

ACCOUNTS MANUAL

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SUMMARY OF RECOMMENDATIONS

INTEGRATED ACCOUNTING AND BUDGETING SYSTEM

The accounting and budgeting system has been designed as integrated systems built around and inter linked structure of budget and account heads. A modified structure of groups has been suggested. Each of these groups will have an independent budget. The proposed design would facilitate the following:

1. Planning and budgeting for all activities and groups.
2. Computerised maintenance of unified Books of Account for all activities and groups.
3. Availability of regular financial and accounts information for planning, control and decision making.

Budgeting

The planning and budgeting process should result in an Annual Plan, which serves to utilize the available funds in the most effective manner. All the areas of functioning of **CHETNA VIKAS** should be provided adequate support in the Annual plan. The different Areas of functioning have been defined as follows:

1. Promotion of value based voluntary action:
 - i) Public Education.
 - ii) Voluntarism amongst youth.
 - iii) Value based voluntary action.
2. Protection and promotion of space for voluntary action:
 - i) Promoting Enabling regulation.
 - ii) Protection against Harassment.
3. Formation and strengthening of Networks.
4. Evaluation and monitoring of Social Development.
5. Common platform on emerging issue of sect oral concern:
 - i) Follow-up of and monitoring social development in India,
 - ii) An alert eye on macro level development.
6. Information collection, analysis and dissemination.
7. Secretarial.
8. Printing & Publication of Journals, films, periodicals, books, reports, advertisement etc for the promotion, benefit and advancement of charitable ideas, institutions, works and activities of the Society.
9. Production of Films, documentaries connected with the programs of the society.
10. To provide computer service in the Hardware & Software covering information & knowledge in the field of activity of the Society.
11. To generate & accept donations from public.
12. To train research students in this field & to give them stipend.
13. To establish, overtake institutions etc for the spread of knowledge and to promote the program of the Society.
14. To involve in charitable activity for the relief of the poor, education & medical relief to children & poor etc.
15. Working committee and General Body Meeting.

The activities of the groups in the suggested structure correspond to the above Areas. The activity plans and budgets of different set of groups form the Area Plans and Area Budgets. Activity plans and budgets are to be first prepared for each group. *The budget of groups must include all expenses including salaries and other administrative expenses. These expenses shall be borne out of CHETNA VIKAS's administrative budget.* The Planning and the Budgeting process would conclude with the preparation of an Annual Plan, which lays down the planned activity alongwith the approved budgets. The Annual Plan is to be finalized in March, before the start of the financial year. Further details are given in the chapter on budgeting.

ACCOUNTING

The existing procedure of accounting, with separate Books of Account will be maintained apart from the legal requirements of the Foreign Contributions Regulation Act, 1976. All receipts shall be credited into and spent out of the separate grant/fund account.

The accounts are to be maintained on a computer. The account software package recommended for this purpose is "Tally". This will facilitate upto-date accounts and reduce the possibilities of loss of data. It is recommended that all Books of Account be printed once a month and scrutinized. Further details are given in the chapter on Accounting.

2. PLANNING AND BUDGETING

The process of planning and budgeting should result in an equitable allocation of available funds for the activities of an organisation, and in the allocation of funds to different groups of the organisation in tune with their functions. The process is dependent both upon the structure as well as the activities. The budgeting process and the structure both must be designed for the most effective and efficient handling of the activities of organisation.

I. Budgeting and Organization

The following groups have been proposed keeping in mind the activities of **CHETNA VIKAS** and need to evolve a clearly defined procedure for budgeting.

It is proposed that the following groups of Staffs will be constituted within **CHETNA VIKAS** taking into account the requirement of Project activities to be undertaken. Moreover, besides formulating an Annual Budget for various activities to be undertaken during the year, an Annual Budget is prepared for the groups.

Suggested Support Groups

In-house groups which would provide specialized technical or administrative support for the activities of CHETNA VIKAS are as below:-

- a) Documentation & Publication Group
- b) Media and Public Relation Group
- c) Finance and Accounts Group
- d) Personnel and Administration Group

- e) Library and Documentation Group.
- f) Planning and Control Group.

Moreover, cumulative budget and actual expenditures be compared and analyzed at the end of each month for the said groups by the Planning and Control Group to have better control on expenditures. Variation if any should be analyzed.

II. **Budgeting & Area of Activity**

1. Printing & Publication of Journals, films, periodicals, books, reports, advertisement etc for the promotion, benefit and advancement of charitable ideas, institutions, works and activities of the Society.
2. Production of Films, documentaries connected with the programs of the society.
3. To provide computer service in the Hardware & Software covering information & knowledge in the field of activity of the Society.
4. To generate & accept donations from public.
5. To train research students in this field & to give them stipend.
6. To establish, overtake institutions etc for the spread of knowledge and to promote the program of the Society.
7. To involve in charitable activity for the relief of the poor, education & medical relief to children & poor etc.

III. **The Planning and Budgeting Process:**

The process of budgeting shall start with formulation of plans for all groups described above. The intention is to start with the desired plan of action rather than with available funds. The desired plan of action is to be broken down into concrete activities, which have to be taken up. Activities such as visits, data collection, meetings, conferences, research, interviews, planning, report writing & Activities based Each of these activities is associated with various kinds of expenses. Expenses relating to travel, communications man days, materials, and equipment. Estimates of the expenses related to each of the activities when added up for all, give the budget for the particular plan of action. This procedure can be adopted both for project activities, which are time bound and have a beginning and an end, and for activities of a continuing nature.

It is natural that the expenses incurred during the previous years would influence the budgets of ongoing activities. For these budgets, the changes required in comparison to the previous year should be thoroughly examined. In addition to that the basic premises of the entire budget may also be questioned. This process requires a somewhat detailed and a thorough development of the plan of action and reasonably accurate estimates of the expenses associated with each of the activities at the time of budget formulation. However once the exercise has been completed it provides not only a detailed budget, but also a detailed plan of action. Another merit lies in having a budget, which speaks for itself, which helps to get the requisite funds allocated in a situation of competitive bidding for available funds.

Some general guidelines for preparing groups budgets are given below:

- a) Each group will prepare budget for their activities. The budget of a group must include all expenses including salaries and other administrative expenses. These expenses shall not be borne out of CHETNA VIKAS'S administrative budget.
- b) Project proposals prepared for funding agencies or clients can also serve as internal budgets for the project execution groups with appropriate changes in format.
- c) All project proposals for external funding agencies should include the expenses relating to salaries, travel, communications and other expenses relating to in house personnel.

At the beginning of the year whatever projects have been identified for execution, but have not been externally funded would be considered for support from internal funds. The allocation of internal funds can be carried out every quarter depending on the availability of funds. At the time of allocation of funds a Project Execution group should be formed. The Head of the group should be identified as the first step and the team formed in consultation with him. A mix of people from different groups and chapters should be drawn for this purpose. A similar procedure may be adopted when external funds or a firm commitment is received.

The Planning and Control Group would review the plans and budgets of all the groups. The Planning and Control Group would make the final allocation of the funds. The following may be kept in mind at the time of budget allocation:

1. CHETNA VIKAS should keep some provision for setting up new task forces during the year for current issues, which require study, and research, for proposing changes in policy.
2. Apart from funds allocation for projects start up activities at the beginning of the year, funds should be set aside for starting new project and for taking up new projects for start-ups during the year.
3. Funds may also be set aside for new initiatives, which may need to be taken in the year in the light of unforeseen developments.

Once the Planning and Control group have approved the Annual Plan and the Budget, adherence to the Budget should be strictly enforced through the following:

- a) No expenses should be incurred without an approved budget.
- b) Budget overruns of more than 10% should be critically examined to ascertain the reasons. Additional support may be provided if considered desirable. In the absence of a re-examination, additional spending should not be allowed.
- c) Monthly variance reports are to be prepared for each group showing the budgeted and actual expenses.

IV. Budget Heads and Treatment of Expenses

Budget heads are defined as sets of account heads of related expenses. Budget heads will be used for the preparation of Budgets without going into detailed calculations at the account head level. Expenses incurred would also be clubbed together to give expenditure for each of the budget

heads. For this purpose all expense vouchers will be booked to the group to which they relate in addition to the appropriate account head.

Some expenses are not easily identifiable with specific groups these are expenses for common services such as electricity, rent, telephone etc. Such expenses referred to as indirect expenses will also be booked to the groups to the extent it is possible to identify them with specific groups the remaining portion of the indirect expenses will be calculated and apportioned every month to the various groups. Initially the expenses will be booked to a dummy group called CHETNA VIKAS. Some of the indirect expenses will be booked only to the accounts and the administration groups. A list of budget heads and account heads under them is given below :

BUDGET HEADS:

<i>Employee Expenses</i>	<i>Direct Expenses</i>
Salary account	
Medical Expenses A/c	
Employer contribution A/c	
Overtime Expenses A/c	
Leave Encashment A/c	
Arrear A/c	
 <i>Consulting Expenses</i>	 <i>Direct Expenses</i>
Consultancy fee A/c	
 <i>Travel and Meeting Expenses</i>	 <i>Direct Expenses</i>
Daily Allowance Expenses	
Tour Travel and Conveyance	
Meeting Expenses	
Vehicle Hiring Charges Expenses	
 <i>Communication Expenses</i>	 <i>Indirect Expenses</i>
Telephone Trunk call and Fax	Percentage (nature of work)
Postage	Administration
Telegram	Percentage (nature of work)
Internet	
 <i>Office Expenses</i>	 <i>Indirect Expenses</i>
Printing & Stationery	Administration/Issues
Maintenance-Equipment	Administration/Actual time/Issues
Consumable A/c	Administration
Tea/Coffee Sugar & Milk Expenses	Administration
Photostat A/c	Administration
Utilities	

<p><i>Financial Expenses</i> Insurance Premium A/c Bank charges</p>	<p><i>Indirect Expenses</i> Accounts Accounts</p>
<p><i>Library Expenses</i> Periodical A/c Books & Magazine A/c</p>	<p><i>Direct Expenses</i></p>
<p><i>Other Expenses</i> Repair and Maintenance A/c Miscl. Expenses</p>	<p><i>Direct Expenses</i> Administration Accounts.</p>

Project Head Expenses

3. EXPENSES APPROVAL PROCEDURE : A PRACTICAL APPROACH

EXPENSE APPROVAL PROCEDURES:

Expense approval procedures have been proposed for different kinds of expenses. This will facilitate control over expenses while removing procedural delays. Rate contracts with monthly bills from suppliers for regular use items will reduce paper work and facilitate easy handling of such purchases. Project Heads have been given an Annual Plan as the authority of the Project Heads is limited by approved group budgets.

The financial powers for incurring expenses and release of payments and advances are given in tabular form in Appendix-A. Decentralization will obviate the need to refer to the highest authority for approval of small expenses, advances and payments. The delegation is tied to budgets and to their review. In the absence of budgets the delegation will automatically stand withdrawn. Further details are given in the chapter on Expense Approval Procedures.

Expenses approval procedures for different kinds of expenses are described here. *Standard rate contracts* are suggested for the purchase of *regular* use items. Procedures for approval of expenses against budgets are given separately. A procedure for unforeseen expenses is also given.

A. Standard Rate Contracts

Regular use items should be purchased under Standard Rate Contracts. **Rate Contracts should be worked out for a year after rates have been obtained from three or more suppliers.** Rates and Suppliers once fixed should not be disturbed for at least one year. Rate Contracts may be renewed for two years without calling for rates from other Suppliers at the discretion of the Secretary

The Suppliers should be asked to give monthly bills. Where possible credit should be negotiated, or preferably cash discounts should be obtained for prompt payment of bills.

The rate contracts will be approved by the Executive Secretary with the Accounts Executive for general use items. Rates may be approved by the Secretary with the Programme Heads for materials required for Projects.

Orders for purchases under Rate Contracts will be approved by the concerned Programme Head or the Secretary.

This will save a lot of administrative effort and expense as purchase of articles of daily use will be no more than a telephone call. Monthly bills and payments will reduce the time and effort required to process bills as well. The list of items under Rate Contracts should be circulated to the Programme Heads. The list should be revised periodically.

B. Budgeted Expenses upto Rs. 5,000/-

Expenses for purchases and contracts for consulting or other services upto an amount of Rs. 5,000/- at a time approved by Programme Head and the Accounts Executive provided, that they are within the group budget. Additional guidelines are as follows:

Purchases upto Rs. 5,000/- may be made entirely at the discretion of the Programme Head and the Accounts Executive whose decision will be final. The Programme Head and the Accounts Executive will be presumed to have made the necessary enquiries to satisfy him about the quality and the price of the goods. The Programme Head will be responsible for ensuring that the goods are received in proper condition and are recorded in the Stores Ledger as well as the Purchase Register.

Programme Head and the Accounts Executive will be responsible for clearly defining the deliverables, schedule of completion and payment terms under contracts approved by them. A copy of the contracts is to be given to accounts.

C. Budgeted Expenses upto Rs. 5,000 but below Rs. 50,000

Expenses for purchases and contracts for consulting or other services of amounts above Rs. 5,000 but below Rs. 50,000 may be approved jointly by the Treasurer, the Programme Head and the Secretary the expenses must be within the group budget. Additional guidelines are as follows:

Appropriate quotations, at least three in number must be obtained for purchase of goods. The concerned Programme Head may reject any quotations on technical grounds or quality considerations. The Programme Head will ensure that the goods are received in proper condition and recorded in the Stores Ledger. The terms of payment for the purchase of goods should be clearly laid down in the Purchase Order.

Where possible proposals should be obtained from more than one Consultant or Contractor at the discretion of the Programme Head/Accounts Executive. Programme Head will be responsible for clearly defining the deliverables, the schedule of completion and the payment terms under Contracts. A copy of the contract is to be given to accounts.

E. Budgeted Expenses above Rs. 50,000

Expenses for purchases and contracts for consulting or other services of amounts above Rs. 50,000 should be approved by the concerned Programme Head, Treasurer and the Secretary. The expenses must be within the group budget. Additional guidelines are as follows :

Appropriate quotations, at least three in number must be obtained for the purchase of goods. The concerned Programme Head may reject any quotations on technical grounds or on quality considerations. The Programme Heads will be responsible for ensuring that the goods are received in proper condition and recorded in the Stores Ledger as well as the Purchase Register. The terms of payment for the purchase of goods should be clearly laid down in the Purchase Order.

Where possible, proposals should be obtained from more than one Consultant or Contractor at discretion of the Programme Head and the Secretary. The Programme Head will be responsible for clearly defining the deliverables, schedule of completion and payment terms under contracts. A copy of the contract is to be given to accounts.

© Expenses which have not been budgeted

Unplanned expenses which have not been budgeted may be approved by the concerned Programme Head, the Treasurer, and the Secretary which should be sanctioned in the Working Committee Meeting.

4. PAYMENTS PROCEDURE

Ledger accounts should be maintained for parties with whom business is regular or for Parties with whom contracts have been signed which involve more than one payment. Payments to regular suppliers should be released only against credit balances in their Ledger Accounts. Parties with irregular business may be paid directly by debiting the expense accounts. Accounts entries crediting regular suppliers in respect of approved expenses will be passed on the receipt of bills. Bills from outside parties should be sent to the accounts group with a duly authorised Payment requisition. All payments to suppliers should preferably be made by cheques. Payments above Rs. 10,000 & above should always be made by cheque. Where the purchase has been paid for in advance, a duly authorised requisition must be sent to accounts for settling the outstanding advance.

I. THE PAYMENT REQUISITION

All accounting entries for expenses payable and payments to outside parties will be made against payment requisitions. The requisition shall serve as the documents for expenses and for release of payments. Expense vouchers are to be prepared as soon as the requisition is received even when the payment is to be released at a later date.

The date on which the payment is to be made should be indicated on the requisition. Where the supplier is giving credit, there will be time gap between the booking of the expense and the actual payment. When no

credit is available, accounting entries for booking expenses and for the payment would be prepared simultaneously.

The Accounts Section should keep the requisitions received by it in order of the dates on which payment is due. *An analysis of the outstanding requisitions will help to forecast funds requirements.* All Projects should be encouraged to send the requisitions as much in advance as possible. The best way to encourage this is to ensure automatic release of payments once the requisition has been received in advance. Reminders should not be needed for the release of payments.

Requisition for payment of purchases should be accompanied by invoices and challans showing the receipt of materials in good condition and showing the entry in the Stock Ledgers. The Accounts section should keep a record of requisitions received in a register maintained for this purpose. Requisitions and the attached documents should be kept safely by the Accounts Section., No documents should be misplaced. If the Accounts Section misplaces documents, other groups will not feel confident about giving documents in advance.

On the receipt of the goods, whether Capital or Revenue nature, they are to be entered in a Stock Ledger. Issues of various items should also be recorded to keep track of the groups, which are consuming these items. The Stock Ledgers should show the Location of the Fixed Assets along with the Fixed Assets Register.

Requisition for payment of bills under contracts for consulting or other services should be accompanied by a certificate from the Programme Head/Accounts Executive stating that the contracted services have been received.

The Accounts Section shall be responsible for making deductions in respect of TDS (Tax deducted at Source) wherever applicable. Accounts would also be responsible for checking the documents attached to the requisition and ensuring compliance with the terms of the contract or the purchase order. Compliance with established procedures and verification of the gross and net amounts will also be the responsibility of accounts for all payments released.

II. **PAYMENT OF ADVANCES**

Advances have to be regularly scrutinised and pursued for prompt repayment. Delays in scrutiny invariably lead to reconciliation problems and bad debts. Fresh advances should not be released to defaulting parties. Vigorous follow up for recovery of advances is a must. Specific guidelines for advances for different expenses are as follows:

A. Standard Rate Contracts

No advances should be paid under rate contracts.

B. Advances against Budgeted Expenses

Payment of advances for purchases would be approved by the Secretary and recommended by the Programme Heads/Accounts Executive subject to the terms of the Purchase order. For purchase of items of value in excess of Rs. 5,000, a copy of the Purchase order, specifying the quantum of advance should be attached to the requisition.

The Accounts Executive, Programme Heads subject to the payment terms, would approve payment of advances under contract. A copy of the contract, specifying the payment of advance should be attached to the requisition. The Accounts Section for verification will keep the statement of which at the end of each month before the Secretary.

At the time of payment of an advance, the accounts of the party getting the advance should be debited by the amount of the advance.

III. PROGRESS PAYMENTS

The Secretary subject to the contractual payment terms would approve progress payments under contracts. A copy of the contract, if not already sent to the accounts, should be attached to the requisition. Requests for progress payments should be accompanied by the appropriate documents evidencing performance. The Programme Head/Accounts Executive should satisfy himself before recommending that, the contracting party has executed the contract satisfactorily.

At the time of release of running payments, the account of the Party getting the payment is to be debited by the amount of the payment. Prior to the release of the payment of expenses voucher is to be made and posted.

IV. FINAL AND ONE TIME PAYMENTS

Requisitions for final and one-time payments under contracts should be accompanied by appropriate documents evidencing the performance of services. The Programme Head/Accounts Executive should satisfy himself that the contracting party has satisfactorily delivered all the deliverables under the contract. Contracts unless already given to the Accounts Section with earlier requisitions, should also be attached.

At the time of release of the final payments, the Accounts section should check that all advances have been adjusted and TDS has been deducted properly. The accounts of the entire contract should be scrutinised to make sure that the payment being made is as per the contract.

The Programme Heads/Accounts Executive subject to the terms of the Purchase Order would approve payments for purchases. A copy of the Purchase Order should be attached to the requisition in addition to the bills and challans. No written purchase order is necessary for purchases below Rs.5, 000/- bills received from the supplier can be approved and attached to the requisition.

At the time of the release of the final payment, debit the expense account and credit the party by the amount payable. The payment should not exceed the credit balance in the account of the party.

V. RATE CONTRACT PAYMENTS

The Accounts Executive against a Payment Requisition prepared by the Accounts section may release payments under rate contracts. Suppliers should submit bills supported challans signed by the Programme Head/Accounts Executive. The challans should show the entry into the Stores Ledger.

5. EMPLOYEE PAYMENTS

Powers to approve employee bills up to specified limits have been given to Programme Heads and Accounts Executive subject to the expenses being within TA/DA rules. It is recommended that the TA/DA rules should be in writing. A realistic set of rules is the first pre-requisite for their enforcement.

The Requisition will not be used for the release of payments to employees. Expenses bill will be treated as the requisition for payments to staff.

EMPLOYEE PAYMENTS: A PRACTICAL APPROACH

I. APPROVAL OF EMPLOYEE EXPENSES:

The Programme Heads/Accounts Executive subject to the provisions of the appropriate rules may approve all employee bills up to Rs. 2000. Secretary/director/Programme head will be similarly approve employee expenses exceeding Rs. 2,000/-.

Approval of expenses beyond the provision of the rules, even when the expenses are below Rs. 2,000/- would have to be sought from the Secretary Expenses of the Programme Heads will be approved by the Secretary

II. APPROVAL AND PAYMENT OF ADVANCE:

The Programme Heads/Accounts Executive may approve 2,000. The Secretary at the recommendation of the Programme Head or the Accounts Executive will approve advance in excess of Rs. 2,000/-. Programme heads and Accounts Executive can approve their own advance upto Rs. 10000/- subject to the requisition signed by the Secretary upon enquiry from the Accounts Section.

Advance in excess of Rs. 5000/- should be accompanied by prompt repayment. Delays lead to difficulty in reconciliation of accounts. No fresh advance should normally be released to employees who have not submitted bills for outstanding advance. Vigorous follow up for recovery of advances is a must, especially with the employees. Advances older than six months should be recovered from salaries. A column for "Other Deduction" should be added to the salary sheet for this purpose or for any other deduction.

Advances to staff should be paid in cash.

III. PAYMENT OF EMPLOYEES BILLS

Payment to employee would be released on the basis of the approved bill itself. No separate approval of payment is required. It also not necessary to prepare requisitions except in the case of release of advances. Where an advance has been given, adjustment entries should be passed only on the receipt of approved bills. Approved tour bills should be submitted expeditiously to the accounts.

IV. SEPARATE LEDGER ACCOUNTS FOR PERSONAL ADVANCE AND ADVANCE AGAINST EXPENSES

Separate accounts should be maintained in the General Ledger for employees personal advance and advance to employees' against expenses. Adjustments in the accounts should be made at the time of submissions of expense bills and deductions from salaries respectively.

CASH AND FUNDS MANAGEMENT

It is suggested that sufficient cash balance should be maintained to ensure that the needs of the staff and of cash payments could be easily taken care of. The practice of issuing cheques to staff when they come for advances should not be entertained.

Current requirements can be met by a minimum cash in hand of Rs. 1500/- and a maximum of Rs. 10,000. Whenever the cash in hand drops below Rs. 1500/- an appropriate amount must be withdrawn to take the cash in hand upto Rs. 10,000/-. The requirements of cash in hand can be reviewed periodically. Appropriate safety measures including an insurance cover for cash in hand must be implemented.

Funds management for projects

Project execution groups will be allowed to utilize internal funds against project funds to be received from funding agencies or other sources. This will be allowed only after the project budget has been approved. The approval of the budget shall be taken as approval for utilization of internal funds in the absence of outside support. Hence at the time of approval of the project budget, the issue of funding should also be looked into.

As and when projects have a cash surplus they can earn simple interest at the rate of 9% p.a for the amount borrowed by them. The interest will be calculated every quarter. Interest will be payable on the minimum surplus balance each month. No interest will be charged to projects, which have a debit balance.

DISTRIBUTION OF WORK IN THE ACCOUNTS GROUP

Within the accounts group, distribution of work must be laid down clearly. A clear, preferably written distribution of work is essential to fix responsibilities and ensure accountability, which in turn helps to keep the work up-to-date. It is essential that accounts be up to-date to provide information for Management decision-making and planning. The distribution may be reviewed periodically as and when the quantum of work changes.

INTERNAL AUDIT

The internal audit process should be continued. This will facilitate year end finalization of accounts. What is more important, decentralization of accounts can function successfully only when accompanied by internal audit. Internal audit not only ensures propriety in accounting transactions, but also helps to maintain uniformity of systems and procedures essential for successful functioning of decentralized accounts.

FINANCIAL INFORMATION SYSTEM

The accounts department will be responsible for providing all the necessary financial information to the projects. Forecasts of income and expenditure, actual expenses for each of the projects, variances against budgets, case flow and funds flow projections and reports are to be prepared regularly.

PREFACE

1. At present the post of Accounts Executive is lying vacant. The job specification has been made keeping in mind of the fact that the post will be filled-up in future.
2. The job of the Accounts Executive and the Accounts Assistant as specified below have been drawn up keeping in mind of the fact that their work areas will not necessarily be confined to these jobs only. They will besides performing their day-to-day function, also assist each other in all matters relating to preparation and maintenance of books of account other related records and documents of the organisation.

6. JOB SPECIFICATION

Secretary

- The Secretary will supervise the overall functioning of the Accounts Section and deal with investment matters.
- The Secretary will ask for the Monthly Accounts to the Accounts Executive as well as the accounts section.
- The Secretary besides the Internal Auditor on 10th of the every month will test check that Monthly Accounts are prepared and Trial Balance as well as Bank Reconciliation Statement is kept before him.
- The Secretary will also look into the matter that all the project work as scheduled has been met with within the amount budgeted.
- The Secretary will ask for the Utilization Statement month wise to the accounts section on the 10th of every month.
- The Secretary should review the Quarterly Internal Audit Report and urge the Accounts section as well as other section to give compliance to the query in the report.

ACCOUNTS EXECUTIVE

- Accounts Section.
- Admn. Section
- Computer Section
- Legal Matters
- Project
- Secretary's office

ACCOUNTS EXECUTIVE

- To do weekly scrutiny of Ledger.
- To compile all the MIS of different Projects/Funds received from the Project Head and to submit them to the Ex. Secy.

- To prepare Utilisation Statement of Grants monthly i.e. by 3rd every month.
- To prepare the reconciliation Statement for Bank transactions monthly.
- To deal with the Bank.
- To deal with Income Tax Matters.
- To deal with FCRA matters.
- To deal with the Statutory Authorities.
- To take overall care of the records maintained in the Institution and to check that they are updated properly.
- To handle the audit both Statutory and Internal.
- To deal with Cash Receipts.
- To deal with Cash Payments.
- To instruct the Accounts Assistant to maintain records.

ACCOUNT ASSISTANT

- To maintain records related to Cash and Bank transaction.
- To prepare Vouchers.
- To enter Vouchers all type in the Computer on daily basis.
- To do scrutiny of vouchers with the books to ensure that the vouchers have been entered on proper accounting heads.
- To take print only of the books on daily basis.
- To get the vouchers filed with authentic supporting bills should be attached
- To keep the vouchers in proper custody.
- To arrange to collect and to keep Bank Statements.
- To assist the Accounts Executive and to furnish the necessary details whenever asked for.
- To pursue for clearance of outstanding entry in the Bank Reconciliation Statement, if any.

ACCOUNTS

The system of accounts and budgeting shall evolve around a set of pre-determined account heads, which fall into a structure of Groups, Sub-groups and Accounts.

Accounts will be maintained using the following guidelines.

- a. All receipts for projects and from interest and services to be credited into the respective Grant account with the exception of Foreign Funds for which separate accounts have to be maintained as stipulated under the Foreign Contribution Regulation Act. In addition to maintaining a separate account separate Bank Book and Ledger should also be maintained for Foreign Grants.
- b. Separate Books of Account is to be maintained for each of the following referred to as accounting units.

- i) Indian Grant A/c
- ii) Foreign Grants A/c
- c. All expenses relating to the Foreign Grants are to be met out of the separate Bank account opened for Foreign Funds. Sufficient fund to be held in Bank Current Account so that at no time, transfer of fund is made.
 - i) From Indian Fund to Foreign fund
 - ii) From Foreign Fund to Indian Fund.
- d. The expenses relating to Indian Grant are to be met out of the Bank Account maintained for the said purpose. Further, the conditions as per the "Para C" above have to strictly adhere to.
- e. The Accounts of Indian Funders and the Foreign Funders will be merged with the CHETNA VIKAS main account for the preparation of the final accounts of CHETNA VIKAS.
- f. Accounts heads would be pre defined for all accounting transactions. New account heads, if any, required by any unit would be introduced only after the accounts section has approved them. It would be essential not only to send the nomenclature of the account head but also the group under which the new account head is sought to be introduced. Individual accounts relating to employees or suppliers, which would form part of sub ledgers, can be added as and when required.

The expenses associated with different activities would have to be finally presented within the structure of account heads. The budget heads therefore follow the pattern of account heads. The account heads fit into a hierarchic structure of groups and subgroups. For budgeting purposes the expense accounts at the lowest level need not always be used. Wherever appropriate, budget may be prepared at the subgroup level. The sub groups of the expense account have been structured to facilitate their use as budget heads. The detailed structure of account heads along with comments is given here :

ACCOUNT HEAD

The Accounts fall into a pattern of Group, Sub groups and Accounts. In some cases there are two or more levels of sub groups. Entries are to be made only in the Accounts and not in any of the groups or sub groups. All the operative accounts end with the word account. This is not an exhaustive list of operative accounts though all Groups and sub groups have been given.

Capital Fund

Capital Fund Account

Other Funds

Grants

(Credit the grant accounts at the time of receipt of the grant and debit the amount to the extent the funds utilized for the projects.)

Security

Earnest Money Received Account.

Current Liabilities

Other Liabilities

Expenses Payable

Subscription Suspense/Membership suspense.

Fixed Assets

Investments

Fixed deposits.

Current Assets

Cash-in-hand Account

Bank Account

Loan & Advances (Asset)

FCRA Account

CHETNA VIKAS Staff Loan

Advances to Suppliers

Security Deposits (Asset)

Tax Deducted at source

Sundry Debtors

Stock in hand Account

Income & Expenditure Account

Income

Sale of Publications Account Membership & subscription Fee,

Contribution,

Donation

Project Funds Received

External Project Funds Account

For funds received from funding agencies. Unutilized funds at the end of the year are to be transferred back to the grant account.

Income (Revenue)

Interest on Fixed Deposits

Interest from Bank Account

Miscellaneous Income Account.

Expenditure

Expenses (Direct)

Expenses (Indirect)

Employee Expenses

Salary Account

Medical Expenses Account

Employer Contribution Account
Overtime Expenses Account
Leave Encashment Account
Stipend Account
Labour Charges Account.

Consulting Expenses

Consulting Fee Account

Travel and Meeting Expenses

Daily Allowances Account
Tour Travel & Conveyance Expense Account
Foreign Allowances Account
Meeting Expenses Account

Communication Expenses

Telephone, Trunk call and Fax Expenses Account
Postage & Telegrams Expenses Account

Office Expenses

Printing & Stationery Account
Computer Repair and Maintenance Account
Consumables Account
Tea/Coffee sugar and milk expenses account
Photostat Expenses Account
Office Equipment Repair and Maintenance Account

Financial Expenses

Insurance Account
Bank Charges Account

Library Expenses

Periodicals Account
Books Account

Vehicle Expenses

POL Expenses Account
Vehicle Repair Account

Other Expenses

Repair & Maintenance Account
Misc. Expenses Account

Miscl. Expenses (Asset)

Expenses incurred in advance which can be carried forward to the next year as an asset.

7. PRACTICAL APPROACH TO ACCOUNTS

It is felt that the Income and Expenditure Account as annexed to the Annual Report of CHETNA VIKAS does not reflect the true picture of the activities undertaken by CHETNA VIKAS for the reasons given below:

- i) The various expenditure shown under the Expenditure column of the Income and Expenditure Account of CHETNA VIKAS are not the amount spent by CHETNA VIKAS for itself, instead on behalf of various Projects for which money is being received in the form of Grants.
- ii) The various Expenditure/Expenses incurred on behalf of the Projects are being debited/booked to the respective Expenditure/Expenses account instead of debiting/booking the said Expenditure/Expenses to the respective Grant Account. The inflow in the form of Grants received is being credited to Grant Account as and when the Grants are received.
- ii) The Membership and Subscription fee received during the year are being accounted for as Income in the year of receipt, without making any distinction between long term and annual receipts.
- iv) The expenditure incurred during the current year, the benefit of which may also be received during the next year is being treated as the expenditure of in the year of Expenditure.

DIFFICULTIES ARISING DUE THE ABOVE REASONS

- i) The Annual Account fails to disclose the actual utilisation of Grants against the Grants received from various Funders and the unutilised fund at the year end, Further under the Expenditure column there is no head for Grant utilised against the Grant received.
- ii) The Grant Account in the Ledger stands at full value throughout the year, though there is actual utilisation of Grant throughout the year. Moreover, Expenditure/Expenses incurred on behalf of any specific Project can at no point of time be allocated to the Grant received in respect of that Project. Further, while sending the utilisation Certificate to various Funders, the over/under charging under any Expenditure/Expenses heads can not be conclusively ruled out.
- iii) The Income and Expenditure Account is prepared for a specific period/year. However by crediting or recognizing the long-term receipts as the Income of the year of receipts not only the Principle of Accounting is violated but also the Income is inflated.
- iv) As stated in the para-III above, in case of expenditures also, expenditures like insurance, taxes etc. which is paid in advance should be carried forward to next year and that part of the expenditure which relates to the current year should only be shown under the expenditure column.

GUIDELINES TO OVERCOME THE SAID LACUNAS

Books of Account to be maintained as below:

INDIAN ACCOUNT FCRA ACCOUNT

FCRA ACCOUNT

For separate different grants

- CASH BOOK
 CASH BOOK

- BANK BOOK
BANK BOOK
- GENERAL LEDGER
GENERAL LEDGER
- PASS BOOK
PASS BOOK
- JOURNAL
JOURNAL
- Voucher Filing
Voucher Filing
- Donation Register
Donation Register
- Bank Statement Book
Bank Statement Book
- Money Receipt
Money Receipt
- Bank Reconciliation Statement
Bank Reconciliation Statement
- Salary Disbursement Register
Salary Disbursement Register
- Attendance Register
Attendance Register
- Leave Application File
Leave Application File
- Sectorwise Registration & Report File
Sectorwise Registration & Report File
- EPF Record Maintenance
EPF Record Maintenance
- Mail Receive & Despatched Register
Mail Receive & Despatched Register

Bank Reconciliation Statement to be prepared for each bank account kept under Indian as well as FCRA account.

I) Entries to be passed in the ledger with narration (example)

a) Upon Receipt of Grant

Bank Account Dr.	xxx	
To Grant P,Q,R A/c	xxx	
(Being the Grant received from P,Q,...R)		

b) Upon incurring an Expenditure on behalf of Project.

Grant P,Q,.....R A/c Dr.	xxx	
To Bank/Cash A/c	xxx	
(Being the amount spent towards.....)		
Salary	xxx	
Conference & Seminar	xxx	
Conveyance	xxx	

At the end of every month separate Utilisation Statements should be prepared for each and every Grant by picking up the expenditure heads

from the narration written in the Ledger under each Grant Account. Further this will help to keep the expenditure according to the Budget and any expenditure over the grant received will be checked.

- II) Entries to be passed on the Ledger for Membership Fees and Subscription received in advance.

Bank /Cash A/c Dr.	xxx
To Membership fee/Subscription a/c	xxx*
To Membership fee/Subscription received in advance A/c	xxx**

* to be shown as Income of the Current year

** to be carried forward to the Subsequent years under the head "Current Assets" in the Balance Sheet.

8. KEEPING OF VOUCHERS

- 1.0 Two separate vouchers should be made at the time of settlement of any advance.

Journal Voucher	:	For the amount of expenditure
Receipt Voucher	:	For the unspent balance amount Returned to the Accounts Section

or

Payment Voucher	:	For the reimbursement of overspent amount claimed from the Accounts Section.
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- 2.0 All the vouchers should be serially numbered preferably different serial number for different types of vouchers.

- 3.0 Vouchers should be filed as per the serial numbers.

- 4.0 Separate files should be maintained for different types of vouchers.

Receipt vouchers File.
Payment vouchers file.
Journal vouchers file
Contra Voucher File
Receipt Voucher File

- 5.0 Vouchers files should be closed on Monthly basis along with the following documents/ statements:

Ledger Book
Cash Book
Bank Book
Journal
Trial Balance

Receipts & Payments Account
Income & Expenditure Account
Bank Reconciliation Statement
Budgetary Expenditure Statement

- 6.0 To keep the vouchers in proper custody.
- 7.0 Vouchers cancelled should also be filed separately and produced before the auditor during audit.

SUBSIDIARY RECORDS TO BE MAINTAINED

RECORD	TO BE MAINTAINED BY
Membership Register	Diarist/Despatchers
Subscription Register	Diarist/Despatchers
Publication Stock Register	Diarist/Despatchers
Publication Sale Register	Diarist/Despatchers
Cheque/DD Receipt Register	Accounts Assistant

Demand Draft Register	Accounts Assistant
Investment Register	Accounts Executive
Fixed Assets Register	Accounts Assistant
Despatch Register	Diarist/Despatchers
Telephone Register	Diarist/Despatchers
Salary Register	Accounts Executive
Purchase Register	Accounts Executive.

The suggested formats have been given vide Annexure-I to Annexure-X attached herewith which are self explanatory.

9. SYSTEM FOR CASH

The Accounts Assistant will maintain the Cash Book for all the Cash transactions:

CASH BOOK

In the Cash book, the following cash transactions will be recorded:

I) Receipts :

- Withdrawals from the Banks
- Cash returned to Accounts Section while settling the advance by the Staffs.
- Membership fee received in cash.
- Sale of publication in cash.
(Concerned staff will raise the bill, but cash should directly be received by the Accounts Assistant by putting Paid Stamp with signature on the bill).
- Guest House receipt.
- Vehicle hiring Charges
- Any other cash receipt.

II) Payments :

- Advance paid in cash
- Cash payments of higher amounts
- Deposits into the Bank
- Any other cash payment.

PROCEDURAL STEPS FOR CASH TRANSACTIONS

RECEIPTS

- To receive cash from all the concerned staff members.
- To issue Receipts for the same.
- To prepare vouchers.
(Receipt No. should be mentioned on the vouchers)
- To enter the vouchers in the cash book.
(Receipt No. and voucher no. should be recorded in the Cash Book).
- To handover the vouchers to the Accounts Executive for entry in the computer.

PAYMENTS

- To receive cash payments requisition of all the projects duly approved by the competent authority.
- To prepare vouchers.
- To make cash payments.
- To make entries in the cash book.
- To close the cash book daily.
- To hand over cash voucher to the Accounts Executive.
- To prepare project wise weekly statement of cash expenditure.

10. ALLOCATION OF COMMON EXPENSES

Some common expenses, which are usually paid out of central fund, should be allocated to different project on periodical basis (preferably on monthly basis). The list of such such Common expenses are as under:

- 1.0 Communication Expenses
 - Telephone
 - Fax
 - Postage & Telegram
- 2.0 Repairs and Maintenance Expenses
 - Building
 - Photocopier
 - Computer
 - Office Equipment
 - Office Vehicle
- 3.0 Stationery Expenses
 - Computer Stationery
 - Office Stationery
 - Photocopier Stationery
- 4.0 Electricity and Water Expenses
- 5.0 Rent

GENERAL

- 1.0 Depositing of cheques/cash in the bank, preferably on the same day or the next day to earn more interest.
- 2.0 Payment upto 4.00 p.m.
- 3.0 Requisition for advance while going on tours, be sent to Accounts Section before 3 days of the commencement of the tour.
- 4.0 Tour advance to be settled on the first working day from returning to Head Quarter. No fresh advance should be released in case of non settlement of earlier advance.
- 5.0 In case of requisition of making demand drafts, the accounts section should be contacted after 4 days of the submission of the requisition.
- 6.0 Individual claim may be collected after 3 days of submission of requisitions.
- 7.0 Accounts section will automatically release payments on the due date as per time frame given above. In such an event no reminders would be necessary.

