

# FINANCE MANUAL

(Policy and Procedures for Fund Management and Accounting)



## PRERAK

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## ABOUT PRERAK

PRERAK was started in 1988 for promoting the social, economical, political, educational and cultural life of the under privileged and marginalized sections of the society. It was founded by a few intellectual and experienced community volunteers to empower these communities and provide them with the required skills and capacity to fight against any social injustice. At PRERAK, we focus on preparing innovative strategies to create awareness in communities about their fundamental rights and duties and help them utilize their rights to live with dignity.

PRERAK, the social development organization was registered under Madhya Pradesh Society Registration Act 1973 with **Registration No. 22239 dated 28.06.1989**, Foreign Contribution Regulatory Act under the ministry of Home Affairs, Government of India, PWD act under the Department of Panchayat and Social Welfare and also 12A Income Tax Act under Government of India, Ministry of Finance.

  
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## INTRODUCTION

### FORMAT OF THE MANUAL:

This manual has been primarily designed for the PRERAK organization. This financial manual has been prepared for the financial management of the organization, financial and non-financial workers and officers or office bearers responsible for the financial management of the organization, so that with the help of this manual accountability, transparency, has been maintained in the financial management of the organization and this manual can also act as a pathway to the accountable person so that they can perform their duties properly. All the people within the organization who prepares project proposal, grant proposals, person engaged in documentation of grant proposal and progress report preparation of the organization should review this manual. This manual is only for providing the practical knowledge expected from an organization with respect to the accountability in the financial management.

### ACCEPTANCE OF THE MANUAL:

Before using this manual, it will be necessary to get acceptance and adaptation of this manual by the steering committee and core team of the PRERAK organization.

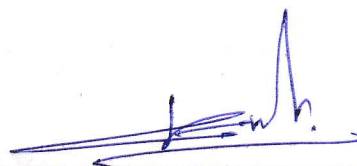
### USER OF THIS MANUAL:

This manual can be used by the peoples related to the program (planning) and finance section of the PRERAK organization. The concerned officers will be as follows:

- Field worker
- Regional Coordinator
- Project Coordinator
- Accountant
- Secretary / President, Chief Executive Officer of the organization
- Internal assessment (for guidance on financial process and policies)

### CHANGE / AMENDMENT IN THE MANUAL:

- If amendment / development is required in the financial structure of the institution, then the provision of this manual are subject to change by the management and general body of the organization.




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### SUBJECT

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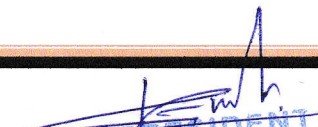
PRERAK is a non-profit, non-political, non-religious, non-caste, gender neutral volunteer organization which is trying to participate in the development of backward, neglected classes, disabled people, primitive tribes especially women in the society, so that they can become self-sufficient in terms of education, health and livelihood resources and be able to join the mainstream section of the society.

1. Name of the organization - PRERAK
2. Date of establishment and Registration No. - 28 June 1989,  
Registration No. -22239
3. Registered Office Address - PRERAK, Rawanbhata, Gariaband,  
District – Gariaband, (C.G.)  
Administrative Office - Saksham Rehabilitation and  
Vocational Training Centre,  
Gariaband Road, Chaubey Bandha,  
Rajim, District- Gariaband, (C.G.)

4. Whether the organization is registered or not, if yes then the rules for registration:

- Registration of the organization
- The organization is registered under **M.P. Society Registration Act 1973** (Year 1973, S.No. 44) whose **Registration No. is 22239, Dated 28.06.1989.**
- The organization is also recognized by the Directorate, Panchayat and Social Welfare, Chhattisgarh, with establishment No. / **S.No. / 2007-08/2283, Raipur, Dated 22.11.2007.**
- The organization was registered on 18.02.2018 by the Joint Secretary Social Welfare, Gariaband, under the Persons with Disabilities (Equal opportunity, Protection of Rights and full participation) Act 2016 (No. 49, Year 2016) under article 51(5) and rule 44(11) and was recognized under the ACT for working in the field of welfare of disabled for 3 years, which was again renewed on 18 February 2021 which will be valid for the next 3 years till 18 February 2024 whose Registration No. is 1596A.
- The organization is also registered with the National Trust under Ministry of Social Justice and Empowerment, Government of India which is for the welfare of person with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities whose



  
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**Registration No. is CPRE16516264568** dated 07.04.2017 which get renewed on 09.09.2022 with a validity of 5 years till 08.09.2027.

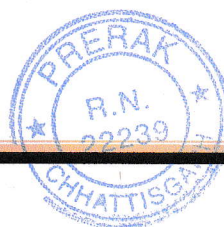
- The organization has been recognized by the District Collector and President of the District Prevention of the Blindness Committee, District Raipur for participation in the national program dated 26.12.2007.
- The organization has been registered under Ministry of Home Affairs, Government of India for utilization of foreign capitals under FCRA Act 2010 and Foreign Contribution Regulation (Rules) 2011, whose Registration No. is **327520012 Dated : 09.07.2022.**
- The organization is registered under 12 A by Commissioner of Income Tax, Government of India, with **Registration No. is AAAAP0713EE2014 Dated : 31.05.2021.**
- Permanent Account Number (**PAN**) : **AAAAP0713E** has been approved in the name of the PRERAK organization by the Commissioner of Income Tax, Government of India. The date of the approval of which is 28.06.1989.
- **VISION:** To develop such a rural creative community which is self-sufficient, healthy, peaceful, and which can develop itself continuously by getting free from all kinds of exploitation and injustice.
- **MISSION:** To start such a process of development, in which empowerment of backward, tribal people, person with disabilities and especially women's has been done and to make their reach to the natural resources, schemes so that they can progress towards the direction of village level self-governance through collective development.
- **OUR BELIEF:** People have immense potential to develop themselves and they will automatically be able to develop themselves when given the right opportunity. No development process can be given stability without any social justice. No development program will be sustainable in the society till the absence of sensitiveness, tolerance, love for justice. Due to System of unequal distribution of resources and inappropriate process of intervention most of the people are deprived and marginalized. To enable people to get proper opportunities, their

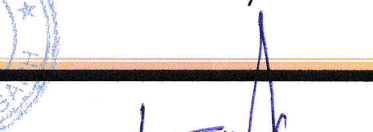


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capacity development is essential to create such an environment and participation in the process of development.

- **GOALS:** Neglected by education, health, government, away from the scope of human rights, to motivate the target group to live life full of self-respect who are the victims of odd anomalies and to make them self-reliant. To create opportunities to connect people standing at the last line of the society, especially the primitive tribes, the disabled and women, in the beneficiaries of sustainable major sources of income, agriculture and forest, through collective initiative under the control of community so that they can join the mainstream section of the society.
- **STRATEGY:**
  1. To prepare under privileged and marginalized people capable so that they can identify their problems and the factors through the medium of appropriate methods and techniques.
  2. To organizing necessary and useful training, workshop, meetings, seminar so that they can identify the solutions of their problems by themselves.
  3. To create local development committee and strong organization and through this people can identify, conserve and control permanent and temporary resources (opportunities) of livelihood.
- **OBJECTIVES:**
  1. To work for the advancement of science, education, literature, and fine arts.
  2. For the dissemination of useful knowledge.
  3. Participation in government/ non-government schemes of public interest.
  4. For the transformation of social welfare.
  5. For Women and Child development.
  6. Propagation of appropriate crop/ technique, organic methods in the agriculture sector.
  7. For the empowerment of Panchayati Raj.
  8. For the welfare of all types of disabled.
  9. For the betterment of public health.
  10. For the welfare of old people.
  11. Work for drug de-addiction.
  12. For the protection and promotion of culture and folk art.
  13. For the prevention of begging.
  14. To work for the rural development.



  
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# BOOK KEEPING AND ACCOUNTING

## CASH TRANSACTION:

Cash transactions are an integral part of any organization. Especially for organizations engaged in development work like ours, where our external financial source is the unorganized sector and no organization can function without financial (cash) transactions. The functions of the organization give rise to innumerable and large number of cash transactions. As a result, wrong use of cash and weakening of human control over it is possible.

Therefore, it is essential to develop an efficient cash system which can neutralize the misuse of cash and disproportionate allocation (distribution) of cash. The user of this manual is directed to strictly follow the provisions mentioned in the manual.

## CASH PAYMENT:

(a) Cash payment is payable only for those expenses which have actually been incurred and receipts or vouchers have been obtained in support or proof of such expenses. (Not for contingency or future expenses)

(b) Payment voucher before payment by the authorized signatory accountant and his supporter will give acceptance (approval) by his signature on the receipt and after that the payment voucher will be presented to the Accountant for payment.

(c) Accountant's will write the project title and name of the program on the payment receipt for which the related expenditure has been incurred.

(d) The accountant will obtain the signature of the payee (cash receiver) on the cash payment voucher.

(e) Where the cash payment is more than Rs 2000/- (Rupees Two Thousand), in that case a Revenue Stamp of 1/- (Rupee One) must be pasted on the Cash Payment Voucher on which the payee person will put his / her signature.

(f) Accounting of Cash Payment Voucher (Case Payment Voucher) will be done in only in Main Cash Book (Main Case Book)

(g) Voucher number will be written on every payment voucher.

(h) Cash folio number must be mentioned on each payment voucher.

(i) If the person receiving the payment is not an internal employee of the organization, then an official receipt will be demanded from him.



A handwritten signature in blue ink is written over a blue ink stamp that says "RESIDENT".



(j) The advance payment to the employee/worker shall be made only on the basis of the plan authorized for the journey.

(k) In case of advance payment to outside parties and employee/worker, the authorized legislations have to be followed.

(l) At the time of lump sum cash payment, it has to be noted that cash payment to a certain person should be less than 20,000/- (Rupees Twenty Thousand) on a working day. If payment is necessary, Bank Draft / Pay Order can be used.

### **CASH RECEIPT:**

(a) No cash shall be accepted unless it is authorized under the legislation authorizing the receipt of cash.

(b) The cash receipt will be pre-numbered at the time of printing.

(c) The cash receipt will be printed in triplicate. First copy will be for Donor/Party, second copy will be for accounting work and the third copy will be for record.

(d) Cash Receipt Voucher will be made which will be used to record the cash receipt received on every working day. Cash Receipt and Cash Receipt Control Register will be referred to on this Cash Receipt Voucher.

(e) The reference to the Cash Receipt Voucher will be made in the Cash Receipt Control Register (Cash Receipt Control Voucher).

(f) Accountant, the purposes for which the cash is received, will clearly describe on the receipt (cash receipt voucher).

(g) The cash-book folio (page number) will be marked on each cash receipt.

(h) The cash receipt will be kept in a safe place.

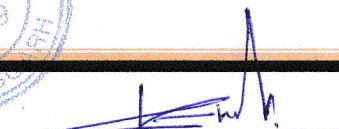
### **CASH BOOK:**

(a) Each organization shall make separate cash disbursements for foreign currency fund and local fund.

(b) All cash transactions relating to foreign currency funds shall be through a single foreign currency fund cash flow only.

(c) All cash transactions relating to Local Fund shall be clearly marked as "Local Fund Cash". Name of the program explicitly related to the project will be marked with the name of the project.



  
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(d) In each entry, the nature of the transaction is required to be written in the form of a small note.

(e) The Accountant shall necessarily mark the account number in the cash book while entering each cash voucher in cash only.

(f) There will be no change in the name of the project, program / expenditure / title and amount.

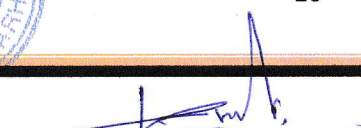
(l) If change is necessary, then clearly erasing the same and will be again written

(j) The cash account (cash-in-hand) shall be closed every day. Cash at the time of account closure "Debit Balance" shall be clearly written.

### PHYSICAL CONTROL AND REGULATION OF CASH:

1. The cash of the organization will be kept in a safe place. The effort would be to keep the cash in a steel almirah.
2. Personal cash shall never be mixed with the cash of the organization.
3. The physical control of cash will be with the Cashier or Accountant of the organization.
4. Under no circumstances other than cash payment voucher and authorized person, the cash of the institution / organization will not go outside the building of the organization.
5. The cash received should be deposited in the nominated bank account on the next working day after receipt of cash.
6. The cash amount will be withdrawn only when the administrative expenses or the draft of the program is duly approved by the authorized officials.
7. Cash amount should be kept as minimum as possible.
8. Maximum care will be taken for the quantity and safety of the cash kept in the almirah and the amount of cash in transportation.
9. The person responsible for physical verification of cash will always change.
10. If any irregularity is found whose explanation is not given by the accountant, cashier or the person involved, strict action will be taken in such a situation.



  
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### **BANK TRANSACTION:**

Bank transactions are one of the safest ways of effective financial functioning of any organization but weak control in banking transactions can create a crack in the functioning system which can be more harmful to the organization relative to cash transactions.

### **BANK PAYMENT:**

1. Bank payment means- Payment of amount by cheque. Bank draft and pay order should be treated as cash payment and their accounting should be done in accordance with the instructions given in the section "Cash payment" in the books of accounts.
2. Cheque payment will not be authorized unless supported by bank proof of payment.

### **ROUTINE PAYMENT:**

1. Only one payment voucher will be made in respect to monthly salary. A statement showing the cheque number, amount issued to each employee shall be attached to that payment voucher for acceptance.
2. In case of advance payment to an employee, the Advance Requisition Form will be attached with the payment voucher for approval.
3. No payment will be due unless a copy of the reference account is confirmed by the bank not to be attached with the voucher (Bank Payment Voucher).

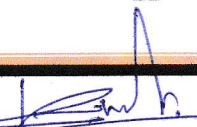
### **PAYMENT TO OUTSIDE PARTIES:**

1. No Bank Payment Voucher shall be generated unless a copy of the relevant creditor's account from the books of the organization is enclosed in support of the Bank Payment Voucher.
2. Proper reconciliation of the creditor's account will be done in the ledger of the organization and for this all the bills and their payments till the date of payment will be taken into account.
3. The accountant should ensure that the payment to the creditor is made on or after the due date.

### **GENERAL:**

1. The accountant should check the availability of funds in the bank from where the cheque was issued for payment.
2. The Accountant, while obtaining the authorization, shall ensure that the particulars in support (Bank Payment Voucher) are also signed.

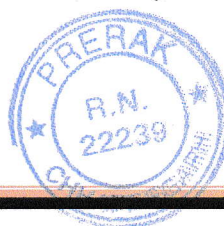


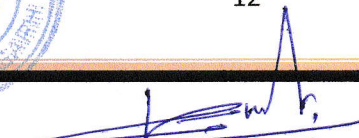
  
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3. All cheques issued shall be cross marked and shall be payable to the payee's account, except in cases where the organization draws funds for itself by cheque.
4. All particulars of the issued cheque will be written in the bank payment voucher.
5. The Accountant shall mark "Title of the Project" and "Name of the Program" on all payment vouchers in respect of which the payments are being made.
6. All the details of the bank payment voucher will be entered in the bank account.
7. The Accountant will get the payee's signature on the payment voucher.
8. The serial number must be mentioned on all payment vouchers.
9. Where the payment exceeds Rs.5000/- (Rupees Five Thousand), a revenue stamp of Rs.1/- (Rupee One) shall be affixed on the voucher and the signature of the person receiving the payment shall be obtained.
10. Whatever cheque is issued, its entry will be done in the cheque / draft issue control register.
11. If the person receiving the payment is from outside the organization, then an official receipt should be obtained from him.

### **BANK RECEIPT:**

1. Every cheque/draft/pay order will be entered in the Receipt Control Register.
2. Bank Receipts will be pre numbered as described in the Cash Receipts section.
3. The Bank Receipt Voucher will be printed in triplicate, the first copy will be for the donor, the second copy for accounting and the third copy for the record.
4. A Bank Receipt Voucher will be generated for all bank receipts in one working day.
5. Reference to the Bank Receipt Voucher has to be made in the Receipt Control Register.
6. The Accountant shall clearly describe the purpose for which the cheque/draft has been received.
7. The first copy of the receipt will be given to the donor.
8. Bank Book or Bank Account Folio has to be marked on Bank Receipt Voucher.



  
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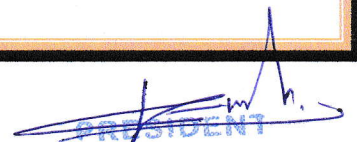
### **BANK ACCOUNT (BANK BOOK/LEDGER):**

1. The organization can either keep the bank account as per its wish or can open the bank book in the ledger book.
2. The organization is operating separate bank accounts for foreign currency funds and local funds, for which separate bank books will be maintained.
3. All bank transactions relating to Foreign Contribution Funds shall be conducted through only one Foreign Contribution Fund bank account/books.
4. All bank transactions relating to local funds to be maintained from only one local bank account / books.
5. Accountant will clearly write the name of the programme/expenditure and name of the project in the bank account/book.
6. The accounting nature of the transaction has to be written in short note form (Narration Form).
7. The Accountant shall mark the Ledger Folio Number in each Bank Voucher.
8. No change in the name of the project, title of programme/expenditure and amount shall be avoided.
9. If it becomes necessary to make a change, it can be crossed out and written on it again.
10. The bank account / books will be closed every day (working day) so that the balance amount in the bank can be known.

### **MAINTAINING CHEQUE BOOK / DEPOSIT SLIPS:**

1. Under no circumstances should the cheque be left blank after the signatures of both the authorized officials.
2. Keeping signed and unsigned plain cheques in steel cash almirah is recommended.
3. Check should not be issued unless it is absolutely necessary, but in any case, not without the approval.
4. Issuance of bearer cheque should be avoided as far as possible. Do not issue such cheques to any stranger person.
5. While writing the cheque, do not leave any blank space between the figures and words. Do not leave any blank space even while filling the figures at the beginning of the box.



  
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6. In case of cancellation of a cheque, cut it from all sides with ball pen.
7. Mention all the details of the cheque on the counterfoil of the cheque. It serves as a quick reference and is useful in preparing Bank Reconciliation Statement.
8. Do not enclose the Deposit Receipt with the Bank Receipt Certificate.
9. Keep all the deposit receipts collected at a separate place till the bank reconciliation statement is prepared.

### **GENERAL ACCOUNTING:**

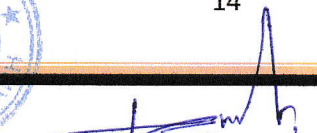
#### General / Adjustment Voucher:

1. Entries in General / Adjustment Voucher will be only for those transactions which do not come under cash or bank transactions, such as credit purchases, credit sales, depreciation on assets etc.
2. The entries of these vouchers are made directly in the ledger to their respective accounts.
3. Accounting of General Adjustment Vouchers will not be done without the approval of the authorized officer.
4. Every General/Adjustment voucher requires a supporting receipt (voucher), except Transfer Entry
5. In respect of Transfer Entry reference to earlier Voucher can be given with Full Narration.

### **MAINTAINING VOUCHERS:**

1. It should be ensured that all the details of the voucher are given.
2. It should be ensured that the name of the project and the details of the program should be there in all the vouchers.
3. All types of Vouchers like Cash Payment, Cash Receipt, Bank Payment, Bank Receipt, General / Adjustment of Foreign Contribution Fund and Local Fund will be filled separately.
4. Vouchers related to local funds will be filled separately in the same way.
5. Accountant's will be use Index file for filling of vouchers.
6. Binding of vouchers as required keeping in view the number of transactions



  
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## **MAINTAINING LEDGER:**

1. Each organization shall maintain separate ledgers for foreign currency funds and separate ledgers for local funds as per the project.
2. Transactions related to only that project shall be maintained in that ledger.
3. In the ledger created for a certain project, a bank account will also be created for that project.
4. Each entry in the Ledger will refer to the Cash Deposit / Bank Book / and Ledger Folio.
5. It should be ensured that in every transaction the reference of date and vouchers will be marked in the ledger.
6. Each entry in the ledger must contain a sentence describing the nature of the transaction.
7. At the end of every month the accounts will be closed and their balance will be noted.
8. For correction in any entry, a new entry will be made by crossing it.
9. No change will be allowed in the ledger.

## **ADVANCE CONTROL:**

### Program / Work Advance:

1. Program / work advance will be sanctioned only when the application for advance is made in the prescribed format.
2. The application for advance has to be made at least three days before the date of the scheduled event.
3. On receipt of the application for advance, the Accountant will check whether there is no unutilized advance in the name of the applicant.
4. If any outstanding advance is found in the name of the applicant, the same should be mentioned on the request letter.
5. The authorized person will ensure that the outstanding advance is utilized first and only then the proposal for further advance can be considered.
6. As an exception, an officer higher than the authorized officer can give advance by canceling the above rule, but for that he will have to mention clear reasons.



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## STATEMENT OF ACCOUNT:

1. The Program Advance has to be settled within three days (working days) from the date of completion of the programme.
2. There can be only one exception to the above rule when more than one program has been clubbed together.
3. Under any circumstances, the program advance should be settled one month after the completion of the program or till the completion of the program, whichever is earlier.
4. The responsible persons shall give details of the expenses of each program in the prescribed form with full details.
5. In support of each expenditure, the related bill/receipt or any other kind of details will have to be given.
6. A complete descriptive report has to be made for each program while claiming settlement of program advance and should be attached to it.
7. Claims for expenses which are not supported by a proper program report (of one page) / bill / receipt etc. will be treated as unspent and unusable in the hands of the person taking the advance.
8. The person responsible for the expenses shall ensure that the program reports/bills/receipts/vouchers etc. to be attached with the Advance Settlement Form are authorized as per the authorized format.
9. It will be the responsibility of the accountant to clearly mark the voucher reference / cash book / ledger account number on the submitted program report.
10. Accountant and concerned person will be guilty for claiming and paying any expenses without any authorization and both of them will be punished with the amount of that expenses.
11. The amount which remains unutilized after completion of any action plan/programme will be returned to the Accounts Department for accounting and back deposit.

## PERSONAL ADVANCE / LOAN:

Sanction of advance:

1. Only those persons who are associated with the organization for more than three years / have the desired qualification for the loan but the above rule will not be applicable in special emergency situations.



A handwritten signature in blue ink, partially obscured by a large, stylized blue ink scribble or stamp.



2. Application for Personal Advance / Loan must be submitted in the prescribed format before 15 days of the desired date. But this rule of 15 days will not be applicable in emergency situations.

3. For any bonafide reason after approval from the committee Personal Advance / Loan can be given.

4. Committee meeting should be done once in a month to consider the applications for advance/loan.

5. Before deciding on the amount of personal advance/loan and sanction of its repayment, the committee will consider the repaying capacity of the individual concerned, affiliation with the organization and past repayment record (if any).

6. Committee for payment of advance amount keeping in view the paying capacity of the person concerned, the maximum period will determine, the rate of interest, type etc.

7. Advances from Local Endowment Fund after due consultation with the Committee Accounts Department will be made to the individual applicant.

8. Under no circumstances the person advance amount proposed by the committee can exceed the amount stored in the fund of that person and contribution given by the organization.

9. The entire process of the committee will be documented.

10. The committee will give its approval in the minute-book where the details of the person, individual advance amount, company details, amount, installment etc. will be mentioned.

11. In emergency situations, the National Coordinator will sanction personal/advance/loan on the proposal of the Secretary/Chief Executive of the organization.

12. On the basis of the proposal of the committee, the Authorized Signature will sign his approval on the application form and will forward the application form to the Accountant for payment.

13. Repayment of such personal advance/loan will be done through A/c Payee only or by cash.

14. The Accountant shall ensure that no advance / loan is paid out of foreign currency funds.

### **REPAYMENT / SETTLEMENT OF PERSONAL ADVANCE / LOAN:**

1. The accountant will ensure that the recovery of advance/loan from the concerned employee is done at regular intervals in the manner prescribed by the committee.



  
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2. Settlement of full and final payment to the employees in case the employee leaves the organization while doing so, the amount of outstanding/advance/loan will be adjusted first.

### **SALARY ADVANCE:**

#### **SANCTION OF ADVANCE SALARY**

1. The application for advance salary will be made only on the prescribed form.
2. Payment of advance salary will be in accordance with the authorized provisions and the amount and will not exceed the maximum limit of one month's salary.
3. Any advance salary in the name of an employee having outstanding advance / loan outstanding advance salary payment will not be made again.
4. Except in emergency situations, once advance salary is paid, no advance salary will be paid for the next three months.
5. Authorization of higher level of authorized standards for acceptance of advance salary in emergency will be necessary

#### **RECOVERY OF ADVANCE SALARY (REPAYMENT / SETTLEMENT ADVANCE):**

1. Monthly deduction in recovery of advance salary will not be in more than two installments.
2. In the event of the employee leaving the organization, the outstanding advance salary will be adjusted first while making the full and final payment to the employee.

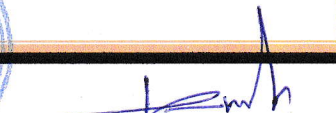
#### **BANK RECONCILIATION STATEMENT:**

Normally the balance of the bank account / Bank Book being maintained by the organization and the balance of the bank statement / pass book maintained by the bank for the organization are the same. But sometimes there is some difference between the amounts of both the accounts. For this the organization needs to generate a Bank Reconciliation Statement so that the missing entries in either of the two statements can be corrected.

In the following circumstances difference is found between the bank account maintained by the organization and the book/statement with the bank-

1. If the cheque has been issued by the organization but the cheque has not been presented to the bank by the party for payment.
2. The cheque bank has been deposited by the organization but the bank account of the organization has not been debited.



  
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3. Bank charges are levied on clearance of Demand Draft on issue of cheque book by the bank. The bank debits the organization's account but there is no entry in the organization's bank account.

4. Some amount is directly deposited in the bank. The bank account of the organization is credited. But due to the accountant not knowing about it, its accounting is not done in the bank account of the organizations.

Therefore, for the above reasons, it is necessary to prepare Bank Reconciliation Statement where the entries of the bank account of the organization are reconciled with the entries of the periodical bank statement at regular intervals.

Every organization has to adopt the following procedures:-

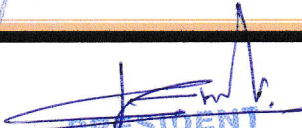
1. Periodical Bank Statement will have to be obtained at the end of every month or pass book will have to be updated.
2. Bank Reconciliation Statement for each bank at the end of each month has to be made.
3. To file the bank reconciliation statement of each month by attaching it with the bank statement.
4. Any deviation from the side of the bank will be brought to the notice of the bank as soon as possible and thereafter the suggestions will be followed regularly.
5. Any mistake / deviation from the side of the organization, will be corrected / adjusted in the next month.
6. The Accountant will obtain a recommendation letter from bank to bank for getting the balance amount of the organization at the end of the financial year.

### **SALARY PAYMENT SYSTEM:**

Salary Calculation:

1. The salary of a month will be paid by the 7th of the next month.
2. It will be the responsibility of the accountant to get the authorized details from the head of the project for payment of salary to the field employees of his project by the 3rd of the next month.
3. The coordinator/head of the project will be responsible for verifying the leave records of his employees.



  
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4. The leave record of the employees of the office will be maintained in the head office of the organization.
5. The Accountant will calculate the salary on the salary calculation form. For this, he will base the details given by the project coordinator / head for the field worker and leave for the office staff.
6. Salary calculation form of the last referenced month will have to be prepared by the 5th of the next month and presented for the authorization.
7. Salary of project head, high ranking officers and employees working in all offices will be paid by cheque.
8. Field staff and employees who do not have bank accounts, their salaries can be paid in cash.
9. Salary Computation Sheet will be made separately for field employees for convenience in salary payment.
10. Check payment or cash payment will be written clearly next to the name of each employee on the salary calculation form.
11. A Summary Sheet will be attached with the Pay Calculation Form in which the requirements of check payment and cash payment will be described.
12. The salary calculation form will be authorized (sanctioned) on the same day.

#### **SALARY PAYMENT:**

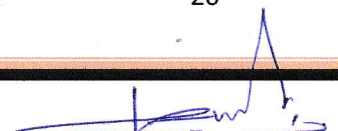
1. The Accountant will withdraw cash according to the Authorized Summary.
2. Salary disbursement to field staff will be given as "Work Advance" to their respective Project Heads.
3. Cheque payment to the employees posted in the office will be done in the monthly meeting.
4. The Project Head will hand over the Pay Calculation Form to the Accountant after obtaining signatures from all the field staff.
5. Accountant will prepare one consolidated salary payment voucher mentioning the name of the project.

#### **VEHICLE ACCESS CONTROL:**

Vehicle Log Book:

1. Every organization shall ensure that it maintains a vehicle log book for each vehicle registered in the name of the organization.



  
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2. All employees who use their personal vehicles shall maintain a vehicle log book and will maintain it.
3. The concerned user of the vehicle shall update the vehicle log book daily (up to date).
4. Every vehicle log book will be authorized as per Authorized Norms.
5. Accountant until the vehicle log-book is authorized and updated will not consider the cost or expenses for using any type of vehicle.
6. All major repair and maintenance expenses related to the vehicle will be clearly written in the log book.

#### **USE OF ORGANIZATION'S VEHICLE FOR THE PROGRAM:**

1. The user shall submit an application for the use of the vehicle (for any event) in the prescribed format for authorization.
2. Authorized approval will be given as per authorization standards.
3. User shall ensure that the name of the project and program is clearly written in the log book.
4. In case of purchase of Petrol/Diesel, all the entries of Bill/Cash memo will have to be mentioned in the Log Book.
5. Before accounting the expenditure of the program, the accountant will check the correctness of the log book and calculation of meter reading.
6. Expenses allocated to specific programs will be directly accounted for in those programs.
7. If the expenditure is not allocated directly for any program then a fixed percentage will be fixed on the basis of utilization and availability of budget.
8. Such distribution shall be clearly spelled out on the support letter of the expenses.

#### **USE OF ORGANIZATION'S VEHICLE FOR ADMINISTRATION:**

1. According to the provisions defined in the authorized standards, the use of vehicles of the organization will be authorized for administration.
2. Full particulars of the use of the vehicle shall be recorded in the log-book.
3. Before accounting for general expenses, the accountant should verify the correctness of the log book and meter reading.



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4. All general expenses will be directly debited to the Vehicle Expenses Control Account maintained in the local account.

5. With the prior approval of the designated authorized signatory, the distribution of expenses under the approved budget for a project will be done from the control account.

#### **VEHICLE INSURANCE:**

1. The institution shall ensure that all the vehicles registered in its name are insured.
2. Use an Index File in which each vehicle record is separated by a separator.
3. On the first page of the index file, the due date for renewal of insurance for all vehicles should be mentioned for quick reference.
4. Must obtain "No Claim Bonus" at the time of renewal of vehicle insurance from the insurance company.

#### **VEHICLE REPAIR AND MAINTENANCE:**

1. The organization will explore such possibilities in which tender / contract for major repairs can be made to a reliable buyer after duly analyzing his quotation.
2. All repair/maintenance expenses of the vehicle will be done as per the prior approval as per the authorized standards.
3. No prior permission will be required for the following routine repair expenses like- Puncture, Brake/Accelerator wire, bulb etc. While the user of the vehicle will need prior permission as per the authorized norms.

#### **HIRING OF VEHICLES FROM OUTSIDE AGENCIES:**

1. The organization will explore such possibilities in which vehicle hiring agreement is signed with more than one vendor (service provider) after due analysis of their quotation/quotation.
2. No cash payment will be made to the vendors associated with the contract (tender).
3. In case of hiring a vehicle outside the office area, prior permission will be necessary as per the authorized norms.
4. And all the vehicle users sign the travel claim form in case of vehicle hire
5. In case of hiring of vehicle, the Accountant will check the formalities of prior permission before making the final payment to the claimant.



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### **TELEPHONE USAGE REGULATION:**

1. The Organization shall apply to the Telephone Department for a detailed bill.
2. The accountant will match the detailed telephone bill with the telephone log book so that the use of telephones can be segregated project wise and the individual telephone calls of the employees can be traced.
3. Project wise / bill summary will be attached with the telephone bill for accounting purpose.
4. Any personal telephone calls made without duly authorized acceptance will be debited to the account of the person concerned.
5. payment of telephone bill will be made through account pay cheque only.
6. Expenses relating to telephone will be debited to Telephone Expenses Control Account, if the amount of such telephone expenses is not already allocated/ approved for a specific project/ programme.

### **TELEPHONE LOG BOOK:**

1. A telephone log book shall be maintained for each telephone in which a record of incoming and outgoing telephone calls shall be kept.
2. All STD and ISD telephone call shall require prior permission as per the authorized norms.

### **USE OF PCO:**

1. Employee will be allowed to use PCO for essential official calls, if so required.
2. The user of the PCO shall ensure that the appropriate bill for that call is received from the PCO.
3. The name of the project / programme will be written on the top of the telephone bill.
4. The user will get the PCO's telephone bill approved before submitting it to the Accountant.

### **MOBILE PHONE BILL:**

#### Cash Card Connection:

1. In case of cash card connection, recharge coupon is obtained from the user of the mobile phone.
2. It should be ensured that the payment of recharge coupons is done within the prescribed period by higher standards.



### **POST PAID CONNECTION:**

1. Detailed bill will be obtained from the user of the mobile phone.
2. User of mobile phone of every S.T.D and I.S.D. phone calls to person will clearly define with names and reasons for phone calls.
3. It should be ensured that the number of local calls is within the limits approved by the authorized standards.

### **USE OF GENERATOR:**

1. A log book will be made for each generator, in which the exact time of switching on and off of the generator will be mentioned.
2. User shall ensure that the name of the project/program is clearly mentioned in the log book.
3. The complete details of the bills/cash memo related to the purchase of diesel will be written in the log book.
4. Before accounting for the cost of the generator in any project/program, the accountant will check the correctness of the log book, for this he will use the meter reading (if it is available in the generator) and check the calculation of time.
5. These expenses which are allocated for a particular program will be directly accounted for in the account of that program.

### **USE OF GENERATOR FOR ADMINISTRATION:**

1. Debit the common expenses of the generators in the maintained Generator Expenses Control Account from local sources.
2. If the expenditure of the generator is not approved for a particular program then the percentage of expenditure will be fixed for each program on the basis of utilization and availability of the fund.
3. The receipt for those expenses will clearly describe the amount disbursed on top of the supporting letter.
4. The generator expenditure for the project will be disbursed from the generator expenditure control account within the allocated budget limit for a project after prior approval from the authorized signatory.

### **TRAINING / SEMINAR / WORKSHOP ACCOUNTING:**

Records on Training / Service Center:



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1. Every training/service center shall maintain a visitor control register. The head of the training center shall ensure that every visitor shall enter his/her personal introduction in detail in the register in the prescribed format at the time of arrival and departure.

2. The training center shall maintain a kitchen control register in which every visitor using the kitchen shall sign it daily.

3. The training center will maintain a public utility regulation register, in which a record of the use of sheets, pillows, carpets, etc. will be kept daily.

4. In addition to the above mentioned registers, the training center will maintain the following record book-

- Stock Control Register
- Immovable Asset Register
- Attendance log of employees
- Generator Log Book
- Vehicle Log Book
- Cash Book, Ledger, Bank Book
- Arrival Book

### **ACCOUNTING:**

1. The Accountant of the center will ensure that at the end of each training/seminar/workshop, the details of the program are accounted for separately for each organization (if required).

2. The accountant of the center will ensure that a copy of 'Visitor Control Register, Public Utility Goods Control Register' is attached with the detailed description of the related programme.

3. The original copy of the control registers will be kept in safe custody so that in future Rural Development organization, Associate Organizations and other External Agencies can take necessary reference.

4. All the provisions mentioned earlier in this manual will be strictly followed by the Accountant of the training centre.

### **INCOME GENERATION SCHEME / PROGRAMME (I.G.P):**

Record for I.G.P :



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- Each group / organization will maintain separate ledger for (Income Generating Programme).
- There will be a separate cash book for Income Generation Program. No separate cash book will be there for each programme.
- For each different type of IGP (Income Generation Programme) there will be a separate ledger.
- There will be only one separate bank account for Income-Generation Programs (IGP).
- Sale Invoice
- Sales Invoice File
- Delivery Challan
- Purchase Register
- Purchase order
- Purchase-Invoice/ Bill/ Challan File
- Stock register for maintained goods
- Stock register for raw material and goods under construction
- Application for goods
- Stock return letter
- Gate In Register
- Gate Out Register
- Sales Register (Sale Tax Register) in accordance with the provisions of the local government

### **ACCOUNTING FOR INCOME GENERATION PROGRAMMES:**

1. The Accountant shall ensure that all the accounts mentioned above are maintained separately from Income Generating Programmes (IGP).
2. A combined Trial Balance, separate profit-loss account and balance sheet will be created for all the Income Generating Programmes (IGP).
3. Debtors and creditors of the program for Income Generating Programmes will be arranged separately and they will not be included in the economic calculation of the main activities of the organization.
4. The Accountant shall strictly follow the provisions mentioned in this manual for Accounting/Controlling.

### **REIMBURSEMENT OF TRAVEL EXPENSES:**

1. Applications for each journey have to be made in the prescribed format only.
2. Every person who wants to claim reimbursement/adjustment of traveling expenses will have to apply in the prescribed form for travel / program expense claim along with the following supporting letter:



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- Original bus/rail ticket.
- Booking copy of air travel ticket and boarding pass in respect of air travel.
- In case of stay in hotel/ lodge/ guest house, original bill of rent of that hotel.
- Receipt of payment made to the hotel after stay in hotel/ lodge/ guest house.
- Bill/ receipt for payment of jeep/ other vehicle hired for local travel.
- Bill / Cash Memo for the food taken in the middle of the journey.
- Authorized details for the expenses for which none of the above bills/ supporters are available.

### **COMPUTERIZED ACCOUNTING SYSTEM:**

Organization will do its accounting in higher version of Tally 6.3 so that the uniformity of account and related reports can be obtained. Along with this, all organizations will also do manual accounting as per the provisions mentioned in this manual. Manual Accounting (manually) will be necessary for at least one accounting year so that there is no disruption while entering into the computerized accounting system.

While every training centre/ small organization will be able to do manual accounting as the provisions mentioned in this manual.

### **PERFORMING ACCOUNTING PROCESS IN TALLY:**

1. Each organization shall form three companies, first Foreign Contribution Fund, second Local fund and third Income Generation Programme.
2. All the manually vouchers will be entered in Tally.
3. Every day's accounting must be closed on the same day.
4. No manual vouchers were created for any entry in Tally.

### **PURCHASE CONTROL:**

Capital Purchase:

1. The committee will call for atleast three quotations from the open market for comparision in price and quantity. A vendor analysis chart will be prepared by the committee for approval under the authorized standard.
2. After getting the approval from the purchase committee, the organization will forward the purchase order to the designated vendor with complete details.



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3. The user of the capital goods shall ensure that the purchased capital goods are duly installed as per the usage methods.
4. The Accountant will ensure that all the expenditure up to the installation of the capital item is capitalized under the capital expense.
5. The Accountant shall also ensure that the capital goods purchased are duly reflected in the Fixed Assets Register, in which the description of the capital goods, the place of its installation and description of the user will be mentioned.
6. The asset which will be received as grant will be valued at Rs 1/- (Rupee one only) for accounting purposes.
7. Depreciation will not be accounted for on this asset.
8. The accountant will also ensure that the concerned asset is comprehensively insured at its market value.

#### **NON CAPITAL PURCHASE / SERVICES:**

##### **Purchase:**

1. Purchase of stock will be done on the basis of purchase request of user/ store/ administrative department.
2. The purchase request should be given to the Accountant/ Purchase Committee 7 days (one week) before the actual requirement.
3. The organization will keep an accounting difference between regular purchases and gross and special purchases.
4. The vendor (seller) will be selected for at least 6 months by the purchase committee formed by the organization.
5. The organizing committee will enter into an agreement with local vendors for credit purchase arrangements.
6. There will be no cash purchase for regular items.
7. Cash purchase may be allowed in case of single purchase or purchase in remote areas.
8. According to the authorized standards, this type of cash purchase will be possible only with prior permission.
9. The Accountant/ User shall ensure that the bill/ support letter is checked on both sides in its physical qualities (wherever it is possible).



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10. The Store Keeper / User shall stamp the bill / challan indicating the date and time of entry of goods.

11. Where the number of items purchased cannot be counted, the user shall verify the purchase by a valid method.

12. Items purchased for the use of the organization, and for the project / program will be divided separately by the Accountant.

13. The Accountant shall not account for any such purchases for which there is no verification by stamp on the bill/ invoice etc.

14. In case of credit purchase, the payment to the vendor can be made only after the due date.

### **SERVICES:**

1. As per the approval/ recommendation of the Purchase Committee, the organization shall, as far as possible, complete such contracts/ agreements which provide its services ahead of time.

2. The organization shall not honor any such payment unless a valid bill for the services rendered is presented.

3. The Accountant will check the correctness of the bill as per the provisions of the agreement/contract and shall comply with the authorized standards before payment for the same.

### **MAINTENANCE OF STORE:**

Stores/ stocks are considered as cash because stock has the highest realizable value in the market after cash, so the organization should have systematic arrangement of stock/ stores and strict control over it.

Every organization shall follow the following instructions for proper utilization of stock

Stock Records:

1. Every organization shall maintain a stock control register. In which there will be detailed description on all types of regular and countable purchases.

2. Entry in all stock purchase register will be through bill/ invoice of the party (ies) only.

3. In respect of return of stock, the user (in-charge) of the stock shall generate a stock return receipt.

4. Issue of all types of stock will be on the basis of Stock Application Receipt which will be given by the user (In-charge).



5. User will take prior permission on the application form under the authorized norms.
6. The stock register will be updated after every arrival / issue of stocks.

#### **STOCK HANDLING / MONITORING:**

1. The Store Keeper / Incharge / Accountant who will be responsible for discharge of the stock will ensure that the stock is available as per the requirement of the user.
2. He will also ensure that no item is purchased without an approved purchase application.
3. No stock will be issued without an approved "stock application".
4. User's name will be entered in the stock register at the time of return and issue of stock.
5. He (the person responsible) shall prepare a statement of stock summary of the stock available with the organization at the end of each month.

#### **SALE / DISPOSAL OF STOCK:**

1. Sale / disposal of stock shall be done only after prior permission under the authorized norms
2. The organization shall ensure that the vendor is selected for such sale/ disposal, after due analysis.
3. It will be ensured that the sale / settlement will be in cash only.
4. If the stock is purchased out of foreign contribution funds, the accountant will ensure that the proceeds of such sale/ disposal are sent back to the foreign contribution fund in cash.
5. Duly cash receipt will be made, a copy of which will also be given to the vendor.
6. Such sale / disposal can be shown in (Stock Sale / Disposal Account).

#### **DISCHARGE OF FIXED ASSET:**

Fixed assets are one of the most important items of any organization as they often represent 90 percent of the asset sheet of the balance sheet. Therefore, it becomes mandatory for any organization to take good care of its fixed assets. Every organization will have to follow the following instructions for proper recording (accounting) and disposal of assets -

#### **ASSET REGISTER:**

1. The organization shall maintain the details of Fixed Asset in the prescribed "Fixed Asset Register".
2. Separate sheet (page) will be used for each fixed asset.



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3. Each asset / sheet will be assigned a control / code no. will be given in the name of the project. The code of the property will appear as PRERAK/SSI/FA/ACC/04-05
4. Separate control sheet will be used for each group/ block of assets.
5. The asset register will be updated after every sale/ disposal.
6. In respect of resettlement of the asset, the fixed asset sheet of that asset will be transferred to the fixed asset register of the recipient.

#### **FIXED ASSET CONTROL:**

1. The user of fixed asset shall use that fixed asset in accordance with the training or instruction manual given to him.
2. The organization will ensure that an annual discharge contract for the repair and discharge of the asset is done with someone capable / skilled in the related work e.g. computer fax machine, photo copier, UPS, inverter, generator etc.
3. The User of the asset shall raise the claim of the Security with the Seller well in time for any problem/ defect in the operation of the asset.

#### **PHYSICAL VERIFICATION OF ASSETS:**

1. Physical verification of fixed asset must be done at least once in two years.
2. The organization will constitute a special team for physical verification of the asset.
3. Detailed description of physical verification to be done in the prescribed format Physical Verification of the Asset.

Any discrepancy/ difference found on comparison with the asset register shall be immediately reported to the Secretary and a copy there of shall be sent to the National Committee.

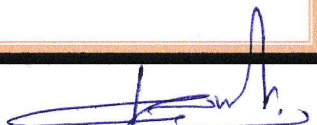
#### **DEPRECIATION OF ASSETS:**

1. Depreciation on fixed assets will be charged on straight line method which is of the rates mentioned in the Income Tax Act, 1956.
2. The fully depreciated asset will be written off at Rs.1/- in the ledger books.
3. Depreciation will not be assessed on any asset received in donation / grant.

#### **SALE / DISPOSAL OF ASSETS:**

1. The sale/ disposal of the properties, if necessary, shall be as per the authorized norms.



  
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2. Depreciation on asset held for sale/ disposal will be adjusted to arrive at profit and loss prior to sale.

3. If the property sold was purchased from foreign contribution fund, then the sale proceeds will be considered as foreign fund and it will be shown in the books of account of foreign contribution fund.

### **PROGRAM RECORD:**

We are a development organization working with the target communities in various action projects. These efforts require public funds, which are mobilized from various sources such as donations (Indian and International), foreign contribution funds, government grants, our own income-generating programs, etc.

There is also a need for proper accounting of the funds raised so that our efforts at various levels can be reflected in the books of accounts. But our development work cannot always be converted into bill/ support letter/certificate. So it becomes essential that our works are displayed in descriptive form as well, unless the efforts are presented and documented at all levels till then our work will fail to attract attention.

### **AT VILLAGE LEVEL:**

Each group/organization will ensure that each target village and field workers are trained in such a way that at least these records can be maintained.

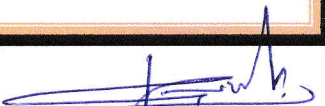
### **BY VILLAGE COMMUNITY:**

1. The Village Community Register shall be maintained with the following details:

- Date of meeting / training / program
- Name of the participants with their signature/ thumb impression.
- Meeting agenda
- Summary of the activities of the working day
- Final result of the meeting
- Instructions given to the village committee.
- Signatures of the members of the working association of the village community.

All meetings / training / programs will be recorded in the register mentioned above.



  
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## **2. REVOLVING FUND:**

The revolving fund register will be maintained with the following details.

- Beneficiary's name and her father's/ husband's name
- Nature of loan
- Loan amount
- Duration
- Installment
- Rate of interest

3. One RF Pass Book (Revolving fund pass book) to each beneficiary will be given which will reflect all the details mentioned above.

4. Register and R.F. pass book will be updated in the meeting of the village committee.

5. One file for application form for Revolving Fund (RF) loan.

6. SHG Register which will display the full details of all the members, their contribution, interest held on contribution, distribution of loan among members, recovery etc.

7. Copy of village committee application sent to the organization for community work.

### **BY VILLAGE WORKER:**

1. Program:- Daily Task Activity
2. A copy of the approved budget for his/ her village/community.
3. A copy of the program report sent to the organization
4. A copy of the suggestions made by the village community.
5. Any other information/record as required.

### **AT GROUP LEVEL:**

1. A copy of the applications received from the village committees and the register of the village committee shall be kept separately in a designated file. The applications will be kept date wise in the file.

2. The organization will write its comments on these applications in the meetings called for disposal.



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3. The program reports sent by the field staff or other concerned person will be filed date wise in the same order in which they appear in the account.

4. Monthly meeting register of field workers/ staff which will contain the following details:-

- Date of meeting / training / program
- Name and Signature/ Thumb impression of the participants
- Meeting agenda
- Summary of the day's activities
- Final result of the meeting
- Guidelines given to the village committee
- Guidelines issued to field staff
- Follow up / guidelines given to the organization
- Signature of the Secretary / Chief Executive / any officer

5. Monthly calendar describing the activities and budget amount of each worker.

6. Copy of the monthly program report sent to the head office, along with which the draft of the next month's program-wise plan will be included.

### **REPORTING AND MEETING MANUAL:**

The following guidelines are decided for the systematic and smooth operation of the reporting system and attendance in the meeting of the projects run by the organization:

1. Report of the works done from 26th of the previous month to 25th of the current month, the workers/ teachers will submit the report to their supervisor/ coordinator on 26th of the current month.
2. Supervisors should prepare a report related to their sector by the evening of 28<sup>th</sup> or the morning of 29<sup>th</sup> and will submit it to the coordinator.
3. Coordinator will prepare a summary report of the entire project and share it with the Director on or before the 30th of the monthly meeting.
4. Monthly meeting is very important for review and planning of the program, so everyone's presence in this meeting is mandatory. There will be a provision of financial penalty to the



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worker/ teacher, supervisor and coordinator for being absent in the monthly meeting without notice, but it will be decided unanimously by the project staff themselves.

5. In case of not being able to attend the meeting due to any special circumstances, prior information, application form will have to be sent to the coordinator through proper channel, as well as his/ her work report and log book etc. will have to be sent. Leave will be accepted only if there is sufficient reason, otherwise financial penalty will be decided after considering the application. In case of not sending the report, financial penalty will be taken.

6. It is often seen that the workers/ teachers are not able to submit the report on time and attend the meeting without complete report document. Many a times, in the middle of the meeting, they start preparing reports, maintaining diaries and filling log books. Due to this, there is disturbance in the discussion and review of important issues in the meeting on time. Therefore, there will be a provision of separate financial penalty for the workers/ teachers, supervisors and coordinators who attend the meeting without preparation and without documents.

7. It has also been seen that people do not attend the meeting on time even after fixing the time of the meeting with consensus. If the time is fixed at 10 o'clock, then someone is present at 11 o'clock, someone is present at 12 o'clock, without sufficient reason, the worker who is late in the meeting will be punished on hourly basis.

8. In case of non-fulfilment of the responsibility given to the workers/ teachers in the monthly meeting, financial penalty will also be payable.

9. If the instructions given by the supervisor are not followed, financial penalty will be taken considering the director, supervisor and coordinator.

10. According to the monthly action plan, all the workers/ teachers will have to work. The information about the changes made in any special situation will have to be given to all the concerned people, so that Supervisor or coordinator or the people for whom we are working should not wander.

11. Since this work has to be done from our own places, our own punctuality, honesty towards work and sense of responsibility towards the people for whom we are working will bring tightness and quality in our work. Supervisor or coordinator will only be able to guide, cooperate with field workers/ teachers. Therefore, self-responsibility is essential for all people.

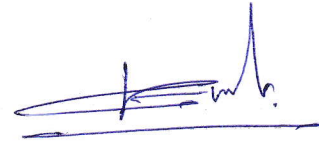
12. The project coordinator will determine the honorarium according to the prescribed responsibilities of the project staff and the percentage of their discharge and attendance working days.



A handwritten signature in blue ink, appearing to be "John", written over a horizontal line.

13. In a month, Five days leave is applicable for all including Sundays and you can decide when you use these holidays as per your convenience. But whatever you decide, will inform the people related to them about it. Leave is not allowed for more than 3 days at a time. If for any reason you have to take leave or in case of absence from work for a long time, along with the application for leave, you will also have to decide who will discharge your responsibilities in your absence.

14. The entire amount of penalty shall be deposited in the Staff Welfare Fund which will be used in the interest of the staff by taking a unanimous decision.




**PRESIDENT  
PRERAK SAMITI**

*Approved by Governing body*

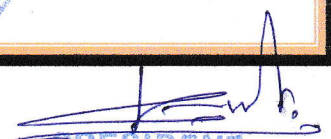


PRERAK FINANCIAL MANUAL

  
**TREASURER  
PRERAK SAMITI**

  
**SECRETARY  
PRERAK SAMITI**

**TREASURER  
PRERAK SAMITI**

  
**PRESIDENT**