

Approved date: 31-3-2024

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FINANCIAL MANUAL

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1. INTRODUCTION:

This Manual is a compilation of policies and procedures of accounting policies, standards, and practices governing the accounts of BMM and maintenance of records for information needs of users.

The manual is designed to provide exhaustive guidelines for the compilation of accounts of BMM. The accounts department as per the directions, guidance and procedures contained in this manual shall discharge their accounting functions. The manual contains:

- Accounting policies, standards, methods, practices and procedures to be followed for compilation and maintenance of books of accounts.
- Delegation of powers
- Internal control in respect of cash, bank and auditing etc.

2. ACCOUNTING SYSTEM:

The present day requirements obviously necessitate a comprehensive system of accounts, apart from the basic requirement of book keeping and accounting, take into consideration the requirements of controls and procedures. The accounting system is based on double entry book keeping system. A receipt and payments account should be prepared on the basis of financial transactions as recorded in the cashbook and posted in the ledger, under various heads of accounts (as per the chart of accounts). Monthly expenditure statement shall be prepared from the General Ledger maintained. Monthly/Annual Income and Expenditure account and Balance sheet shall be prepared.

BMM is in the process of establishing formal systems, policies, procedures and methods for discharging the accounting functions so as to ensure the following:

- Accounting functions are correctly and efficiently performed
- Effective system and uniformity of procedures
- Standardization of forms, formats and records
- Specific responsibilities of accounts personnel
- Timelines of recording transactions and finalization of accounts.
- Compliance with various statutory and other requirements
- To assist new recruits in familiarizing themselves with the procedures

3.REVIEW:

Periodic objective review of this manual would be essential for the purpose of improvisation in working methods, avoidance of duplicate effort, adoption of modern practices, compliance with changing statutory and commercial requirements and above all practicing good management principles as well as for exercising effective accounting and related operational controls.

4. RECEIPTS OF MONEY

All Receipts of money must be entered in the Cash book on the same day and official receipt for the same should be issued in favor of the person/agency from whom the money received. The money received must be deposited in bank on the same day or deposited on the next day if money was received after banking hours.

4.1 CASH RECEIPT:

Cash is the most liquid of assets, and is therefore most likely to be misappropriated. For this reason, establishing basic internal controls over cash receipt, maintenance of cash and cash disbursement is critical.

A sign indicating that payers should receive an Official Receipt signed by the Accountant for the exact amount of Cash paid to the Accountant.

The accountant making the accounting entries for cash must confirm that the number of the Official Receipt is more than the number the previously used Official Receipt and follow up on any missing receipts. He should also check whether the amount of cash deposited as per the bank deposit slip (where banking facilities are available) equals the amount of cash that was received per the official signed cash receipts form and that the date of the deposit slip is reasonable.

Cash receipts, in excess of the cash limit, should be deposited as soon as possible in a bank or if no banking facilities are available, they should be deposited on next working day.

The accountant should not have access to changing the accounting records. After closing the cash, the accountant must verify the Physical Cash and tally with the main cashbook.

After verification the results scroll should be documented on scroll sheet that describes the amount of cash counted, the amount that should be on hand as per the (separately maintained) accounting records, differences noted and the signature of Accountant. Differences, if any found should be presented to Project Director or Chief Functionary for action.

Accountant, who does not maintain custody or have access to the cash should perform surprise counts of cash at least twice in week and document the verification. Similarly, Project Director or Chief Functionary should also conduct surprise check the physical cash at least twice in a month and make document of the same.

4.2 CASH DISBURSEMENT:

Perhaps the greatest single risk of any area is that of the improper cash disbursements, because cash is so liquid. Strong controls to prevent and timely detect improper cash disbursements are therefore critical.

Before disbursing cash/cheque, Accountant must determine whether the cash voucher contains the signature of the receiver along with sufficient approving authority.

Cash must not be used to circumvent the procurement process. Cash disbursements, other than advances, over a certain pre established limit, such as Rs 5000/- must not be allowed, except with the unavoidable circumstances with the approval of the Project Director or Chief Functionary.

Only Accountant should have access to cash. Cash should be secured from improper access by storing it in a safe or locked strong box.

Blank cheques must be maintained in a secure area. Access to blank cheques must be restricted to the Project Director or Chief Functionary.

Access to making changes to the accounting records should be restricted to those assigned with the responsibility for making such changes. This is usually done electronically through a password control, and done only in exceptional cases. Normally a journal entry is to be made to rectify error, if any with the concern of Project Director or Chief Functionary.

Accountant must prepare cheques based only on properly approved by the Project Director or Chief Functionary.

The payment vouchers must be prepared by accountant based on either an invoice or approved request form.

In order to carry out the day to day office maintenance/miscellaneous nature expenses, an amount of Rs.500/-(Rupees five hundred only) can be sanctioned/approved as temporary advance (I Owe You) by the Accountant with the concerns of Accounts.

The advance requisition form duly approved by the Project Director or Chief Functionary should support the Advances to the staff on office work.

For purchases of goods, determine whether the quantity of each item on the invoice agrees with the quantities on the receiving report or waybill and determine whether this is signed by the appropriate employee.

For services, inspect the invoice for the approving signature of the employee who can confirm receipt of the service. For example, if the payment is for repair of a sink, the person who requested the repair and inspected that it was completed should sign the invoice.

Check the mathematical accuracy of the invoice. Determine whether the type and quantity of each item on the invoice agrees with the same as per the approved purchase order and determine, whether the purchase order has been approved by someone with authority to do so, based on the amount and type of the purchase.

The Project Director or Chief Functionary should periodically review the accounting entries made and propose adjusting journal entries, as necessary. They should document the review by signing a hard copy of the entries made. All Adjusting Journal entries (AJEs) must have the written approval of the Project Director or Chief Functionary.

Personnel should provide (in a timely manner), a monthly required amounts/ expenses or any changes in accounts and brief descriptions of all charges should be informed to the Accountant, who should prepare a consolidated statement about the finance requirement to the Project Director or Chief Functionary and obtain her approval for the payments.

4.3 CASH ON HAND:

Since cash on hand is more likely to be misappropriated than cash held in banks, such amount should be the minimum necessary to promote efficient cash payment. Cash should not be used for convenience in place of a cheque, when the payee will accept a cheque.

Normally, cash on hand should not exceed Rs. 5,000/- (Rupees five thousand only).

The maximum amount of cash on hand must be established and documented in writing. Maximum amount should not be more than the next day's disbursement. The documental evidence should be provided for the excess cash. Increase in cash limit should only be changed by Project Director or Chief Functionary with the consultation of the Governing Body.

5. DELEGATION OF POWERS

For effective control over expenditure, it is essential that the Board shall authorize any two members out of three who are President, Secretary and Treasurer to operate the Bank accounts. The Governing Body shall delegate powers to the President, Secretary, and Treasurer to enter into the contracts/Agreements with the Funding Agencies.

The Project Director or Chief Functionary shall also approve the formats of the Contracts/Agreements/ MoUs, which are essential for execution of the program. The Project Director or Chief Functionary shall sign these contracts/agreements/MoUs on behalf of the BMM.

The Project Director or Chief Functionary of BMM shall have authorized to sanction/approve an item of capital or revenue expenditure which can be recurring or non-recurring in nature. The maximum limit of sanction/approve not exceeding Rs.1.5 (one) lakh fifty thousand for single transaction. Above 1.5 lakh fifty thousand limit, the Project Director should get the Governing Body approval by way of conducting special meeting or circular resolution.

All cheques shall be issued with the joint signatures of the President, Secretary and Treasurer.

The accountant is authorized to keep Rs.5000/ as cash balance in the office for office expenditure apart from the other disbursements to be made. If they have to keep excess money in the office, they should take prior permission from the Project Director or Chief

Functionary. In absence of Project Director or Chief Functionary, the Accountant can take appropriate decision on the cash balance.

5.1 AUTHORIZATION OF PAYMENTS:

All Payments must be supported by documents such as bills, receipts, cash memos and self declarations.

After receiving the supporting documents, the accountant shall prepare a debit voucher and the accountant should obtain the approval from the competent authority before making the payment. The Project Director should make the confirmation of the budget balance of the concerned line item before effecting payment.

All routine payments (Office Rent, Electricity Bill, Building Maintenance and telephone bills) shall be authorized by the Project Director to make payments directly as per prior understandings.

When disbursing the payments, the accountant should obtain the signature of the payee and get acknowledging receipt of the payment. The signature must be affixed in the appropriate space on the voucher (Payments above Rs.5000/- fix with a revenue stamp)

The cheque books and physical cash should always be kept under lock and key under the safe custody of the Project Director.

6. BOOKS OF ACCOUNTS (REGISTERS)

6.1 CASH / BANK BOOK:

It is common practice in the NGOs receiving the funds from funding agencies to maintain different cash / Bank books projects wise. In this kind of scenario BMM shall maintain cash / Bank book for programs maintain separate cash / bank books based on the receipts of the funds.

1. All Receipt and Payment vouchers should be posted to the cashbook, totaled and balanced daily. After balancing the amount should be signed by the accountant on daily basis.
2. When the cashbook is totaled and the cash balance extracted it should be tallied with the physical cash in hand. The same has to be confirmed by the accountant by signing in the Cash book on daily basis. The Project Director or Chief

Functionary has to make surprise check physical cash balance and compare with cashbook at least once in a week.

3. The cash scroll sheet print out should always be reviewed and signed the accountant. After that Project Director shall verify the same and put her signature to confirm the balances. The above process must be attended on daily basis, without closing the account records Accountant should not leave the place.

6.2 GENERAL LEDGER:

BMM shall maintain General Ledger to record the cash/book and journal register entries date wise. All transactions (Receipts/Payments/Journal entry) are to be posted as and when it incurred to the General Ledger wherein a Ledger folio should be opened each head of account according to the chart of accounts. The General Ledger shall have three columns.

Date wise postings should be made from the cash/bank book, Journal register to General Ledger. At the end of each month, the Ledger account should be balanced so that a financial report (receipts and payments statement) can be prepared and submitted to the Management.

6.3 JOURNAL REGISTER:

The Journal Register shall be maintained by the BMM to record the following transactions in the books of accounts:

- Settlement of Tour/General Advances by the staff
- Rectification of errors
- Adjustment of accounts.
- Entries during the finalization of accounts.

6.4 VAULT REGISTER:

The cashier shall maintain a vault register apart from the scroll sheet. After closing the cash the denominations will be entered in this vault register. After closing the cash, Accountant will verify the physical cash and compare with the scroll sheet balance and sign in the vault register as confirmation of the physical cash and closing balances are tallied.

6.5 CHEQUES ISSUING REGISTER:

BMM shall maintain a register called Cheques issuing Register. In this register all cheque payments will be recorded date wise. The cheque number, date, and cheque amount will

be entered in the register. The cancelled cheques also mentioned in the register and record it as cancelled cheque. Each and every entry will have to get the counter signature from the authorized person as confirmation of the release of the payment.

6.6 FIXED ASSETS REGISTER:

The Fixed Assets Register contains all the information regarding the fixed assets owned by BMM. It also contains the physical details, quantity, and the historical cost of the each asset. The BMM Assets can be broadly categorized into movable assets and immovable assets.

The Fixed Assets details should be grouped properly. Example: Land and Buildings in to immovable asset. All the furniture & fixture of the BMM such as Chairs, Tables, file cabinets, almarah other furniture should be grouped in to FURNITURE & FIXTURES Group. Similarly, A/C, Ceiling/table/ standing Fans, Tube light sets and other electrical items will be grouped in to ELECTRICAL FITTINGS. Cars, jeeps, two wheelers etc., will be grouped as VEHICLES depending upon the nature of the asset it should be grouped accordingly.

The asset register should also give the particulars of asset purchased and disposed. The assets have to be numbered to easy reference. The printed Asset Register will be available in the market. No modifications are necessary for the record and usage.

6.7 STOCK REGISTER:

The Stock Register is used for the items, which are used frequently, and valuable such as stationary, stamps, and computer consumables etc. The monetary limit can be set for each value of the item to be maintained in the stock register. The printed stock registers are available in the market, which can be used without any modifications.

6.8 VEHICLE LOG REGISTER:

BMM shall maintain the vehicle log book to monitor the vehicles owned by BMM. The log book will have various columns like starting reading, ending reading, and number of kilometers traveled. Separate columns will be available for the fuel consumption and mileage record.

6.9 ADVANCE / LOAN REGISTER:

The advance/loan transactions will be recorded in this register. Each staff those who have loan account will be opened/ allot ledger pages. Every month end individual advance /loan accounts should be totaled and all individual balance totals should tally with the consolidated balance of General Ledger.

7. FORMS AND FORMATS

7.1 BANK RECONCILIATION STATEMENT:

Within 3 (three) days following the end of every month, a bank statement (up to date entries up to the end of the month, in case of Bank issued Pass Book) should be obtained from the Banks (All BMM Operating Banks).The accountant shall prepare the Bank Reconciliation Statement with in one day from the date of the Bank statement.

Soon after receiving the Bank Statement from the Bank the balance appearing therein should be recorded with that shown in the cash book by preparing the Bank reconciliation statement in a prescribed format.

Each month the Bank reconciliation statement should be carefully reviewed to investigate long outstanding cheques deposited or issued, or any other item for settlement.

All debits charged by Bank for the Bank charges or commissions and all credits for the interest and other that appear in the monthly Bank statement should be scrutinized carefully before accepting them as correct and before recording those debit/credits in the cash book.

Cheques older than 6(six) months from date of issue should be written back into the cash book noting the reference number and date of the payment voucher and liability towards concerning head of account be created for payment in future.

7.2 VOUCHERS:

For every transaction, whether it is by cash/cheque or credit Invoice/cash bill, there should be a voucher enclosed. The voucher should be able to explain the head of account, date of payment, paid by whom, verified by whom, authorized by whom and paid / received by whom.

7.3 DEBIT / CREDIT VOUCHERS

The vouchers should be numbered based on the date. The serial number will be start with first transaction of the financial year begun and close the number at the last transaction of the same financial year. It means 1st April first transaction will be serial no.1 and 31st March of next year last transaction will be the last serial number. BMM shall maintain two separate voucher sets for receipts and payments.

7.4 JOURNAL VOUCHERS:

Journal Voucher will be prepared based on the transactions. This voucher should have the signature of the prepared person and verification / approvals signatures. Journal vouchers should have serial number same as mentioned in the above.

Voucher Filing System: Separate files for receipts, payments, and Journal transactions. Every month end vouchers will be covered with brown sheet and top of that write the particulars of the month and year.

7.5 TOUR PROGRAM REQUISITION

The staff has to fill this tour program sheet whenever he / she under went an official tour to out station. This form also includes the tour advance requisition. Based on the format the staff has to mention the details of the tour and to attend the tour the advance requirement details should also mentioned at the advance required (with complete breakup details)

7.6 TRAVEL EXPENSES REPORT

The staff has to submit the tour expenditure with in three days after completion of the tour without fail. The tour expenditure should be filled in the prescribed format with day wise details of the expenditure and enclose the supporting bills (evidence of the expenditure) duly signed and counter signed by accountant and will verify the statement confirm the details according to the travel policy. Finally, Project Director will approve the statement and based on the approval accountant will consider the expenditure and settle the concerned staff advance.

7.7 I OWE YOU SLIP

This is a temporary advance, which will be settled with in the same day or followed by the next day if the transaction occurred after closing the cash. The I Owe You Slip should be used only for the general needs. Tour advances and other specific needs should be recorded through payment voucher, even the settlements made on same day.

7.8 SCROLL SHEET

Accountant will maintain scroll sheet manually. All cash transactions incoming and outgoing will be recorded serially with number. At the time of cash closing, cashier will have to total the receipts and payments of the day transactions and arrive the closing balance. The closing balance should be equal to the physical cash (If any I owe you slips not settled will be treated as physical cash). Accountant has to sign on the scroll sheet. Project Director has to verify the scroll sheet and sign as verification is done and confirm the same by verifying the physical cash.

7.9 SCROLL SLIP

Accountant will write scroll slip for every transaction during the day and enclose the supporting bills. After that the Accountant should obtain the payee signature on the scroll slip. At the time of cash closing the Project Director will endorse the slip as per the approval on bills.

7.10 ADVANCES:

Advances are amounts of funds provided to employees so that they can adequately pay for programs expenses. The risks associated with advances are that they are not liquidated in a timely manner and that their liquidation is not based on proper documentation.

1. A policy should be established that precludes an employee from obtaining an advance if he or she has an unliquidated advance outstanding, or that places a limit on the total amount of advances that can be outstanding to a given employee.
2. The Project Director Should periodically review the propriety of the credit, entries to advances by comparing the amount of each of the credits made during a certain period with properly prepared supporting documentation such as official cash receipts forms, Travel Expenses Reports or other types of receipts and invoices.
3. The Project Director should review the list of advances outstanding, monthly, in order to identify any advances outstanding for more than 30 days. Such advances should be withheld from the employees' salaries.

7.11 LOAN REQUISITION:

BMM do not have any prescribed format to release Loans to the staff. The staff those who required personal loans have to write a letter to the Project Director and get approval on the letter.

BMM policy is not to release the advances or loans to the staff, those who's earlier advance not yet settled and showing debit balance. Similarly, until and unless the earlier

loans are settled fresh loans will not be considered. In case of emergency Project Director can take appropriate decision based on the situation.

8. FINALISATION OF ACCOUNTS

BMM is a Society registered under Society Registration Act. Hence, it shall prepare Receipts & Payments account, Income & Expenditure account, and Balance sheet every year.

8.1.RESPONSIBILITIES:

Project Director is responsible for carrying out various duties to comply with the statutory provisions including filing various documents with the appropriate authority such as Income tax, Ministry of Home Affairs (FCRA), Registrar of Societies and different funding sources.

Accountant is responsible for control of Finance and for compiling the final accounts in accordance with statutory requirements as well as have the accounts of the BMM audited by the statutory auditors of the BMM

A. RECEIPTS AND PAYMENTS ACCOUNT:

The accountant must prepare a Receipts and Payment Account for every month within 3 days of the closing of the month. Balances according to the general ledger will be divided based on the nature of receipts and payments. Previous financial year's closing balance will be taken as opening balance in receipts side and similarly the current financial year's (end of month) closing balance will be taken as closing balance (cash on hand and cash at bank) in payments side. Both receipts and payments should be equal.

B. INCOME AND EXPENDITURE ACCOUNT:

The Income and Expenditure account must be prepared along with the Receipts and Payments account. In this account the balance may be excess of expenditure over income or may be excess of income over expenditure. The balance will be arrived based on the financial transactions during the period. The adjustments entries (depreciation on assets, provision for loan loss, provision for reserves, payables and receivables) will be incorporated based on the situation.

For comparison purpose the figures of Previous Financial Years (Normally prepared at the end of the financial year 31st March) shall be given.

C. BALANCE SHEET:

BMM must prepare Un audited Balance Sheet on monthly basis and Audited Balance sheet must be prepared for every financial Year (March) for reporting to the General Body through Governing Body of BMM in Prescribed format.

The Balance Sheet should show all balances of Assets and Liabilities account at close of the year with the comparative figure for previous period.

The Project Director must sign on the balance sheet, before forwarding it for statutory auditing.

The necessary Annexure sheets to the balance sheet should be numbered in sequence and attached to the Balance sheet.

8.2 STATUTORY AUDIT:

A Chartered Accountant firm in accordance with appropriate auditing principles will carry out the Statutory Audit of BMM annually. For this purpose BMM shall appoint Chartered Accountant with the approval of Governing Body at its meeting. The Auditor shall report on true and fair view of the state of affairs disclosed by the financial statements.

The Auditor shall Audit all the vouchers and related records. He/She will also examine the accounts in view of rules, decisions of BMM

9. EMPLOYEES PAYROLL

1. Direct deposit is preferable to paying payroll by cheque, which is in turn preferable to paying payroll in cash, which should be avoided unless, absolutely necessary.
2. Changes to the payroll database must be made only on the basis of properly approved and authorized documents. This document typically describes the change, and contains the signatures of the Project Director and Accountant. The person making the change to the database must ascertain that the proper signatures are present, before making the change.
3. Access to making changes to the payroll databases must be restricted to the Project Director.
4. In order to identify all changes made to the payroll database since the last payroll date, the Project Director should compare the payroll information on which the previous payroll was based to the same on which the current payroll is based. Particular attention should be paid to the employee names and payment amounts. The Project Director should inspect properly approved and authorized documentation for any and all changes identified. The Project Director should sign the payroll database printout as documentation of her review.
5. A copy of all termination/relieving letters should be provided to the Accountant as soon as possible, who should ensure that all such employees have been deleted from the payroll at the appropriate time, have paid any amounts owed to BMM and have returned any BMM property.
6. Termination/Relieving documents should be completed promptly to reduce the risk of incorrect payments to those who are no longer employees.

7. Accurate attendance records should be maintained. (Separate unit / branch office). A copy of the signed attendance record should be submitted to the Main office, which will form the basis for payroll preparation of the field staff.
8. Establish records for each type of leave available for each employee, at the beginning of each calendar year. Leave (whether casual, annual etc.) should be recorded on the employee records based on the signed attendance records received.
9. An employee should be assigned to determine, for each employee, whether he or she has exceeded the amount of any particular type of leave and inform his or her Coordinator and Payroll of any employees that have. The Coordinator can then inform the employee and, if possible, suggest using a different type of leave.
10. Organisation and employees themselves are encouraged to maintain their own leave records. BMM should periodically, at least semi annually, provide reports of leave balances and amounts taken since the last report, to all employees to compare their records with the reports and inquire about any difference.
11. Leave Approval Forms/Sheet should be used to document Coordinators prior approval of leave. The employee requesting leave should indicate beginning and ending date of leave, number of days and which type of leave to charge. Ideally, the Coordinator should determine whether the employee has sufficient leave remaining, before approving.
12. In case of Field Office, a copy of the signed Leave Approval Form should be submitted to the Accountant responsible in the Head Office for maintaining leave records.
13. The Project Director Leave must be approved by the BMM Secretary or Treasurer.
14. The document submitted to the Bank for direct deposit payroll, describing the amount of payroll for each employee, should be subjected to the same controls as any other cash disbursement for the same amount. The document should therefore have an approving signature of the Project Director documenting her review of the payroll, and the authorizing cheque signatories.

10. ASSETS/ GOODS PROCUREMENT

The major risks associated with procurement are that the wrong items are purchased, that the correct items are purchased but at a price that is higher than necessary (either through error or through improper dealings with vendors), and that items of inferior

quality are purchased. Procurement is a difficult area to control, and management should continually be conscious of this. Other risks are that purchases are not in compliance with donor regulations or terms of the grant agreements.

1. Requisitioners should be discouraged from making purchases themselves. The procurement Committee should purchase as many items as possible and all items over Rs 500/.

1. Reasonable rupee limits must be established based on employee level, for authorizing requisitions. Amounts above Rs.5,000 should require the approving signature of the Project Director or Chief Functionary.
2. A purchase requisition form, signed by the requisitioner and approved by his or her Coordinator with sufficient authority to approve, must be prepared for all procurements.
3. Specifications on the purchase requisitioner forms should be precise enough to enable Procurement Committee to purchase the items with minimal interaction with the requisitioner.
4. An Authorized Signatory List should be prepared. This list describes the position, name of the employee, rupee amounts of authority by type of transaction, and a sample signature. This list should be reviewed and officially authorized by the Project Director, who should sign the list. Changes to the list should be formally documented in a form, which describes the authority change, the reason(s) why, and the name and signature of the employee's Coordinator. The Project Director, who indicates her approval by signing the next version of the list, should approve all changes.
5. The employee approving the requisition must ascertain that sufficient funds remain in the budget to make the procurement that the procurement is reasonably necessary to achieve BMM objectives and that the procurement complies with donor regulations or terms of the grant agreement.
6. Procurement personnel must obtain at least three written independent quotations for procurement above Rs 10,000/- quotations solicitations should include a detailed description of the items, particular specifications, quantity, and required delivery date.
7. Where required, the Project Director may form a Procurement Committee. Such a Committee could prepare the summary of quotations analysis, and select the winning unit.

8. The employee assigned to establish and maintain the approved vendor list should not be the same employee who solicits quotations or who selects the winning unit.
9. The employee initiating the purchase request should not also approve the request.
10. The person soliciting the quotations should not also approve the vendor selection.
11. Access to making changes to the vendor list should be restricted to those employees assigned the responsibility of developing and maintaining the list.
12. Those employees who solicit quotations should not be involved in developing or maintaining the vendor list or otherwise have access to making changes to it.
13. Centralized purchasing and blanket purchase orders of office supplies, spare parts are highly encouraged in order to take advantage of quantity discounts from vendors.
14. If vendors can guarantee prices for at least one month, or if price inflation is less than approximately 10% per year, then such vendors can be solicited for bids on the various types of purchases budgeted which the vendor can supply. Such bids do not need to be solicited any more frequently than the time period for which prices are guaranteed or one month (where price inflation is less than 10% per year). This improves the efficiency of the procurement process because all goods can be purchased from the winning vendor for the month or other time period for which prices are guaranteed. However, while making computer and related accessories procurement, it is always advisable to do market enquiry before deciding on the same.

A. RECEIVING - GOODS

1. An employee should be assigned the responsibility of receiving all delivered purchased goods at each delivery location. This employee should not have access to changing the accounting records or ability to authorize transactions. This employee is also to pick up goods that are not delivered.
2. Employee should count or weigh received goods and compare to the quantities and weights of the goods as described on the waybill. They should also quickly inspect the goods for obvious damage or for their being the wrong goods. Any shortages, damages or wrong goods should be noted on the transporter waybill and the transporter's signature obtained on the waybill to document his agreement. A copy of the waybill should be maintained.

3. The receiving report should be prepared in duplicate. One copy should be sent to the accountant, and the second will be available in the Administration.
4. Items received should immediately be entered into the storage space specified and/or delivered to the requisitioned, as applicable.

B. PROCUREMENT - CONTROL

1. Custodians should not have the authority to requisition items under their custody. Each custodian should have an assigned designee to maintain the key in the custodian's absence. Only the custodian and designee should ever have possession of the key, and if required, a Project Director or Accountant could also maintain custody of a key. However, this key must be restricted from use by any other person.
2. Controlling and accounting for office supplies of low unit cost (Rs 250 or less as determined by the Chief Functionary) based on requisition forms should be considered, but may not be cost-beneficial.
3. High unit cost items (those Rs 250 or more) such as toner cartridges, boxes of diskettes, etc., and blank forms such as cheques, purchase orders, vouchers, etc., should be stored in a secure area and released only on the basis of requisition forms described above.
4. All office equipment (non consumable items with unit cost of Rs 1,000/- or more) should be either in inventory or in use and assigned to the employee using the equipment. The employee assigned to maintaining the property register should receive a copy of all requisition slips to be able to enter the name of the individual or department assigned custody of the property item, onto the property register.
5. A copy of the receiving reports or other documents containing a detailed listing of items purchased and already received should be provided to an employee other than the custodian of such property. This employee should, for non consumable property with unit cost of Rs 1,000/-, enter the following information into a master property database: a description of the item, serial or other identification number, unit cost, source of funding, percentage funded by each source (if applicable), date of purchase and location of the item.
6. When it is desired to transfer non consumable property Rs 1,000/-, from one employee to another, the transferee should prepare a form describing the serial or identification number, description of the property, name and signature of the transferee and date. The transferee should also sign this form. The transferee's

signature is documentation that he/she has received the property in good condition. The transferor should maintain a copy of this form, and a copy submitted to the employee maintaining the property register, who will record the change of custody in the database. Not using these forms for transfers within a unit, may be considered.

7. An employee, preferably the Accountant, should review the propriety of all warehouse records. The review should include comparing quantities and types of items per the signed receiving reports to the same per the records, quantities and types of items issued (credit entries) per the records to the same per properly prepared and authorized requisition forms, checking the arithmetical accuracy of the records and comparing the ending balances of each page of the records to the balances brought forward (beginning balance) of the succeeding pages. The employee should document the performances of this procedure by dating the signing the records. Any differences noted should be reported to the Project Director/Chief Functionary for resolution.
8. The senior staff employee should propose adjusting entries, such as write off of property, to the Project Director for his/her authorization. Adjustments to the property records should not be made without the authorization of the Project Director.
9. Property should be counted periodically by employees without custodial responsibility or responsibility for maintaining the property register. The count amounts should be documented in writing along with the date, names of persons performing the count and their signatures. These persons should compare the recorded balances with the count amounts. Any differences between the count and recorded amount should be reported to the Project Director.
10. For transfers of property to another site e.g. different building or geographical location, the same procedure as 6 above should be used except that if the transferor is initiating the transaction, he/she should notify the transferee of the quantity and type of items being transferred. A waybill should be prepared if someone other than the transferor is to deliver the items. The transferee should follow up if the items are not received in a reasonable amount of time.

Additionally, a copy of the transfer form signed by the transferee should be provided to the employee maintaining the property register in order for him or her to reflect the change on the register.

C. GOODS - ISSUANCES

1. All Office items are to be issued on the basis of an authorized requisition form. The form should require a description of the item(s) requested, the name and signature of the requestor, and his/her Coordinator for items approximately valued above a certain threshold, (such as Rs 200/-). In the case of equipment, it is assumed that the requestor is the person to whom the equipment is assigned unless otherwise based on the requisitions form.
2. The requisition forms supporting issues should be maintained by the Accountant to support the entries he or she makes in the inventory register.
3. Authorization limits for requisition transaction should be established based on the type of item and the employees responsibilities and position.
4. If a contracted transporter is used, payment for transport is to be made only on the presentation of an original waybill signed by an authorized recipient of the property.
5. Those delivering property as described above are to obtain the signature of an authorized recipient of such property, as evidence of property delivery.

11. FIXED ASSETS

An Asset held with the intention of using it for the purpose of providing services and not held for sale and dealing same in the normal course of business. The classification of any capital expenditure has become almost certain and accordingly the chart of account heads is enumerated into this manual which gives various heads under which the fixed assets

have to be classified. The Capital Expenditure generally incurred by the BMM may be classified under the following heads:

- LAND AND BUILDINGS
- FURNITURE & FIXTURES
- COMPUTERS & ACCESSORIES
- VEHICLES
- OFFICE EQUIPMENTS / ELECTRICAL FITTINGS

The BMM may constitute a team called "Capital Expenditure Committee" (CEC) and the CEC team members will follow the procedures for the purpose of purchase of Fixed Assets.

An identification number for each category and each fixed asset item should be assigned for easy identification of the assets. These identification numbers should be painted on each item, and the numbers should be indicated on the fixed assets register for each asset.

The Accountant should assign a responsible staff to maintain the fixed assets register and make entries therein from the appropriate accounts immediately after the payment for each item is made by the Accountant.

In order to make the entry in the fixed assets register, the cost and the life of the item must be above Rs.1,000/- and above 3(three) years respectively

PHYSICAL VERIFICATION OF ASSET:

Physical verification of fixed assets and determination of its status is quite important function. Accountant shall decide the periodicity of physical verification in consultation

with Project Director. The physical verification is the joint responsibility of Project Director and Accountant.

The Accountant shall prepare a physical verification report which shall include the following:

- Details regarding assets discarded or demolished or put out of use and resultant value of related asset.
- Assets damaged and actions required for repairs or replacements etc.

Based on the Physical Verification Report of Accountant with the recommendation of Project Director and with the approval of Chief Functionary, The Governing Body shall take decision about the write off of the particular asset. On the basis of such approval, the item of the asset can delete from the fixed asset records.

DEPRECIATION OF FIXED ASSETS:

For the purpose of calculating depreciation of an asset shall be determined in consultation with Accountant having regard to the functional use of the asset and in conformity with the provisions of the act. While calculating depreciation Project Director shall consider the following points:

- The rate of depreciation applicable to particular class of assets.
- Period for which the asset were held and used by the Society.
- In case of assets sold the sale price and written down value of the assets.

SALE / DISCARD / DISPOSAL - FIXED ASSETS:

On the basis of the physical verification report as well as Recommendation of approval of Project Director about the sale/disposal/discard of Fixed Assets, The Accountant shall send office note duly authorized by Chief Functionary to Project Director to take necessary steps to do the same.

The Accountant shall make an appropriate entry in the fixed asset register and other records.

Accountant shall pass journal entry for appropriate adjustments in accounts for income/loss on disposal.

VEHICLE USAGE

The major risk associated with vehicle usage is not accounting for and loss due to inadequate maintenance. The major risk associated with fuel is undetected misappropriation.

1. A policy regarding vehicle use should be established. The policy should prohibit the use of any vehicle for personal use without appropriate compensation. Paying a fee based on distance probably most efficiently effects appropriate compensation.
2. In order to document compliance with the vehicle use policy, the following procedures should be adopted.
 - a. A logbook for each vehicle should be maintained. This logbook should contain an accounting for all mileage of the vehicle by describing the beginning odometer reading and ending odometer reading of each use of the vehicle, the purpose of each vehicle use, and the project(s) each use applied to.
 - b. Periodically, monthly, the logbook should be reviewed by Project Director for reasonableness and, if the usage on a given project is reasonable, the Project Director should sign the logbook to document her concurrence of reasonableness.

TELEPHONE:

Long distance telephone use can be a significant expense. The Accountant who is in the normal course of business make long distance calls should be able to access long distance lines. The STD/ISD calls shall recorded in a register and it should be signed by the concerned staff, who made call.

