payments

Both for accounting and control purposes it is wise to segregate payments into petty cash payments and larger payments. In the imprest system there is an inbuilt limit but even otherwise it is advisable to fix limits for petty cash payments. READ has fixed a amount for **Rs. 50,000/-** (Rupees Fifty Thousand only)

While petty cash can be entrusted to one person, large payments should go through the Chief Executive Officer.

ii. Cheque payments versus cash payments

As far as possible make all payments for expenses will be made through cheque except for petty cash transactions. In any case it is advisable to make all payments exceeding **Rs. 5,000/-** by crossed 'A/c payee' cheque or demand draft.

iii. Physical verification of cash

Management should have an inbuilt system for higher authority to verify the Actual cash on hand with the balance shown in the book at least once in a month and also on surprise visits, but definitely at the end of the financial year.

iv. Cash Receipts.

The management should ensure that the cash received by the organisation is promptly deposited in the bank next day. It should be acknowledged through renumbered receipts which are properly recorded in the cash book.

B. Bank Transactions

- a. to have a few bank accounts as possible except where separate bank accounts are required by funding agencies or by law e.g. Foreign Contribution (Regulation) Act.
- b. There should be good system of preparation of Bank Reconciliation Statements and of monitoring the same (Refer Chapter 3.25)
- c. Issuing bearer cheques and post dated cheques should be avoided as far as possible.
- d. Cheques for payment should be issued only when there is an adequate balance in the account since dishonouring of a cheque will attract criminal liability.
- e. All cancelled cheques should be preserved for identification and control purposes.
- f. The cheque book should always be in the safe custody of a designated authority who is accountable.
- g. Cheques and drafts received by READ must be acknowledged through pre-numbered receipts which are promptly deposited and properly recorded and the various functions of receiving, processing and recording should be clearly segregated.

C. Fixed Asset and Inventory Control

While an inventory, (normally known as a Stock Register), records assets which are generally consumable or saleable, a Fixed Assets Register records more permanent assets which provide long term benefits to READ. Hence both are valuable since they represent a substantial portion of the net worth of READ. Both types of assets have therefore to be controlled and managed efficiently and also used effectively.

D. Investment Control

Other than fixed assets and stock, investments represent a substantial net worth of READ. These investments also often provide the income for meeting the operative and sometimes capital expenses of READ. Hence it is vital, and therefore investments must be managed and controlled efficiently and effectively.

E. Loans

It is a practice in READ to provide loans to staff. If no control is exercised or a policy framed, it will become a critical problem.

The following are some measures to exercise control on loans :-

- a. Frame a good policy for granting loans.
- b. Establish an effective procedure and a system for granting and recovering loans.
- c. Fix limits and do not exceed the same.
- d. Do not give a fresh loan until the earlier loan is cleared.
- e. Establish a practice of obtaining confirmation of outstanding balance at least at the end of each financial year.
- f. Write out a repayment and deduction schedule from the salary towards the principal and interest.
- g. Fix the rate of interest on loans.
- h. Loans and advances of Rs.20000.00 and more on the aggregate shall be paid on Ac payee cheque or draft only.

F. Level of Approval

The level of approval of READ mentioned below

Size of Amount	Approval Authority
Rs. 0- Rs. 10,000	Project Coordinator
Rs. 10001- Rs. 50,000	Head of the department / Program Manager
Rs. 50,001 – Rs, 1,00,000	Executive Director
More than Rs. 1,00,000	Board of Governance / Council

Section 3

Accounting and Record keeping

3.1 MAINTENANCE OF BOOKS OF ACCOUNTS

Introduction

Accounting is a basic management tool which is used properly will enable the Governing Body to determine the correct financial status of READ. Further it points out weaknesses and indicates areas on improvement. Books of accounts must be maintained on a daily basis, with the financial records.

3. 1.1 Types of Accounting:-

There are different types of accounting. Two important types are :-

- i. Cash system
- ii. Mercantile system

Cash System

In the Cash system of accounting, entries are made only when the cash is received or paid and no entry is made when the receipts or payment is due.

Mercantile System (System followed by READ)

Under the Mercantile System (Accrual System), an entry is recorded on the basis of the amounts having become due for payment or receipt, whether or not payment is made or amounts received.

3.1.2. Accounting for READ:-

Following books of accounts are generally accepted and found to be practical:-

- Petty Cash Book (or imprest)
- Main Cash Book with cash and bank columns (normally referred to as Double Column Cash Book)
- General Ledger (normally referred to as Ledger)
- Project/Unit Ledger
- Donor Ledger
- Journal Register (normally referred to as Journal)]

- Investment Register
- Fixed Assets Register
- Loans and Advance Registers
- Cheque Register
- FC Register
- Stationary Register
- Activity Register including Community Contribution
- Salary Register
- Income Tax Register
- Bill Register
- Minor Asset Register

READ shall maintain exclusively **three** different sets of Books of Accounts as follows:-

One set of Books of Accounts for Receipt and Utilisation of Foreign Contribution as required under the Foreign Contribution (Regulation) Act 1976.

Second set of Books of Accounts for local funds collected and spent by READ.

Third set of Books of Accounts for Government Grants collected and spent by READ. This set of books are to be kept for easy accounting, monitoring and reporting to Government time to time.

3.1.3. Steps for maintaining Cash Book

The following steps will have to be followed in maintaining a Cash Book-

1. The closing balances of cash on hand and cash at bank shall be brought forward from the last years balance sheet and shown as opening balances in the cash and bank columns of the cash book.
2. The debit side (left hand side) of the Cash Book is for recording receipts either in cash or in the form of cheques / drafts etc. Cash receipts should be recorded in the cash column of the receipt side and money received in the form of cheques / drafts should be recorded in the bank column.
3. The credit side (right hand side) of the Cash Book is for recording payments either in cash or in the form of cheques / draft. Cash payments should be recorded in the cash column on the basis of vouchers except for those made through petty cash.

4. The Cash Book should be written in the chronological order of payments and receipts should be recorded on their respective sides.
5. A narration (i.e. brief explanation) should be given below each transaction.
6. The Cash Book must be balance daily and the balance of cash on hand with the book balance must be tallied daily.
7. A Bank Reconciliation Statement must be prepared on monthly basis so as to reconcile the balances in various bank accounts as per the Cash Book and Bank Statement or pass Book.
8. The serial number of each voucher must be written in the column provided in the Cash Book and the vouchers be accompanied by supporting documents such as cash bills. Invoices should be filed independently in the order of occurrence.
9. When any transaction is written in the Cash Book, the head of account under which it falls should be written. In case any amount is paid as advance for which the particulars of expenses would be received later, then debit the concerned party's account and pass the necessary journal entries when the particulars are furnished.
10. Mention the General Ledger folio number i.e. the page number where the corresponding entry is made in the General Ledger, against each transaction.
11. Deposit and withdrawals of cash to/from the bank are written as adjustments within the Cash Book. These are known as "contra entries" and are denoted by 'C' in the Main Cash Book. Such postings are not carried to the General ledger. The double entry system is completed within the cash book itself.

3.2 Foreign Contribution

READ shall maintain the following Books of Accounts for Receipt and Utilization of Foreign contributions.

F.C. Cash Book (Bank Book)

Bank Book shall be maintained to record the following transactions:

- a) All the inward remittances of Foreign Contributions including Cheque/Drafts.

- b) All the disbursements to the unit/office
- c) To strike the closing balance in the bank day after day.

3.2.2 Imprest Petty Cash Book

It is used for recording recurring petty transactions and thereby lessens the burden of maintaining the Cash Book as well as posting to the General Ledger. Payments made from the Cash Book shall be acknowledged as receipts in the Petty Cash Book. The difference between the receipts and the total of expenses as shown in the Petty Cash Book reflects the petty cash on hand.

Maintaining Petty Cash under the Imprest System

Under the imprest system the Petty Cashier is fixed a certain limit for handling cash. The limit is fixed based on the estimated requirements for a week or fortnight. The Petty Cashier gets the amount reimbursed of the expenditure incurred from the Main Cashier when the cash balance becomes low e.g. The Petty Cash limit is Rs. 10,000/- . The Petty Cashier has incurred expenses of Rs.9,000/- under various heads of accounts. The balance cash with the Petty Cashier is Rs. 1,000/- The Petty Cashier will be reimbursed Rs. 9,000/- to ensure that the cash balance is Rs. 10,000/-

This Book shall be maintained to record the following transactions:

- a) All the petty cash payments which are below **Rs.1000/-**. Payments exceeding **Rs.1000/-** shall be made in exceptional situations.
- b) To record the recoupment of the imprest cash from the main Administration Account.

3.2.3 Fixed Deposit Cash Book

This book shall be maintained to record the following transactions

- a) All the transactions relating to the Fixed deposits, Investments, interest on Fixed Deposit, Dividend on Investments made out of Foreign Contribution.
- b) All the inward remittance in connection with the above mentioned transactions.
- c) All transaction relating to purchase and sale of units, bonds etc.
- d) All transaction related to short term, long term Fixed Deposit.

3.2.4 Imprest Account in Area Office

Funds shall be disbursed towards reimbursement of imprest to the Area offices only from interest earned from foreign contribution account and not from Indian funds. This is for accounting convenience and for proper legal compliance and to avoid mixing of FC and IC.

The Area Offices shall maintain proper account and send it to the head office when 60% of the imprest funds have been spent. Where it is suspected that there will be a postal delay speed post/courier facility may be used to expedite the despatch to the head office.

As soon as imprest account is received by the head office the Finance Manager should pass it on to the Executive Director on the same day of receipt. The head of finance should review the imprest account through a designated staff and have the approval of the Chief Executive Officer and send the demand draft request to the bank on the same day. From the date of receipt of the imprest account the demand draft should be sent not later than four working days to the Area Office either by speed post/courier or ordinary post depending on the condition of postal delay to that area.

The accountant of the imprest account should take into account the following points:

- Supporting documentation
- Booking the item of expenditure under the relevant heads of accounts
- Tallying the expenses with the tour schedule
- TA/DA as per service conditions
- Identification of unauthorised expenses
- In case of certain expenses like long distance calls, proper details - namely person called, purpose, number and time utilized, have to be verified and discrepancies have to be pointed out to the Head of Department.
- After all this verification the accountant should specifically recommend to the Head of the Department to make the payments.
- In case of problems or discrepancies in the imprest the designated accountant should point them out to the Head and follow them up till they are rectified.

- To ensure the follow up the accountant should maintain a register

3.3 General Ledger

This is a book of accounts in which transactions are posted from the Cash Book, Petty Cash Book and Journal Register under account headings according to the date of occurrence e.g. Salaries, Repairs & Maintenance; Travelling & Conveyance ; Rent ; Interest received ; Income from Craft Centre; Donations received.

3.4 Donor Ledger

This Ledger shall be maintained to reflect the status of funds Donor-wise.

This Ledger shall contain the following transactions:

- a) Amount received from the Donor
- b) Amount disbursed out of the Donor funds.
- c) Balance available or deficit in the Donor Account.

3.2.1 Administration Cash Book

This book shall be maintained to record the following transactions.

- a) All transactions relating to the Establishment, Administration, Travelling, General Charges and Loans and Advances.
- b) All the remittances made towards Grants for Units.
- c) All the inward remittances connected with the above mentioned transactions.
- d) All transactions relating to purchase and sale of movable and immovable assets.

3.5 Administration Ledger

This Ledger is maintained to record the following:

- a) Transactions relating to Establishment, Administration, Travelling, General Charges and Loans & Advances.
- b) Such other Transactions that are entered in the Administration Cash Book are recorded against the respective Expenses Account.
- c) Entries made through the Journal Book.

3.6 Fixed Deposit Ledger

This Ledger shall record entries relating to Fixed Deposits made out of Foreign Contribution with the date of deposits made, principal amount, interest received, period of deposit, maturity date are entered bank-wise.

3.7 Project/Units Ledger

Project/Units Ledger shall be maintained to record the following transactions.

- a) Project-wise receipts
- b) Project-wise allocations
- c) Project-wise disbursements
- d) Project-wise Adjustments as per the notes from the Chief Executive Officer.
- e) Balance yet to be disbursed to the Unit.

3.8. Block Grant Allocation Register

This register shall be maintained to record the following:

- a) Total Block Grant available
- b) Block Grant received
- c) Block Grant allocated to a particular project/Unit
- d) Block Grant yet to be allocated
- e) Block Grant disbursed
- f) Balance to be disbursed

3.9. Accounting for different projects:-

READ carries out various projects in collaboration with Government office and as well as with donor in abroad. Invariably the above office requires our organisations to maintain accounts separately for each project or programme funded. In all the above cases READ have to maintain a separate set of books for each of the funded projects.

Of course if there is any component of local funds used with foreign grants separate set of books will have to maintain. However for the purpose of reporting to the funding donor in abroad, transactions from both local funds and foreign funds have to be merged.

All the foreign contributions through received for different projects have to pass through the designated FCRA bank account.

Further the project/Unit control accounts must be online with the main computerised systems. The integrated accounts of the project must be validated once in every quarter. Reporting formats must be evolved to ensure proper monitoring of the project finances.

3.10 Journal Book

This is kept for passing adjustment entries, rectification entries, closing entries and for consolidation of two or more accounts.

a) Donor Journal

Entries made as per the notes received from the Chief Executive Officer pertaining to the Projects and donor.

b) Administration Journal

Entries relating to Administration such as the adjustment of Advances and recoveries of Loans made.

3.11 Asset Register

Asset Register shall be maintained to reflect all the movable and immovable assets owned by READ.

Asset Register shall reflect the following information:

- Date of purchase
- Invoice No. or Bill No.
- Name of the article
- Cash Book Folio and Ledger Folio
- Purchase amount
- Sale amount
- Depreciation rates
- Depreciation amount
- READ Code for future verification.
- Example of Asset Code : **READ/Place/Type of Asset/001**

3.12 Loans and Advances

a) Loans

An amount of Rs.30,000/- for education ,Rs.20,000/- for house repair, Rs.15,000/- for medical has been approved by the Executive Director/Chief Executive Officer as small loan payable to the staff. The Accounts Department shall ensure that the same is recovered monthly instalments at the maximum. Fresh loans shall be granted only after the settlement of the previous loan balance.

b) Advances

Advances that are made are classified as under:

- i)** Advances made towards the project/Unit.
- ii)** Advances made to the staff.

i) Advances made towards the projects

Project advances are generally made from donor General Fund to which the project is allocated.

Once such an advance is made to Units the Accounts Department shall keep a tracking of it and ensure that the same is regularized within the financial year. Such advances that cannot be regularized within the financial year should not be made. This has to be strictly adhering to.

ii) Advances made to the staff (Travel)

The Accounts Department shall ensure that the tour advances taken by the staff are settled within 7-15days days after the reporting on his of her return from the tour. No advance shall be made to any staff before the settlement of the previous account. The head of the department should follow the settlement of tour advance by the staff through a designated accountant who will keep a separate register of all the tour programmes

3.13 Advance made to the staff (other purposes)

- a.** For programme advance maximum amount of **Rs.20,000/-** is permissible under one single name, and if more that **Rs.20,000 /-** the amount may be taken under **two or three** different names (**only staff**)

3.13.1 Fund / Advance Requisition and Settlement procedure :

- Requisition for funds should be sent to the donor in time & budget along with programme plans should be submitted to the accounts dept. With due approval of the co-ordinator at least 2days before requirement of funds during the month.
- Total requisition should not exceed the total budget and that should not be approved in any case except some specific cases. Further, requisition for funds must clearly show the purposes and date of requirements.

- All advances/ transfer to project/ Programmes shall be transferred to the project accounts except central office level Procurement / expenditure for the concerned projects as per the direction of Executive Director of READ. No funds shall be transferred to the project unless project level accounts recording requisites is ready.
- Personal loans/ advances can be sanctioned by head office subject to availability of deposits of the person concerned as per the rules. Salary advances can't be given for more than one month at a single payment without repayment of salary advance to the office.
- While preparing the advance requisition the staff concerned should follow the approval budget and budgetary analysis as well as the accounting guidelines.
- Requisition should be placed as per the approved budget heads only where there are budget balances, if there is no budget head, no requisition should be submitted.
- In case of deviation in budget due approval must be taken from approving authorities subject to provisions under the project and such deviations must not exceed the total approved provisions of budget.
- Details of outstanding advance on programme heads should be submitted to accounts department at the time of settlement of advance to facilitate budgetary analysis and this is must.

3.13.2.Requisition of Settlement Procedures

- The Project staff shall prepare the statement of expenses and other details of the month in the prescribed format along with bills, vouchers and other details and submit the same to the accounts dept. By end of the month along with the requisition for the forthcoming month.
- The accounts department will verify and consolidate the expenditures/ accounts settled and the requisitions and place them for approval of expenses and advance requisitioned. For fuel bill settlement, project-in-Charge can settle the one month's outstanding at a single disbursement from the office.

3.13.3 Supporting of expenses

- While making any payment everybody should ensure the payment which they make that sufficient proof should be obtained to justify the expenses. Always printed bills/ receipts are preferable but in case of exigencies proper hand receipts should be prepared.

Besides all this one important aspect must be noted that where the expenses is Rs.5000/- or more rupee revenue stamp must be affixed by the receiver along with signature over the stamp. In exigencies fooding, auto rickshaw and fuel purchased loose at village level, bills certified by concerned personnel will also be taken into consideration for reimbursement.

- All expenses vouchers are required to be passed by the concerned passing officials along with authentication certificate and the passing official should also see where the purpose of expenses is clear or not and the person making the expenses has duly signed on that or not. In case, the expenditure is incurred beyond an amount of Rs.20,000/- then the same should be passed by two signatories justifying the expenses. The expenses incurred by the project Heads and the supporting staff in case "Statement, should be signed properly".The Executive Director/ Programme Managers/ Project Coordinator may spend as per the level of approval of amount.

3.14 Local Contribution

READ shall maintain the following Books of Accounts for the Receipt and Utilization of Local contributions.

3.15.1 Local Contribution Bank Book

This book shall be maintained to record the following:

- a) All the inward remittances or local contributions including cheques/drafts received towards visiting sponsor, special collections etc.
- b) All the disbursements made to the projects/Unit and towards charity grants.
- c) To strike the closing balances in the Bank day after day

3.15.2 Local Contribution Fixed Deposit Cash Book

This book shall be maintained to record the following transactions:-

- a) All the transaction relating to fixed deposit, Investments, Interest, Dividend on Fixed Deposits, Dividend on Investments made out of local contribution.
- b) All the Inward remittance in connection with the above mentioned transaction.

- c) All transaction relating to purchase and sale of units, bonds and Government Securities etc.
- d) All transaction related to short term, long term fixed deposit.

3.15.3 Local Contribution Ledger

This Ledger shall be maintained to reflect the status of local funds. This ledger shall contain the following transactions.

- a) Amount received towards visiting sponsor and special collections.
- b) Amount disbursed out of local funds.
- c) Balances available or deficit in the funds account.

3.16 Depreciation

Depreciation is a process which aims to distribute the cost or basic value of the fixed assets less salvage value if any, over the estimated useful life of the fixed assets in a systematic manner. The net result is that there is a fall in the value of an asset.

the factors that cause depreciation are :

- Wear and tear due to actual use
- Passage of time
- Fall in market value
- Accidents
- Obsolescence

Depreciation is provided in order to achieve the following objectives:

- To ascertain the true surplus
- To show the asset at its fair value.
- To present a fair and true picture of the financial status.
- To provide for replacement of the depreciation asset.

Depreciation is a non-cash expenditure of READ. It is a allowable expenditure under the Income Tax Act.

3.16.1 Methods of providing depreciation

the following are some of the methods of providing depreciation :

- Straight Line Method
- Written Down Value Method

READ is following “Written Down Value Method”

Straight Line Method

A suitable percentage of the original cost is written off the asset every year. e.g. if an asset cost Rs.1000.00 and the rate of depreciation is 20% then the depreciation will be as below :

Original cost	Depreciation	
1st year Rs.1000.00 at 20% = Rs.200.00 Rs.1000.00-	: the asset Value is 200.00=800.00	
2nd year-Rs.1000.00 at20%=Rs.200.00 Rs.800.00-	: the asset Value is 200.00=600.00	

3.17 Depreciation Fund

It is prudent for READ to create a depreciation fund and set apart the same for making specific investments. The depreciation fund set apart as above should be reflected in the liabilities side of the Balance sheet along with other Sources of funds.

3.17.1 Depreciation Fund Investments

The amount set apart towards a depreciation fund should be invested in accordance with the provisions of the Income Tax Act and the Company Act to be ploughed back for replacing the depreciated assets.

The depreciation fund investment should be reflected on the assets side of the Balance sheet as a separate item along with the other investments.

3.17.2 Depreciation Fund Cash Book

This Book is maintained to record the following:

- a) Amount of depreciation that is provided on the assets annually is credited in this book.
- b) Return on investments of these funds is also entered as an inward remittance.

3.18 Government Grant Cash Book

This book is maintained to record the following:-

- a) The amounts received from Central Government and State Government towards the projects approved.
- b) Return on Investment of these funds, inward remittance of above Grants

3.21 Local Contribution Journal Book

This book shall record the following:

- a) Entries relating to adjustment of advances as per the notes received from the Chief Executive officer.

3.22 Fixed Deposit Ledger

This Ledger shall record entries relating to Fixed Deposits made out of Local contribution with the date of deposit, principal amount, interest received, period of deposit and maturity date, bank-wise.

3.23 Maintenance of Bank Accounts

READ shall maintain exclusively a separate bank account for operating Foreign Contributions and separate bank account or accounts for operating local funds and also Government Grants,

3.23.1 Bank Account for Foreign Contributions.

This bank account is the account officially approved by the Foreign Contribution Regulation Act Division of the Ministry of Home Affairs, Government of India, while granting registration to the organization under FCRA. This account shall contain only the transactions relating to foreign contributions. All inward remittances of foreign contributions shall be deposited and encased through this bank account. No local funds shall be remitted into this account under any circumstances.

3.23.2 Receipt of Foreign Contribution

All the receipts of foreign contributions shall be credited into the Foreign Contribution Bank Account against which official receipts should be issued to the Donor. No other receipt shall be paid into this bank account under any circumstances.

3.23.3 Payment out of Foreign Contribution

Payment out of foreign contribution shall be made for the following purposes.

- a) Disbursements to project/Unit.
- b) Drawing for administrative expenses of READ.

3.24 Bank Account for Local Funds

READ may maintain as many bank accounts as it may be required for operating various local funds like Donor fund, special collections, Government Grants etc.

READ shall open or close such bank accounts from time to time with the proper resolution of the Governing Body.

3.25 Bank Reconciliation Statement

The Finance Department shall prepare a bank reconciliation statement every month which shall be certified by the Head of the Department and attached to the monthly management report described elsewhere.

The correction, rectification entries required shall be passed on or before the first week of next month.

The difference in the balance could be due to the following:-

- a) Bank charges debited by the bank are not immediately entered in the books of the Institution.
- b) When cheques are being deposited, READ will record it in its books immediately whereas the bank will enter it in the bank pass book or statement only on realisation of the cheques.
- c) When cheque is being issued the READ will record it as payment but until the party presents the cheque for payment the bank will not debit it.
- d) Errors may be committed in the books by the bank and or by READ.
- e) Standing instruction given to the bank to make payments or collect receipts are entered in the bank books but the entries in the books of the institution are passed only after received the bank advice.

3.26 Encashment of remittance from abroad.

READ generally receives its project funds in foreign currency instrument like US \$, Euro., F. Franc, etc.

3.26.1 It shall be the responsibility of the Accounts Department to ensure that best rate of exchange is obtained in encashing the above project funds. It may be required that the HOD of Accounts Department interacts with different banks to identify the highest rate prevailing in the market to negotiate with READ own bank for the best rate of exchange.

3.26.2 The Accounts Department shall maintain a register for documenting the best exchange rate negotiation. The Accounts Department shall also present a report of exchange along with the monthly management report.

3.26.3 The Accounts Department shall maintain an inward remittance register exclusively for foreign contributions encashed.

3.27 Cash Flow Projection

The Accounts Department should prepare a cash flow projection report at least every quarter to serve the following triple purposes:

- a) to make the best investment decisions for the funds of READ.
- b) to ensure that there is smooth flow of cash receipts and payments.
- c) to avoid any cash crunch/deficit situation.

In order to prepare a scientific cash flow projection report the Accounts Department may take the assistance of Area Office and Unit Office for Grant allocations and disbursements.

The pattern of disbursements of the previous months or the same period in the last year or past years may be considered.

The administrative expenses to be incurred shall also be taken into account.

3.28 Cash Flow Statement

This statement presents the flow of funds of the reporting period that has just expired. The purpose of this statement is to compare the actual transaction with the projection referred in the previous para and to make any such adjustments as may be required.

3.29 Maintenance of Financial Records and Documents.

Maintenance of proper financial records and documents on a daily basis is basic for a good accounting system. Any transaction must be supported by certain valid documents e.g. vouchers, receipts etc. These are known as supporting documents and they are an integral part of any accounting systems.

3.29.1 Vouchers

A voucher is the basic documents used to support the authenticity of a transaction entered in the books of accounts. All the details shown in the following format must be included and supporting evidence be **provided e.g. a cash / bank/journal voucher.**

Note: 1 Vouchers can be of different colours for bank and cash transactions which may be useful during a Reconciliation of Bank Statement.

2 Vouchers for expenses incurred from local contribution and foreign contribution must be filed separately.

3 Journal Vouchers can be used for adjustment entries like advance settlement, loan settlement , bank interests and bank charges.

3.29.2 Third party vouchers versus self vouchers

Third party vouchers are vouchers with supporting documents acknowledging the receipt of payment from the organization e.g. cash bill for medicine, petrol etc.

Self vouchers are vouchers with no supporting documents for which payment is attested by the person who has incurred the expenditure e.g. conveyance

Wherever it is not possible or practical to obtain third party vouchers, self vouchers may be used. In all other cases third party vouchers should be used.

Vouchers will have to be maintained separately for payments made out of the foreign contribution account and the local contribution account. The vouchers are classified as Petty Cash, Bank, and Journal. They should be independently filed in order of occurrence and duly numbered.

3.29.3 The following points are to be observed with regard to vouchers of all types:

- Any payment should be approved by a duly authorized person with suitable limits and under no circumstances should vouchers be authorized by the person preparing the voucher.

- In case where a cash bill or cash receipt is give, the same shall be attached to the voucher and there is then no need for the payee's signature or for a revenue stamp on the voucher.
- For payment above Rs.5000/- a revenue stamp of appropriate (at present Re.1/-) value must be affixed and the payee, or the person authorized by the payee, should sign and in the case of a third person, write his/her address.
- Where expenditure cannot be supported by external documentary evidence, a detailed statement of account for the expenditure incurred by the payee, duly signed by the payee, should be attached with the voucher or be written on it. This is to be signed after affixing a revenue stamp of appropriate value if the payment is above Rs.5000/-
- The head of account under which the transaction falls must be clearly written.
- Payment should not be released either in cash or by cheque unless the voucher supported with proper evidence, is produced and is complete in all aspects.

3.30. Receipts

A receipt is acknowledgement of money by an organization towards capital and income, (revenue), such as donation, advance recovered and loans received. Receipts can be classified into two types:

1. Capital receipts e.g. corpus donations, loans received, money from sale of fixed assets.
2. Revenue receipt e.g. voluntary contributions which are not corpus donations, revenue from a craft centre, bank interest etc.

3.30.1 The following points are to be observed with regard to issuing receipts.

- i. Receipts should be serially numbered.
- ii. A duplicate copy of the receipt should be retained on record.
- iii. The address of the donors should be mentioned in the receipt book.
- iv. Each receipt should be signed by a duly authorized person.
- v. If a donation received towards the corpus fund of the institution then a letter should be obtained from the donor and kept in a separate file for corpus donation. The letter should be voluntary and not in a standardized format.

- vi. Separate receipt books must be kept for foreign contributions and local contributions.

3.31 Maintenance of Files

A good filing system is an integral part of the accounting systems of an Organization.

3.31.1 Normally the following files should be maintained in a non-profit organization:

1. Voucher file for cash Book
2. Voucher file for Petty Cash Book
3. Voucher file for journal Register
4. A separate bank file for each bank account
5. Receipts file/book
6. Fixed asset file /register
7. Fixed deposit file
8. Management reports (monthly or quarterly)
9. Financial statements/audited accounts
10. Audited accounts
11. Budget file
12. Budget Actual Reports
12. Separate files for Telephone bills, electricity bill
13. Income tax file
14. Registrar of Society /Company Act file
15. Foreign Contribution file

READ maintains Books of Account mentioned below :

CASH BOOK : The objective of cash book is to keep a daily record of the transaction relating to receipts and payment of cash.

LEDGER BOOK : Ledger account is summary statement of all transactions relating to person, asset, experience and income which take place during a period of time and show their net effect. From the ledger account one can be easily able to know the head wise effect of different transaction.

SALARY REGISTER : Salary register is required to be maintained at each project level, according to the present salary structure worked out and circulated earlier.

ATTENDANCE REGISTER : Attendance register is must for coordination office staff Admm Staff) and in case of project start attendance register must be maintained at field level.

VEHICLE LOG BOOK : Vehicle log-Book should show clearly the purpose for which the vehicle is used, P.O.L. used including POL filling and consumption, dated details and cost of repairs, service and spare replaced must be maintained and at end of the month abstracts of P.O.L. issued with repair and maintenance cost to be abstracted and countersigned by appropriate authority.

LEAVE RECORD : Keeping of the staff leave record both project wise and centrally is must and the same information should be intimated by the programme officers to the accounts department every month or at the time of settlement of advances etc.

STOCK/ASSET REGISTER : Accounts Dept. Is keeping assets registers (both consumable and fixed) separately of the organisation as a whole.

MEMBERSHIP REGISTER : Membership register is a must for recording the members' contribution.

STAFF ADVANCE REGISTER : Staff advance register is maintained at head office only, because as per or policy no advance can be given unless it is approved by the appropriate authority of the organization. The detail of the advances will be regularly intimated to the persons concerned.

TELEPHONE LOG BOOK: Telephone log-book is to be maintained at office level, where telephone has been provided. Format of telephone log-Book is enclosed with this guideline and no format can be made for personal calls/non-officials calls and every month before the payment is made that must be analyse by the project coordinator and the bills be charged accordingly.

PRODUCTION REGISTER : Production register maintenance is compulsory at the production unit as per the prescribed performed of register enclosed along with this guideline.

SALE REGISTER : Like production register sales register are to be maintained at the sales unit positively as per the prescribed format enclosed along with this guideline.

TRAINING/ WORKSHOP REGISTER : Training/Workshop record is to be maintained at each project level in the prescribed format showing the

programme title, dates and place of training/ Workshop. Copy of training/Workshop record for each programme must be enclosed along with the bills for the concerned programme.

PEOPLE'S CONTRIBUTION REGISTER : Since, People's contribution as well as beneficiaries contribution is one of the integral parts of all the programmes, it is essential to maintain a public contribution register at each project level in the prescribed format and for each type of contribution separate folios are to be maintained and abstract of the same must be submitted to the accounts department in the prescribed format.

Separate files must be maintained separately for local contribution and foreign contribution .Some of the above files are permanent documents and certain others are non-permanent records.

3.32 Documentation of Fixed Assets:

Fixed Asset can be classified into two types:

1. Immovable e.g. Land, Buildings
2. Movables e.g. Vehicles, Furniture, Equipment

The following documents relating to Fixed Assets have to be properly preserved:

Immovable Assets:

a. Land (freehold)

- i. Original sale deeds
- ii. Parent documents
- iii. Sketch of the property
- iv. Encumbrance certificates
- v. Legal opinion as to the title of the property
- vi. Land tax receipts, if any
- vii. Patta/katha

In the case of leasehold land the lease agreement document should be preserved.

b. Building

Purchase of Building:

- i. Original sale deed
- ii. Parent documents
- iii. Sketch of the land and building
- iv. Encumbrance certificate
- v. Legal opinion
- vi. Patta/katha
- vii. Property tax and land tax receipts

3.32.1 Constructed building:

- i. Building plan approved by the Government
- ii. Valuation report from an approved valuer as to the value of the building

3.32.2 Movable Assets:

a. Vehicles

- i. Invoice
- ii. Registration document of the vehicles
- iii Road tax
- iv. Insurance

b. Other Assets

- i. Cash bills
- ii. Invoice
- iii. Cash receipts

3.33 Preservation of Financial Records

The financial records must be preserved and made available for verification by the Governing Body, members of the organization, the donors, the auditors and Government authorities.

Section 4

Reporting and Monitoring

4.1 Reporting

Reporting is a process through which READ presents a reflection of its current status, especially the financial situation. Reporting is important because it enable not only those in authority but also the public at large to know whether or not activities which had been planned have been carried out, whether there have been any deviations and whether there are high standards of efficiency and accountability or not.

There are several ways of reporting depending on the different types of organisation and the sort of information they need. The following are some of the ways of reporting by READ:-

1. Reporting of the council/Board of Governance.
2. Reporting to the Chief Executive Officer
3. Reporting to the Government
4. Reporting to the donor.
5. Reporting to the public at large e.g. by publishing an Annual report.

4.2 Monitoring

Monitoring is a process by which people who are connected in various capacities to READ ensure that the Unit or activity is carried out in accordance with the planned objectives.

Planning and control are two sides of the same coin. Monitoring ensures that one side of the coin, namely control is adequately exercised.

There are various levels of monitoring depending on the relationship of the people connected to READ e.g. The Council is the first level of monitoring authority being the legal body which is accountable and fully responsible for all the good deeds and misdeeds of READ.

Similarly the Government, both at the State and Central levels, monitors the activities of READ through various laws which cover READ e.g. FCRA, taxation etc.

4.3 Reporting to the Council.

The following are the common reports submitted to the Council:-

- o Quarterly Financial Report.

1. Annual Financial Report
2. Legal Compliance Status Report
3. Unit Status Report.
4. Budget Comparison Report
5. Investment Status Report
6. Donor Status Report.
7. Management letter from statutory auditors.

a. Quarterly Financial Report

Boards of READ meet at least every quarterly during the fiscal year. This is a healthy practice.

In such quarterly yearly meeting the following reports should be presented for the review of the council:-

- i. Receipts & Payments Account
- ii. Income & Expenditure Account
- iii. Balance Sheet
- iv. Legal Compliance Status Report
- v. Project/Unit Status Report
- vi. Budget Comparison Report
- vii. Investment Status Report

b. Annual Financial Report

Normally it is a legal requirement that READ should present its audited financial statement in the council meeting after the end on the fiscal year and adopt the same before filing it with the appropriate Government Authorities

The Council may then like to review the following reports:-

- i. Audited Financial Statement including:-
 - a. Receipts & Payments Account
 - b. Income & Expenditure Account
 - c. Balance Sheet.
- ii. A report of the key financial ratios
- iii. Legal Compliance Status Report
- iv. Annual Budget Comparison Report
- v. Project Status Report
- vi. Investment Status Report

c. Legal Compliance Status Report

This is a report that informs the Council whether READ has complied with the necessary laws e.g. filing the Income Tax Returns, reporting to the Ministry of Home Affairs under FCRA etc.

If there is any action against READ by the Government it should be reported to the Council. Information should not be purposely concealed from them. If there is any violation of the law then it will have serious implications and will cause immense damage to READ.

d. Project Status Report

READ often implements many projects simultaneously. Therefore it is important for the Chief Functionary as well as Council to understand the status of the stage of completion of each project. This report therefore gives clear details about each project at any particular point of time.

Tracking between donor balance must be carried out through a proper system. Further a report on administrative expenditure in each project or programme shall be submitted.

e. Budget Comparison Report

Unless a plan is reviewed regularly any deviation from it cannot be rectified in a timely manner. A budget is a financial plan and hence it needs to be compared with the actual financial statement periodically (monthly, quarterly, half yearly or annually) when any deviation should be identified. After analysis the deviation, corrective measures must be taken immediately, A Budget Comparison Report is a tool to assist in the above process.

f. Investment Status Report

READ may be making different types of investments. Funds must be invested in a creative manner and then be measured in terms of capital appreciation, safety, liquidity and rate of return thereby improving the resources of READ effectively and efficiently.

g. Donor Status Report

Various donors prescribe different types of reports. It is for the Council to ensure that the reports prescribed by the donors are complied with.

It is advisable to develop a calendar for reporting to donors and incorporate the same with the financial calendar in practice.

Quarterly monitoring is advisable in order to ensure a regular review of the activities of READ. It enables READ to take the necessary corrective

activity for any deviation from the actual plan before it is too late. It will be too late to take any corrective activity for any deviations from the actual plan before it is too late. It will be too late to take any corrective action at the end of the fiscal year but a review after the end of the fiscal year serves no purpose at all.

h. Management letter from statutory Auditors.

The statutory auditors shall provide a management letter with advice and recommendation for improving the financial practices of the organisation. The Council of READ shall ensure that the recommendations are discussed and a specific time plan be drawn for implementation.

A recommendation closure document shall also be prepared as to number of recommendations implemented which is also intimated to the statutory auditors and external expert.

4.4. Reporting to the Chief Executive Officer

While it is the Council which frames council policies , it is the Chief Executive Officer which implements such policies and takes care of the day to day affairs of READ. Therefore the following reports will be required for the Chief Executive Officer more frequently than they are required by the Council :-

- i. Monthly Financial Report
 - a. Receipt & Payment Account
 - b. Income & Expenditure Account
 - c. Balance Sheet.
- ii. Budget Comparison Report
- iii. Investment Status Report
- iv. Donors Status Report
- v. Bank Reconciliation Statement
- vi. Legal Compliance Report
- vii. Monthly Salary Report
- viii. Monthly Cash Request
- ix. Bank Statement
- x. Advance / Loan Status Report
- xi. Stock (Inventory) Status Report
- xii. Procurement Status Report

A good reporting and monitoring system ensures transparency in the accounting of READ.

Reporting and monitoring are two important functions which are complementary to each other for the effective functioning of the Accounts Department.

Reporting function enables the management to obtain certain key information required to ensure that the financial system is working smoothly and is intact.

Monitoring function facilitates taking note of any deviation from what has been planned or budgeted and enables corrective action before it is too late.

4.5 Monthly Management Reports Separately for FC and IC Funds

The following reports shall be submitted to the management to ensure reporting and monitoring function effective.

It is the responsibility of the HOD of Account Department to prepare, certify and present the report. The above reports shall be submitted on or before the 7th day of the following month.

4.5.1 Receipt and Payment Account

The Receipts and Payments Account reflects the movement of funds. It is nothing but a summary of cash transactions under various broad heads which helps to know how the funds are utilised. In a Receipts and Payments Account both capital and revenue items have to be considered. It is almost a reproduction of the Cash Book, but instead of recording the transactions according to date, the transactions pertaining to the period are regrouped under major heads of accounts. The receipts are recorded on the debit side while payments are recorded on the credit side. A Receipt and Payment Account would only show the actual inflow and outflow of funds and not entries passed for provisions such as outstanding expenses, depreciation etc.

4.5.2 Income & Expenditure Account

The income and Expenditure Account is a summary of the income and expenditure of the relevant period including provisions such as depreciation. It considers only revenue items and no capital transactions should be included. The expenditure is recorded on the debit side and income is recorded on the credit side. The difference represents the excess of income over expenditure or vice versa.

4.5.3 Points of Difference between a Receipt and Payments Account and an Income and Expenditure Account

These are given below :-

Sl. No.	Points of Difference	Receipts & Payments A/c	Income and Expenditure A/c
1.	Opening Balance	Opening Cash & bank balance	No opening Balance
2.	Capital receipts &	Included	not included
		payments	
3.	Outstanding Expenses	Not included	included
4.	Accrued Income	Not included	included
5.	Prepaid Expenses	Included	Not included
6.	Income received in advance included		Included Not
7.	Depreciation, provision etc. included		Not included
8.	Credit purchase & sales	Not included	included
9.	Closing Balance	Closing cash banksurplus or deficit balance	

4.6 Trial Balance

The list of debit and credit balances prepared at any specified time from the Main Cash Book and General Ledger is called a Trial Balance. Under the double entry system, since every debit has corresponding credit, the total of the debits in the Trial Balance will have to equal the total of the credits. If the totals are the same, it proves that the books are arithmetically correct. A tallied Trial Balance need not be conclusive proof of accuracy, but sufficient proof is accuracy. If the trial balance does not tally then one has to locate the error committed and then make the necessary corrections or pass the necessary journal entries.

Executive Officer Finance shall certify the same and present it along with the monthly management report.

4.7 BALANCE SHEET

This is a document which reflects the financial status of the organisation in terms of assets, liabilities and its net worth.

This document is prepared based on the Receipts and Payments Account and the Income and Expenditure Account.

All assets are represented in the Trial balance as debit balance and all liabilities are represented as credit balances. The right hand side of the balance sheet gives an idea as to what is owned by READ. Depreciation is provided for the fixed assets and is charged to the Income and Expenditure Account.

4.8 Unit fund Balance

This report is meant to reflect the balance of funds in each project account along with the current receipts from the donors/mission office and the disbursements out of all the project funds.

Any negative balance in the agency account shall be treated immediately to avoid violation of Foreign Contribution Regulation Act by recouping the funds from the agency concerned.

4.9 Block Grant Status Report

This report is meant to reflect the status of balance in the Block Grant and will serve the purpose of taking appropriate decisions. This shall be part of the monthly Finance Report.

4.10 Budget Comparison Statement

This statement shall reflect the budgeted income and expenditure as against the actual for the month and the deviation if any. It is an important tool for the management to ensure that the income and expenditure are adhered to the budget planned and approved.

4.11 Expenses Tracking Report for Income Tax Purposes

Often organization violates the Tax Laws by not spending the required amount of income of a fiscal year under the present Income Tax Act. READ has to spend most of its income during the year towards its various objectives. READ can take recourse to other possibilities of obtaining exemptions by accumulating the income to be spent in the next or in the succeeding years. However, it is to track the above information on a monthly basis so that towards the end of this year READ does not face a situation of non-compliance of the Tax Laws.

4.12 Annual Financial Statements Separately for FC and IC and Consolidated

READ has to prepare a separate set of financial statements for the submission to FCRA Departments of the Ministry of Home Affairs as follows:

1. **Receipts and Payments Account**
2. **Income and Expenditure Account**
3. **Balance Sheet**
4. **Form FC6 as per FCRA 2010**

READ shall also prepare another set of financial statements including the foreign contributions and local contributions as follows

- a) Receipts and Payments Account
- b) Income and Expenditure Account
- c) Balance Sheet

The consolidated financial statements shall be used for the following purposes:

- 1) Submission to the Income Tax Department
- 2) For filing returns to the Registrar of the Company

4.13 Reports dead lines

Type of Report	Deadlines
31 st December	Annual FC returns
31 st July	Annual Income Tax Returns

Section 5

Planning and Budgeting

5.1 Need for Planning

READ has a vision which must be translated into reality. READ is based on certain values of service to humanity and it should be a regular practice for then to go through a process of vision building and making a mission statement. It is wise for READ to plan for the future with wisdom and foresight, so that the mission can be fulfilled in the most economical way, within the least time limit, with professionalism and quality and in accordance with the highest standards.

5.2 Significance of Planning

One ounce of planning is like a pound of doing is an old maxim. The Finance of READ can be healthy only if the same is used for the planned activities of READ to achieve the objectives and finally to serve the vision.

5.3 Annual Budgeting

Budgeting is an important tool for planning the finance of READ. Budgeting has to be a corporate approach in READ since there are many various office project/Units which make the expenses. Therefore, the accounts department should propose the budget estimates on or before 31st January for the succeeding financial year.

The Accounts department should consolidate all the estimates of various Area offices and departments concerning replacements and new equipment for the coming year to the Chief Executive Officer on or before 31st January.

The Chief Executive Officer may make such comments having regard to the broad objectives and the needs of READ and present the final version to the Council on or before 20th February of the Calendar year.

The council shall study the budget estimate and make such comments as they consider necessary and forward the same to implementations.

5.5 Budget Monitoring

All budgets, however provisionally prepared, will be a futile exercise if the same is not monitored periodically. It is therefore recommended that

finance department shall monitor budget on a monthly basis as per the format and the procedure recommended earlier.

5.6 Capital and Revenue Budget

While budgeting the following aspects should be considered:-

i. Self Reliance

It is healthier to run READ in a self reliant manner rather than to be dependent. High dependency will affect the stability of READ and result in dislocation of its activities. All efforts should be made to make READ self - sufficient through sensible budgeting processes.

ii. Capital Assets

Capital expenses (non - recurring expenses), are the acquisition of new assets, vehicles, land and building and / or additions to building. These assets require substantially large resources.

Resources should be invested in capital assets only if they are required for the objects of READ. Capital assets will otherwise turn out to be liabilities for READ e.g. maintenance charges for rundown or idle building and equipment, cost of litigation arising out of encroachment of land etc.

iii. Operating Expenses (revenue or recurring expenses) Operating expenses represent the operative expenses of READ such as Establishments, Administration, Travel, General Charges, etc.

iv .Cash Budget

Cash budget represents the estimated cash and bank receipts and cash bank disbursement and the resultant balance at the end of the month or year as the case may be. This budget enables an organisation to plan its cash flow.

Difference between Capital and Operating Expenses

While operating expenses are recurring in nature, capital expenses are non - recurring. If READ does not have sufficient resources to match its operating expense it is financial health is questionable. Good financial procedure requires READ not only to raise the resources needed for its operative expenses but also to plan and accumulate the necessary resources for its capital expenses.

For constructing any of the above budgets the following steps have to be kept in mind:

- . Estimate the income/receipts.

- . Estimate the expenditure/payments
- . Review the previous two to three years Income and expenditure for the pattern
- . Arrive at the surplus/deficit in either case, plan how to use the surplus or manage the deficit.

5.7 Linkage between Activity plan and Financial plan.

READ in order to attain its goals and objectives will undertake activities for implementation of the project. Each of this activity plan is linked to the financial plan through budget code and budget head of account. This linkage facilitates to prepare a clear budget.

5.8 Chart of Accounts.

Chart of Accounts is list of accounts agreed in an organization.

Chart of Account is a list of accounts agreed in an organisation based on the Vision, Mission, Goals and Objectives. The accounts are prepared based on the programmes run which falls within the vision of the organisation. Any expenditure has to be classified to the agreed head of account and not to any other head of account. Both the heads of account and the description of the nature of expenditure under each head have to be agreed and not to be charged without proper authorisation. In short the budget heads shall be integrated with chart of Accounts.

5.9 Description of Important Expenses

In case of READ NGO Accounts there are some specific programme expenses for which the officials concerned must provide due care.

Such as –

- Workshop/ seminar/ convention/ team expenses.
 - Travel expenses
 - Consultancy
 - Resource person fees
 - Printing / Publication
 - Overhead or direct expenses
 - Non – recurring expenses
- In case of workshop/ Seminar/ Convention/ team expenses, the participant list with signature of participant is required and all expenses for the particular programme such as, loading, fooding, travelling etc. Should be calculated and all the bills/ vouchers must show the number

- of participants while raised. The total expenses also should be within the budgetary provisions and the participant list, photographs reports etc, must be enclosed along with the bills/ vouchers placed for settlement approval.
- In case of travel expenses the TA Bill format must be used (regular touring persons must submit TA bill of the whole month in one format and occasional touring persons in single TA bill format) All expenses relating to travel such as DA Lodging, ticket, Fuel, Hiring etc. Should come under that and expect DA other expenses should have printed and authenticated supporting. Travel Allowance more than Rs.2000.00 needs prior approval from concerned project heads and less than that Organisation's debit voucher signature is sufficient.
 - Printing and publications are being taken up by the Administrative/ accounts department at head office on submission of materials and requisition for the same with details of size and number etc. However, in case of printing and publication before placing any order there quotations are must from three parties where the cost of order is Rs.5000.00 or above. in such cases order should be placed to the party whose quotation is lowest and agreement should be executed with the party should ensure, conditions like what should be the mode of payment, delivery duration, quality quantities etc. While making advance payments to any party printed advance receipt must be obtained in that respect. At the time of final payment the party is required to give final bill with final money receipt, which are quite essential for accounts.
 - In case of consultancy and any type of assignment job such editing, report, writing, translation, evaluation, training etc. No payment can be made unless agreement is executed with the party by the coordinator Details of expenses incurred by the consultant is required only proper receipts against the payment made to consultant is required if the consultant has his own official receipt and pad he can receive on that otherwise Organisation's debit voucher must be signed with revenue stamps and seal (if possible).

5.10. Procurement Policy

In READ organisation, Procurement Committee consists of 3 staff members (Program Manager, Project Coordinator and Field staff). Procurement committee collects 3 Nos Quotations, prepare comparative statement, pass a resolution send to Executive Director with recommendation for approval. After approval from Director, the accounts department will issued purchase order to vendor for procurement of materials as per the annual procurement plan and policy.

Otherwise a separate procurement policy to be designed for betterment of the organisation.

5.10.1 Bill and Receipt means

5.10.2

Always payments are made on bills. Bills shows data, details of work assignment to the party, rate and amount. Bill amount may not be equal with receipt amount. Bills are always subject to change. But receipt cannot be changed. After making the payment to the party, the payee gives the money receipt duly signed. But in some cases it is found that bill and money memo is accepted. Bill shows details of expenses where as money receipt only shows the amount received by the party.

In case of overhead or direct expenses payments are made directly on receiving the proper receipts such as salary, house rent, electricity, telephone, etc. But one important aspect before making the payment is, he/ she should sign on that as part of the requirement.

In case of non-recurring expenditure these expenditures do not come regularly. Normally fixed assets are placed in this category. Direct expenses or direct purchase is not permissible. For this purpose minimum 3 quotations are necessary before placing the order for purchase of such and the final trading is approved on the basis of lowest quotation received after preparation of comparative statement of the same for the purpose. In case of fixed assets, payment amounts to Rs.5000.00 or more should not be paid in cash, it should be either by cheque or Demand Draft (DD). Here in this case quotations challenge bills and money receipts are must for accounting and auditing purpose.

Section 6

TRAVEL RULES

To be followed as per provision laid down in the staff policy of READ

6.1. Rate of Reimbursement

The monthly rate of TA/DA reimbursement shall be within the limits prescribed from time to time. All local staff travelling (outside the field operation) on READ's business out of their normal duty will receive a daily per diem of Rs.250/- (*Rs. 50 for breakfast + Rs. 100 for Lunch + Rs. 100 for dinner*) or as actual on presentation of bill. The accommodation expenses will be reimbursed on presentation of the receipts. If the staff spends more than 12 hours continuously in the field, he/she eligible to receive daily field allowance Rs. 50.00 per day. These expenses will be monthly reimbursed to the employees by presenting the expenses report.

6.2. Mode of travel

In normal Practice, all the tours to places with public transport facilities shall be covered only by public transports and TA will be claimed as actual. Where public transport is not available, office motorcycles may be used subject to a maximum distance coverage of 80 kms including to & fro. Journey. All travels must be entered in the log book and photocopy of log book must be enclosed with TA bills for reimbursement of P.O.L (petrol, oil, lubricants). Project heads, EC members on duty can use cars, 2nd AC etc.

6.3. Vehicle rules :

In case of use of office vehicles (LMV) and contract carriages (taxi), such travels shall usually not be allowed except prior approval of project head, Secretary/ Director. No. Office vehicle as a matter of practice shall be used for personal purpose. However in cases of emergencies or bare necessities office vehicles may be used with prior permission of immediate authority. Such travels shall be entered to log book showing personal in purpose of use column and the P.O.L. expenses shall be recovered for the user. During Personal tour programme all office vehicles must be kept at the office premises only.

Section 7

ASSET MANAGEMENT

- Normally assets procurement and management is taken up by the Administration/ Accounts departments at head office level. However, in case of special requirements with due approval of the head office assets may be procured at field level. At procurement the same must be intimated with all details for inclusion in the central asset stock book.
- The assets placed at local offices shall be maintained by the local office. In case of vehicles, prior approval for major repairs is required by the administration/ accounts department.
- Insurance of vehicles, Annual Maintenance Contract (AMC) etc. is usually being done by the Administration unit centrally.
- Office vehicles allotted to the personnel are subject to submission of undertaking in prescribed format and copy of valid licenses. Maintenance of logbook is compulsory and in no case deviation should be allowed. Further all the expenses incurred for servicing and maintenance must be entered to the log book.

7.1 Income Generation from Sales, etc.

- In case of income Generation Programmes the income created out of the business is kept separately and spent for that along with other developmental activities of the organization. The in-charge of the IGP unit is required to submit their monthly income expenditure accounts to the accounts department as per settlement procedure Sources of income include.
- Sale publications, reports press clipping etc.
- Sale of cards, show tickets and other items not specified above.
- Disposal of old assets, papers, land or any other
- Income from Xerox, DTP, Vehicle, telephone and other rent/ recurring if any.
- Income from food processing / bakery/ handicrafts/ soft-toys/ incense stick/ tailoring and nursery unit

Section 8

SYSTEM OF ACCOUNTS

The organization follows the Double Entry System of accounting through computerized system of Accounting (Tally ERP-9.1) and the following books of A/cs will be maintained.

- Books of A/Cs (subsidiary)
- Journal – Book of Original entry
- Cash book – To record cash receipt & Payments
- Purchase Book or Invoice book – To record all credit Purchase
- Sales Book – for recording all goods sold on credit
- Bills receivable Book – To Keep a record of bills receive from customer
- Bills payable book – To keep a record of bill payable to creditor
- All transactions in subsidiary nature are first entered in the journal in the order in which they occur and from the journal they are posted to the respective accounts in the ledger at any convenient time. Besides the above subsidiary records other relevant records as mentioned in General Account Guideline has to be maintained by the unit for smooth and effective functioning of the unit.

Section 9

APPOINTMENT OF AUDITOR

The Accountants of the organization is audited annually by a qualified auditor as the statutory auditor and the internal audit is done by and internal auditor. A copy of the annual audit report is submitted to the all the funding agencies. The external auditor appointed by Board of Governance in annual general body meeting of READ

*****END*****