



**PASS**  
*People's Action for Social Service*

Non-Governmental Organization-NGO

# Accounting Manual

**PEOPLE'S ACTION FOR SOCIAL SERVICE (PASS)**

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# Financial Management Procedure and System

## GENERAL ACCOUNTING SYSTEM

### 1. Basic Features

The general accounting system presents the flow of accounting information from the original source documents (vouchers) to the books of original entry (journals) and eventually to the book of final entry (general ledger). The book of final entry serves as the basis for the preparation of periodic trial balance and various financial reports.

#### 1.1 Accounting procedure

The accounting system to guide, manage, understand the accounts in the following procedure:

##### a. Documenting

It involves the documenting / recording the accounts in the books of accounts such as cash receipt book, disbursement book and voucher book of PASS, all the day to day expenditures of the organization are in accordance with generally acceptable accounting rules and procedures.

##### b. Classification

All the similar inter related financial transactions are recorded into their respective classifications. It is documented in the ledger, where they are initially recorded in the journals. The ledger accounts is categorized or grouped into the following :

- Asset
- Liabilities
- Equity
- Revenues
- Expenses

##### c. Compilation

Financial statements or reports are prepared periodically either monthly, quarterly, half yearly, annually as per the requirement.

### 2. Books of Accounts

The accounting system followed is Tally where it has been designed to post the following type of entries

- 2.1. **Cash Book** consists of following transactions cash receipt and cash disbursement. All types of cash collection, disbursements and transactions are recorded and maintained which includes cheques and cash receipts
- 2.2. **Journal voucher** is a book of accounts to record all non-cash transactions such as liquidation of advances, depreciation of fixed assets.
- 2.3. **General ledger** It summarizes all the entries in the books which is the basis for the preparation of Trail Balance and Financial statements.

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### 3. FINANCIAL POLICIES AND INTERNAL CONTROL SYSTEMS:

#### 3.1 Objectives of the policies:

1. Adherence to the prescribed policies and procedures.
2. Protect the fixed assets of the organization
3. Accuracy and timely maintenance of the book of accounts
4. Reliability of Financial statements
5. Evaluating the performance

The internal controlling features for achieving aforesaid objectives are as follows:

1. Controlling systems of the assets are segregated from operational functions.
2. Appropriate authorization of all the accounting transactions
3. Adequate financial supervision management
4. Internal check and balances
5. Plan of organization programs
6. Internal and external audit periodically (statutory audit)

Reporting and analysis of the transactions should be coded as per the Donor. Each donor needs to be given a code to analyse the transactions ( revenues, costs), for each donor separate transactions will be posted in a separate book attributing to specific donor where those contributing to the main programs and specific projects.

#### 4. Bank receipts:

- a. Receipts will be issued officially for all the cash / cheque transactions such as local donations, payment of inter / intra borrowings. No cash or check shall be accepted without issuing an OFFICIAL RECEIPT.
- b. Official receipts will be used in numerical sequence. Voided or cancelled receipts shall be marked as cancelled and filled for further reference in the future endeavors.
- c. All the receipts printed will be maintained and managed by the Accountant.
- d. The un deposited collections should not be used or diverted for other expenditures or for encashing of cheques either personal or for other.
- e. The donation received shall be accounted, receipt is acknowledged to the funder and the related financial report shall be prepared by the accountant and submitted to the organization head.
- f. Every month bank reconciliation statement shall be prepared by the accountant and reviewed

#### 5. Cash / Cheque collection: (Donations, Workshops / training fees and others)

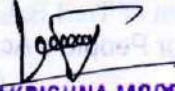
- a. The accountant issues all the receipts (2 copies) for the cash / cheques received.
- b. The accountant consolidates the monthly collections / receipts by preparing TIR ( invoices issued and payments received) for each project specific programs either organization / Individual
- c. The original receipt copy will be given to the person / Institute who makes the payment, where as the duplicate receipt remains in the booklet in the custody of accounts department.
- d. Accountant will encode the collections in the Tally.

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## 6. Other receipts ( local donations, intra borrowings)

- a. 3 copies of Official Receipts are issued by the Accountant for donations and intra borrowings. Original receipt is given to the payer, second receipt is attached to the daily collections, third copy is maintained in the head office accounts file.
- b. All the daily collections are summarized by the Accountant by preparing the other direct costs (ODCS).
- c. Accountant receives the ODCS, validated bank deposit slip and duplicate copy of the ORs before encoding in Tally
- d. Other receipts monthly list is generated by the Accountant.

## 7. Cash / Bank Disbursements

- a. The disbursements shall be documented with the relevant supporting documents, money should not be disbursed without appropriate supporting documents and accounting entry
- b. Disbursement shall not be taken from un deposited collections where as supporting documents are requested for all the payments done.
- c. All Check Vouchers (CV's) must be **pre-numbered** for monitoring and control purposes.
- d. All checks must be made payable to a specific payee (but not self). Checks payable to "Cash" or to "Bearer" should not be allowed.
- e. The signing of the checks should not be made by the authorized signatories without the necessary supporting documents.
- f. Spoiled or voided checks and vouchers must be properly marked "Cancelled" and filed for future reference.
- g. Person receiving the check should acknowledge receipt of payment by signing on the corresponding CVs.
- h. A monthly bank reconciliation statement should be prepared by the Accountant for review

## 8. Other Disbursements:

- a. The requesting party shall bring the supporting documents.
- b. The necessary documents obtained shall be presented to the Managing Director for approval, Coordinator / program in charge requests project expenses, all the expenses are released with the appropriate approval from the Managing Director.
- c. The Accountant encode the disbursement in the Tally after receiving the supporting documents along with cheque.
- d. Managing Director reviews documents before signing the CV and check.
- e. The check together with the CV and the attached supporting documents are forwarded for release. Payer releases the check to the Payee who acknowledges the same by signing in the "received by" column in the CV.
- f. Accountant checks the CV against the disbursement encoded in Tally.

## 9. Petty cash and Replenishments:

- a. The petty cash shall be maintained at Rs. 3000 to Rs. 5000 for minor recurring expenses or advances for the projects.
- b. The petty cash should be equal to the sum of replenished petty cash vouchers, un liquidated cash advances and remaining cash.
- c. Replenishment shall be done when the available balance is below the

  
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- minimum balance to avoid deficiency of petty cash.
- d. The Fund should not be used to accommodate personal and/or company checks issued by other parties
  - e. An unscheduled physical count of petty cash must be conducted weekly by the Accountant.
  - f. The petty cash vouchers and all supporting documents should be stamped "Paid", with the date of payment indicated thereon to prevent re-use of supporting documents.
  - g. Cash advances shall be liquidated within three (3) working days from the last day of activity/purchase.
  - h. No cash advance shall be granted to employees with existing un liquidated cash advance from the petty cash
  - i. No personal cash advance must be allowed from the petty cash
  - j. A daily balance should be maintained by Accountant and signed by Managing Director
  - k. Accountant prepares Tally Petty Cash sheet, attaches all the Vouchers and supporting documents.

#### 10. Cash Advance:

- a. Expenses for out of town travel
- b. Expenses for organizing interventions at the project site such as work shops, awareness campaigns trainings etc .and other necessary expenses for approved activities
- c. Transportation expenses for office work

#### 11. Payroll:

- a. Original records of employment, rates and authorized deductions for each employee should be maintained by the Accountant. The Management should be notified by the Accountant of any changes affecting personnel employment and salary.
- b. The Accountant prepares the salary as per the attendance register, salary deductions depends on the number of leaves availed on par with the policy.
- c. The Accountant shall make the deductions for PF, Grativity, TDS and others after review before deducting from the employee.
- d. The management will review the payroll against personal records every month.
- e. The Accountant shall maintains pertinent data of the employee such as salary, sick leave, casual leave, earning deductions for references for making the payroll accordingly every month.
- f. The Accountant will prepare monthly reconciliation before salary disbursement to keep track of any changes in the salaries.

#### 12. Conveyance Reimbursement:

- a. Reimbursement of the conveyance is paid actuals after submitting the supportive documents.
- b. Reimbursement is done every fortnight.

#### 13. Purchases and Suppliers procedures:


- a. Accountant is in charge for the purchases with the support of purchasing committee of the organization, before purchasing 3 Quotations need to be obtained, comparative statement shall be prepared , least quoted will be accounted for purchases. For purchases below Rs.

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- 2000 requires one Quotation for above Rs. 2000 requires 3 Quotations
- b. All the purchases other than petty cash shall be supported with appropriate bill / GST bill along with purchase requisition.
  - c. Purchase order shall be prepared by the Accountant along with requisition, purchase enforced after the approval from the management.
  - d. Supplier selection shall be based on the quality of the item with reasonable price.
  - e. The purchase invoice should have quantitative specifications of the product purchased.
  - f. The Invoice and supporting documents shall be stamped "Paid" with the date of payment
  - g. Purchases must be in accordance with the approved budget and approved by the Management.
  - h. Purchase order will be given to the supplier by the Accountant.
  - i. Once the goods are purchases Accountant verifies the actual goods against purchase order, checks the specifications accordingly against the actual invoice, issues cheque to the supplier after the management approval and records the purchased items in the fixed assets register.
  - j. After receiving goods, Accountant checks the actual goods against the purchase order and the actual invoice, and prepares check and CV for review by Head of Accountant and approval of MD. He records the purchase in the stock (or fixed asset) register.
  - k. Receipts, Issuance and Returns are recorded in the stock register and maintained for the high – value items above Rs. 500.
  - l. Physical verification of the items purchased should be conducted regularly every month by the project in charge and reconciled with the balances in the stock register. Any variation or difference shall be reported and explained.

#### 14. Trainings / Workshops/Awareness programs:

- a. Budgets shall be prepared on par with the appropriate programs based on approved by the Donor.
- b. Participants, venue, resource person and other logistics shall be based on the approved donor guidelines attached with activity proposal and schedule.
- c. Budget requisition for the appropriate program shall be review by the Managing Director with the project in charge and Accountant and approves the budget release accordingly.
- d. Participants should sign the training attendance sheet as proof of participation in the training
- e. Minimum document recording required such as Approved training / workshop/campaign budget, contracts with the Resource person and venue owner and participants attendance sheet.
- f. Meeting minutes duly signed by the participants need to be attached with the bills/vouchers submitted for claiming the requested amount.

#### 15. Equipment and Properties:

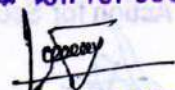
- a. Fixed assets and expenses shall be districted on par with the life of the asset
- b. Depreciation is computed by following reducing balance method.
- c. Fixed Asset register for recording properties and equipment shall be maintained for every financial unit and verified periodically by the Management and Accountant. Physical inventory of all the assets shall be conducted annually
- d. Loss or Damage of the property or equipment is recorded and justified by Reconciliation result of inventory against fixed asset register.
- e. Transfer of fixed assets from one project to another project or from NGO to another shall be accounted after the completion of the project and approved by the Managing Committee.

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#### 16. Vehicle Maintenance procedure:

- a. A log book is maintained with the driver, duly signed by the project incharge periodically i.e weekly and fortnight
- b. Driver will obtain one key from the project office, another key shall be kept at head office
- c. The user or the Driver shall fill the log while using the vehicle
- d. Vehicle shall be kept at the project office only, shall not be kept at the users home.
- e. The user / driver shall be responsible for any damage during their driving, shall be responsible and charged there of.

#### 17. Budgeting:

- a. Annual budget shall be prepared by the Accountant for all the executed projects of the fiscal year and presented before the Management committee for approval
- b. Status report of the Budget shall be prepared every quarter by the Accountant and determine the budget performance and availability.
- c. Efficiency and effective utilization of the budget against the program expenditures shall be reviewed by the Management to determine the financial goals and objectives of the projects are achieved according to the project proposal design.
- d. Precise study of the capitalization shall be done end of the year once the books of accounts are closed based on the ratio between advances, fund balance, adjustments shall be done to balance the distribution of capital through the accounts and intra-network fund transfer.

#### 18. Grants and Donations:

- a. Grants and Donations are the source of cash inflows apart from regular interest income and other fees.
- b. Office Receipt shall be issued for all the funds received , recognition shall be made through journal entry
- c. Monthly/Quarterly/Half yearly report shall be prepared by the Accountant duly checked by the program in charge, this report forwarded to the Donor / Funder to notify them the status of the fund.
- d. Monthly report must be prepared by Accountant and will be checked by the Program Manager. This report will be sent to funder to keep them abreast with the status of the fund.

#### 19. Financial Management Reporting System:


The Financial Management Reporting system of PASS consolidates the reports of all the projects generated by the accountant and project in charge. This procedure follows the report data, frequency of report preparation, submission deadlines, submission dates, number of copies and recipient of each year. The procedure / system provide timely information on the status of the financial condition, operating procedures of different projects of PASS NGO.

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**20. List of Forms/ Reports/Policies Maintained and Exhibited:**

- a. Project wise separate pass books
- b. General pass book of the PASS
- c. Cheque books
- d. Official receipts / vouchers
- e. Loan approval forms
- f. Contract forms
- g. MoUs
- h. Cash Book/ Ledger
- i. Request for withdrawal form
- j. Travel form / Conveyance form
- k. Purchasing order
- l. Quotations
- m. Comparative statements
- n. Petty cash balance sheet
- o. Advances register
- p. Store Purchase requisition form
- q. Log book
- r. Training/ workshops/awareness campaigns/exposure visits proposal
- s. Salary monthly reconciliation form
- t. Authorized signatory signed cheques in hand
- u. Advance slips

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