

Finance Manual

Of

Consumer Unity & Trust Society

(CUTS)

JAIPUR

Updated on 01-04-2016



INDEX

<u>SL. NO.</u>	<u>CONTENTS</u>	<u>PAGE NO.</u>
1.	INTRODUCTION	
1.1.	Object	1
1.2.	Scope & Coverage	1
1.3.	Amendment & modification	1
2.	ROLE OF FINANCE DEPT., ORGANIZATIONAL STRUCTURE & TRAINING	2
3.	GENERAL ACCOUNTING POLICY & FRAMING OF ACCOUNTS	3-6
3.1.	Accounting Period	3
3.2.	Double Entry	3
3.3.	Method of Accounting	3
3.4.	Classification of Head	4
3.5.	Location of maintenance of accounts	4
3.6.	No. Of books of accounts to be maintained	4-5
3.7.	Computerization of accounts	5
3.8.	Inter project fund borrowings	5
3.9.	Joint Cost	5
3.10	Internal billing	5
3.11	Foreign Exchange Fluctuation	6



INDEX

<u>SL. NO.</u>	<u>CONTENTS</u>	<u>PAGE NO.</u>
4.	INTERNAL CONTROL	7-17
4.1.	Cash Management	7
4.2.	Bank Accounts	7-8
4.3.	Processing & Authorization of vouchers	8-10
4.4.	Identification of Expenses	10
4.5.	Mode of Payment	10
4.6.	Advances	11-12
4.7.	Remittance to centers	12
4.8.	Receipts	13
4.9.	Fixed Assets	14-15
4.10.	Investments	15
5.	BUDGET & BUDGETARY CONTROL	16
6.	PRESENTATION OF FINANCIAL STATEMENT	17-18
7.	AUDITING	19
8.	OTHERS	20-24
8.1.	Safe Custody of records	20-21
8.2.	Flow Chart of Accounting System	22
8.3.	Flow Chart of Financial Management System	23

INTRODUCTION

Object

The main objective of this manual is to provide standardized, uniform financial /accounting policy resulting in reliable, accurate and timely information to all the stakeholders including donors, statutory authorities, Secretary General, Directors, Faculties, and to the Executive Committee of CUTS.

Scope & Coverage

The present policy will supersede all informal & formal policies so far being formulated and will apply to all the finance & accounting aspects of the society.¹

Amendment & Modification

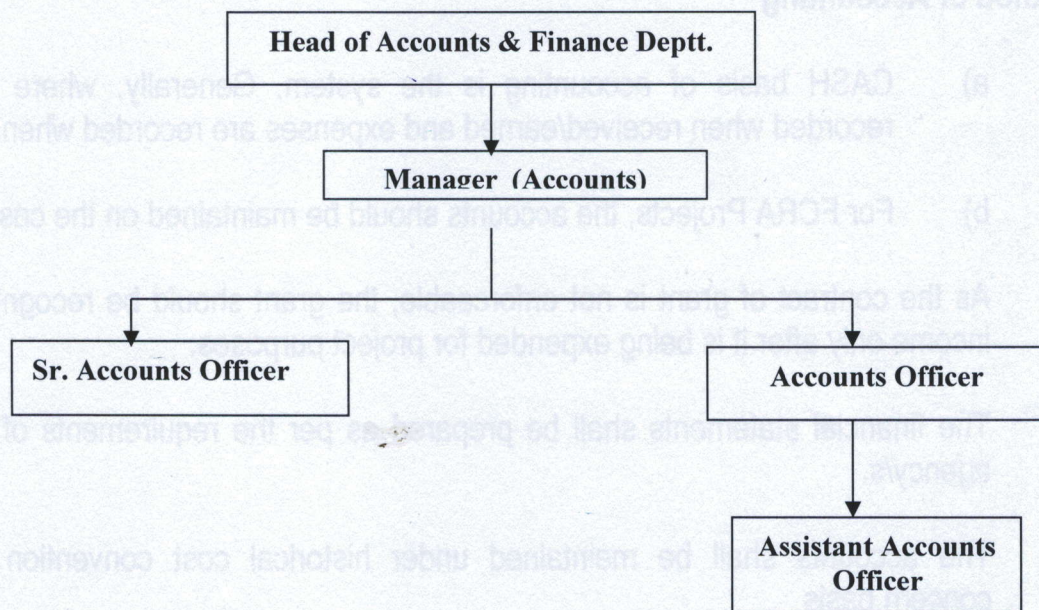
Notwithstanding anything with this policy the Secretary General /Executive Director of the CUTS reserves itself the right to amend, modify, supersede or cancel any of the provisions of this policy. The management shall publish the amendments and modifications as may be necessary from time to time.



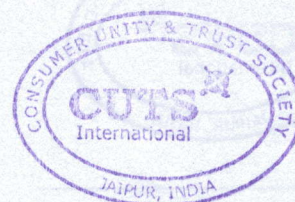
¹ Consumer Unity & Trust Society (CUTS)

ROLE OF FINANCE / ACCOUNTS DEPARTMENT, ORGANISATIONAL STRUCTURE & TRAINING

1. The role of the Finance/Accounts department is to ensure the supply of reliable, accurate and timely information to the various stakeholders, and to the Executive Committee..
2. To ensure legal compliance as required under various acts including Foreign Contribution (Regulations) Act, Income Tax Act.
3. The role of finance department should not be restricted to only as a processor of data but they should also provide information as regards cost effectiveness & use of funds and shall provide necessary support for preparing and monitoring budgets.
4. The organizational structure of the finance/accounts department should be as follows:



5. Every person of the finance/accounts team shall have to undertake periodical training to upgrade his/her skills. The work allocation chart of accounts & finance department's staff should be prepared and implemented.



GENERAL ACCOUNTING POLICIES

Accounting period

1. Accounting period of the Society¹ shall be from 1st April to 31st March.
2. The project period of the project may be in accordance with the agreement with the donors and it may be different from the accounting year of the Society. However it is recommended to convince the Donors for agreeing for the project period to be in uniformity with the accounting year of CUTS, as it shall facilitate easy comparison with the statutory returns & consolidated financial statement.

Double Entry Accounting

The accounts shall be maintained according to the double entry system of accounting.

Method of Accounting

1. a) CASH basis of accounting is the system. Generally, where income is recorded when received/earned and expenses are recorded when incurred.
b) For FCRA Projects, the accounts should be maintained on the cash basis.
2. As the contract of grant is not enforceable, the grant should be recognized as an income only after it is being expended for project purposes.
3. The financial statements shall be prepared as per the requirements of the donor agency/s.
4. The accounts shall be maintained under historical cost convention on going concern basis



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Classifications of head

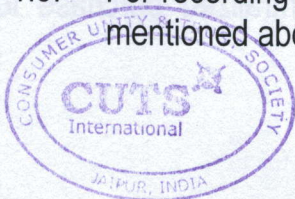
1. In general all income and expenses accounts shall be as per "natural" classifications. Natural classifications refer to accounts that show "travel", for example, as travel, rather than something like "Training Programme". Though the expenditure heads can be changed as per the specific requirements of the donor agency.
2. The accounting head should also be structured so that expenditure against each programme/activity can be determined.

Location of Maintenance of Accounts

1. Centralized accounting at CUTS Jaipur (H O) shall be maintained to record the income & expenditure of every project/programme irrespective of the place where the amount is being spent. The all vouchers should be made computerized. All the accounting transaction should be entered and filed on daily basis.
2. This system will help in easy monitoring & timely information.

Number of books of accounts to be maintained

1. The Books of account shall be maintained on the principle of fund accounting and more specifically the Society¹ must maintain the following four separate books of account in Indian Rupees (INR):
 - 1.1. For recording the transactions out of the **foreign contribution** with complete identification for each funding arrangement so that income, expenses, corresponding assets & liabilities, opening & closing balance of each funding arrangement is easily identifiable.
 - 1.2. For recording the transactions out of the **local grant** including Government & private, with complete identification for each funding arrangements so that income, expenses, corresponding assets & liabilities, opening & closing balance of each funding arrangements are easily identifiable.
 - 1.3. For recording the other transactions not covered by any of the two books as mentioned above.



¹ Consumer Unity & Trust Society (CUTS)

2. In addition to the above, the separate books of account may also be maintained for one particular funding agency, if required & permitted under the law.
3. In addition to the Cash Book & Bank Book the society shall also maintain a Journal Book for recording opening and closing entries, adjustment of advances and other adjustment entries like depreciation.

Computerization of Accounts

The accounts shall be maintained in computer using the Tally package.

Daily Back-up systems (in different CD/ Pen Drive) of data files of accounting software should be implemented.

Inter Project Fund Borrowings

In normal situation inter project fund borrowings shall not be allowed. However in case of emergency & because of late remittance of grant from the funding agency/ies and after approval of Head of Accounts & Finance Department, such borrowing may be allowed only on temporary basis.

Overhead / Common Cost

1. The costs, which cannot be directly allocable to the individual projects, are classified as overhead / common cost.
2. This overhead / common cost shall be allocated to the funded programme on charges basis. In general the charges are based on percentage basis on grant and - it is varying from 10% to 20% subject to the approval of the Donor agency/ies.
3. The overhead / common cost shall also be allocated on monthly basis if it is allowable and available in the budget of a project.

Internal Billing

For allocation of overhead / common cost or centralized purchase to various projects, internal bills/statement can be made.



Foreign Exchange Fluctuation

1. The entries for receipt of foreign grant shall be made based on the Exchange rate as actually realized. However the difference of the remittance actually realized and the amount of remittance that would have been received based upon the Exchange rate considered at the time of finalisation of budget should be determined and transferred to the foreign exchange difference a/c.
2. The balance (Credit) of this account shall be utilized only on proper authorization by the Management of CUTS and the balance (Debit) will be charged to concerning project account on proper communication to the concerned authorities.

Cash Management

INTERNAL CONTROL

1. The person handling Cash must maintain a computerized cashbook recording therein all the receipts & payments.
2. Cash balance, as per the computerized cashbook needs to be daily reconciled with the physical balance.
3. Periodically the head of the finance/accounts department shall also certify the physical verification of cash and its reconciliation with the bank balance.
4. The whole cash should be kept in a cash box. On every receipt of cheque/DD and Cash, a receipt must be issued.
5. Withdrawal of cash from bank
 1. Based upon the daily plan and the approved requisition for advances and expenditures, the cashier shall prepare a requisition for withdrawal of cash from bank.
 2. The head of Accounts & Finance Department on the basis of such requisition shall authorize the voucher and sign the cheque for withdrawal of cash from bank.
6. Adequate insurance coverage shall be taken for cash in safe and for cash in transit Either for withdrawal from bank.



Bank Accounts

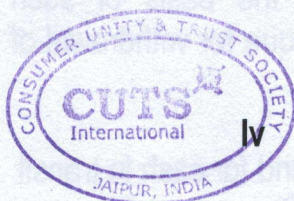
1. Bank account must be opened in the name of the Society i.e. Consumer Unity & Trust Society
2. The operation of the bank accounts maintained at Jaipur should be operated by any of the two authorized persons:
3. The bank account at the Regional Offices/Project offices/Centers level should also be in the name of the Society¹ and it should be operated by any of the following two persons:
 - a) Head of Regional office/Project office/ center head
 - b) Any person authorized by the Executive Committee of the Society.
4. Wherever possible and permitted by project sponsoring agencies, no separate bank account should be maintained for any project funding arrangement.
5. The bank reconciliation statement for every month has to be prepared for each bank account.
6. A register for issue of cheque from the all bank accounts can also be maintained.

Processing & Authorization of Vouchers

A) FOR THE PAYMENT MADE AT CUTS, Jaipur

I) **PAYMENT IN RELATION TO PURCHASE:**

- i. Bill together with the Challans has to be checked by the purchase cum HRD Department certifying that the quantity and rate mentioned in the bill has been received and is as per the order placed.
- ii. Based on this checking the Finance Head approves for the payment and send the bills & Challans to the Accounts Department.
- iii. Accounts department again after re-checking makes the necessary cheque, prepares the voucher, enter in the Fixed Asset Register and make the payments.



iv This voucher is then needs to be authorized by the head of accounts & Finance department.

¹ Consumer Unity & Trust Society (CUTS)

II) FOR OTHER EXPENSES:

(i) Made through cheque:

For all administrative and office maintenance expenditures, the HRD department shall check Bills along with the supporting. HRD officer certifying that the quantity mentioned in the bill has been received, and than he/she send the bills to the Accounts Department.

(ii) Based on this checking the Finance Head approves for the payment and send the bills & Challans to the Accounts Department.

(iii) Accounts department again after re-checking shall prepare the necessary cheque, the voucher.

(iv) This voucher is then needs to be authorized by Head of Accounts & Finance Department. And he shall sign the cheque; the payment can be made to the relevant party.

(ii) Made by cash:

1. All the supporting shall be signed and verified by the HRD officer and thereafter the Head of Accounts & Finance approves the expenses and for payment.

2. The voucher needs to be prepared & the Head of Finance should authorize it.

III) AS REGARDS OTHER TRANSACTIONS:

For the transaction in relation to the project related expenditures, all bills should be signed and verified by the Project Coordinator/Programme Head and than the same process will be applicable as mentioned in point no. I & II. Though it is understood that in case of project related expenditures, HRD officer need not to verify the bills.

iv) REMITTANCE TO PROJECT PARTNERS'S / CONSULTANTS / REGIONAL CENTRE / PROJECT OFFICES:

On the basis of approved requisition from the concern project department or Centers, the Head of Finance should certify the amount to be remitted, the voucher should be prepared and the Head of Finance should certify it. Executive Director authorized & signs before the remittance is being made.



V) AS REGARDS LOAN TO ANY OTHER ORGANIZATION:

No loan should be given to any other organization.

B) FOR THE PAYMENT MADE AT REGIONAL CENTRES/PROJECT OFFICES:

1. Expenses incurred at center shall be approved by the Centre-in-charge before it is being paid.
2. Thereafter a monthly Cash-Bank Statement shall be prepared and all the vouchers together with the supporting are sent to the Head Office at Jaipur.

Identification of expenses

1. It is required that all the requisitions, vouchers & the supporting must specify the name of the Society i.e Consumer Unity & Trust Society.
2. It is also required that vouchers and the supporting after being paid must be cancelled as PAID in order to avoid its re-use.

Mode of payment

1. Payment will be made only by A/c Payee Cheque in excess of Rs. 10,000/-.
2. A/c payee cheque should also make all the payments that are below Rs. 10,000/- but in the nature of salary, statutory payments and any other contractual payments, wherever possible.
3. However it is to be ensured that, wherever possible, the payments within Rs. 10,000/- should also be made by A/c Payee cheque.
4. However, in exceptional cases the payment in excess of Rs. 10,000/- can be made in cash with the approval of the Head of Accounts & finance Department.

Advances

1. An advance has to be made only on approved requisition.
2. The accounts department must maintain an individual Cost center ledger for advance taken and its adjustment by every staff.



3. **Tour advances:** Every employees of CUTS, who plan to go out of station, get approval the concerned authority on the tour program and submitted one copy to the accounts department, one copy to HRD department.

After returning from the tour, every employee should submitted the detailed tour report to concerned authority and should attach one copy with the Traveling expenses bill.

System for making payments

1. All cash transaction particularly following payments made only between 2-4.30 P.M. daily.
 - a. All payments of submitted claims like tour bills, conveyance, office maintenance, stationery & other payments.
 - b. All credit & unpaid payments.
2. All requisition of funds for tour advances and project work and for other advance must be submitted 2-3 days before. Requisitions for field advance more than Rs. 10000/- must be submitted 3-4 days before for arrangements.
3. All enquiries related to cash payment/bills/others will be made between 4-5 P.M. every day.
4. All payments to external parties will be made on any specified day in a week. All cheque should be prepared for external parties, only twice a week.
5. It is to be ensured to the extent possible, that second advances are given only after the first advance has been cleared.
- 6.6.1 The person who has taken advance must submit the account of advance duly certified by the Project Coordinator/Director depending upon the nature of expenditure and it should be checked by the accounts department.
- 6.2. After the above approval and verification of the bills, these need to be passed by the Head of Accounts & Finance Department and thereafter the adjustment of advance should be made by the Accounts Officer/Assistant Accounts Officer.
7. It is to be ensured that at the end of the financial year/project period no advances given for project works. If it is requires in any case and the project budget is also allows, than with the approval of the executive director the advance can be release..



Remittances to the Regional Centers/Project Offices:

1. Monthly remittances should be made to each center/office on the basis of the month wise approved budget and as per actual expenditures.
2. Each center/office must maintain the full details of the amount received & the expenses incurred by them and the month wise accounts together with all the vouchers, which need to be submitted to the head office (Jaipur) on a month-to-month basis before asking for subsequent remittance.
3. At the time of submitting the account of a particular month it should be accompanied by a statement showing opening balance, amount received, local income received, expenses incurred and the closing balance. This statement should be accompanied with the copy of the bank statement with bank reconciliation statement & the certificate from the centre head certifying the physical cash balance on the last day of the reporting period.

Receipts

1. Presently the society have the following nature of receipts:

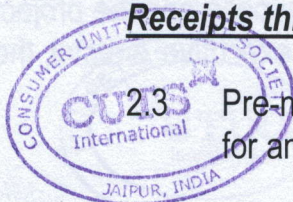
- 1.1. Through Grants
- 1.2. Through Donations
- 1.3. Others Receipts.
- 1.4. Income from investments like interest

2. As regards receipt of Grant:

- 2.1 In case of Wire Transfer, It is to be ensured that the Grants is related to CUTS. A credited note should be obtained from the Bank. The entry will be made only on behalf of the credit note of bank.
- 2.1 In case of Cheque, It is to be ensured that the grants are received in the name of the Consumer Unity & Trust Society and through a/c payee cheque/Demand Draft.
- 2.2 The grant has to be received through the Director/ Project Coordinator/Accounts Department.

Receipts through cash

- 2.3 Pre-numbered receipt should be issued for each amount of cash received for any kind of nature.



Fixed Assets:

Procurement of fixed assets

1. Fixed assets should be procured/purchased by the CUTS following the purchase procedure.
2. The fixed assets will always be recorded at the original cost plus any capital cost incurred thereto.

Fixed assets register

1. Fixed assets register should be maintained in excel sheet incorporating therein the following details:
 - a. Date of purchase
 - b. Description of assets
 - c. Value of the assets
 - d. Quantity of assets
 - e. Balance
 - f. Location
 - g. Depreciation rate
 - h. Identification mark
 - i. Any other information
2. A separate fixed asset register should be maintained for head office and for each regional center/project office.

Depreciation

1. Depreciation is an allocation of the cost of a fixed asset over the period of its useful life.
2. The rate of depreciation charged to the assets acquired should be at the rate as prescribed in Income Tax Act 1961 for the similar assets. It will be calculated half yearly.

Sale/disposal of fixed assets

1. If an item of fixed asset gets permanently unusable or obsolete then this item can be sold only after approval of the Secretary General.



2. However in case of fixed assets acquired out of the grant, the condition attached with the acquisition of fixed assets as per the grant agreement must be looked into and must be complied with before the decision for sale of the fixed assets is being taken.
3. The following procedures will apply for the sale of fixed assets:
 - 3.1 A committee for the purpose of finalizing the sale of fixed assets should be formed.
 - 3.2 The committee will invite, for the quotations.
 - 3.3 The committee will then evaluate the quotations and finally decide for the sale of the assets and take appropriate approval from the Secretary General

Transfer of fixed assets from one location to another

The fixed asset can be transferred from one office to another within the same organization. However such transfer of Fixed Asset has to be authorized by the HRD officer with the approval of the Executive Director.

Investments

1. The temporary surplus fund of the restricted grants can be kept in short term fixed deposits with the banks.
2. Other surplus funds may be invested by the CUTS in the interest bearing fixed deposits and/or other Government securities.
3. An investment register should be maintained incorporating therein the details of investments held by the Society¹.
4. The all the investments made during the year should be monitor by the Executive Director.



¹ Consumer Unity & Trust Society

BUDGET & BUDGETARY CONTROL

1. The internal budget of the every project should be prepared before the initiation of project activities and should be approved from the Programme Director.
2.
 - 2.1. At the time of preparing the budget proposal to be submitted to the funding agencies it should be ensured that the all costs should put according the norms of the Society.
 - 2.2. It is also required that the budget proposal should be discussed internally consisting of finance, project, HR departments and the Executive Director before being sent to the funding agencies for their consideration.
3. **The Annual budget of the Society** should also be prepared consolidating the entire above yearly budget of each & every projects and budget of the each Department (viz: cost centers).
4. Operational monthly budget should be prepared based upon the yearly-approved budget for the purpose of planning of funds & the implementation of the project/ program.
5. As regards monitoring & variances
 - 5.1 The monthly variance statement should be prepared and analyzed.
 - 5.2 A report should also be prepared linking the financial expenditure with the quantity of activity undertaken and its comparison with the budget.

FINANCIAL STATEMENTS

Reporting

1. The financial report or financial statement is the ultimate product of finance department.
2. To meet the requirement of various stakeholders the financial report needs to be prepared under the following groups:
 - 2.1. Internal Reports
 - 2.2. Sponsoring Agencies Reports
 - 2.3. Statutory Reports



Internal Reports:

These reports are prepared for the purpose of internal use to facilitate the monitoring & controlling the operations. The internal report should at least consist of the following:

- a. Monthly Budget Comparison Statement
- b. Month wise On-going Project Status Report.
- c. Statement of Project Fund Due.

Sponsoring Agencies Report:

As per the sponsoring agency's requirements the report needs to be prepared and submitted to the agency.

Statutory Report:

These reports are prepared as a statutory requirement. Some of these reports are required by the constitution of the organization while some have legal requirement to be prepared. These reports includes:

- a. Annual consolidated Financial Statement including Receipt & Payment A/c, Income & Expenditure A/c & the Balance Sheet.
- b. Report to the Home Ministry as required under Foreign Contribution (Regulation) Act.
- c. A report to the Income tax authorities as required under Income tax Act, 1961.

3. The format of Financial Statement:

All significant accounting policies followed for the preparation & presentation of financial statement should be disclosed. For making all the reports, consolidation of accounts will be done at HQ and all the annual returns shall be filed within the stipulated time period.



AUDITING

As regards Statutory Audit

1. The whole of the accounts of the Society are subject to audit as required under Memorandum and Articles of Association of CUTS, Foreign Contribution (Regulation) Act and Income tax Act.
2. It is to be ensured that only one firm of chartered Accountants should be appointed for all the statutory audits and a management letter should be obtained from the statutory auditor and the same should be placed before the Executive Committee for their necessary consideration.

As regards other Audits, if required

In addition to the above audit whenever a funding agency want a separate audit of the accounts concerning to its grant, the same can be separately done either by the Statutory auditors or by any other firm of Chartered Accountants as suggested by the funding agency.

Internal Audit, (if required)

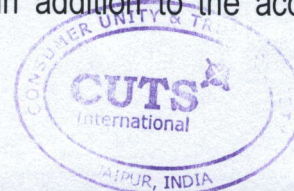
In addition to the above audits, whenever management of CUTS desires, an internal audit of the accounts can be done, either by the Statutory auditors itself or by any other firm of Chartered Accountants as decided by the Management of CUTS.

OTHERS

Safe custody of records

A) As regards old records

1. There is no time limit prescribed under FC(R) Act for keeping the old records. Similarly under the Income tax Act no specific time limit has been mentioned for preservation of records except it is provided that the accounts can be reopened for a maximum period of seven years.
2. Hence it is recommended that the accounts should be kept for a period of at least 8 years.
3. In the case of computerized accounts it is required to keep all the printed copy of Cash Book, Bank Book, Journal Book, Ledgers etc. in addition to the accounts being kept in a CD, Pen drive and in hard disk.



B) As regards documents to the title of the property

All the documents to the title of the property should be kept in a fireproof almirah that is situated in the stores department at Head office, Jaipur.

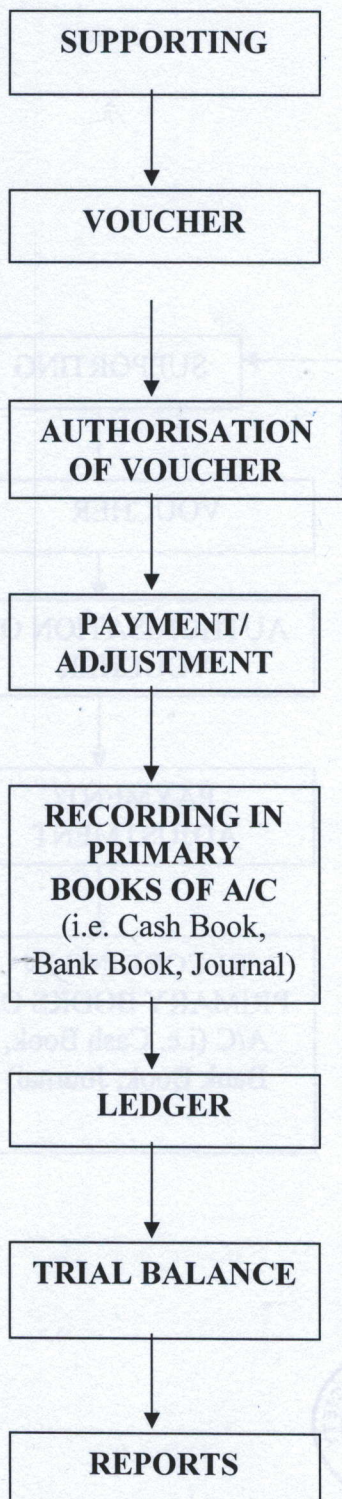
C) As regards statutory payments & important agreements

1. All the agreements like rent agreement, funding agencies agreement etc should be filed separately.
2. All the supporting in relation to the payments by way of rates & taxes, insurance, electricity payments, etc. should be kept in a separate file under the charge of finance head.

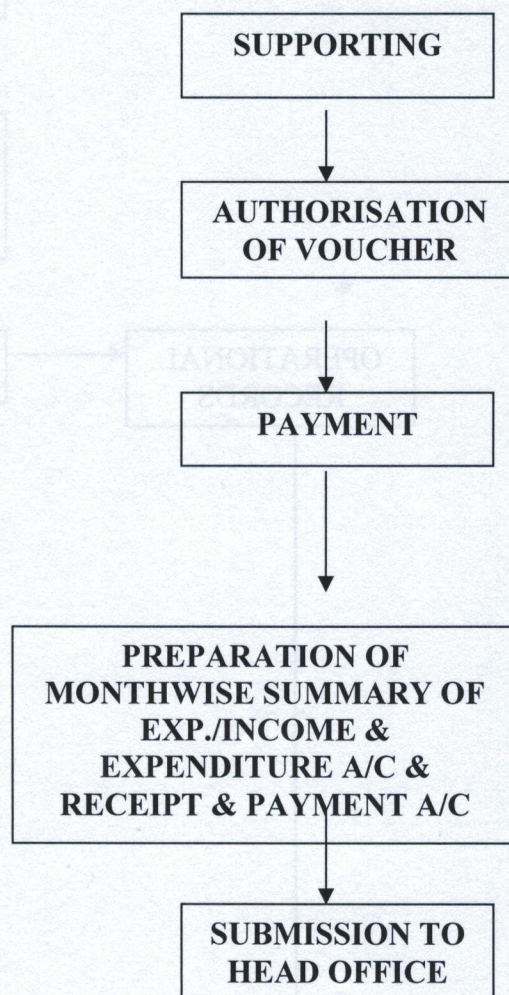


Flow chart of Accounting System

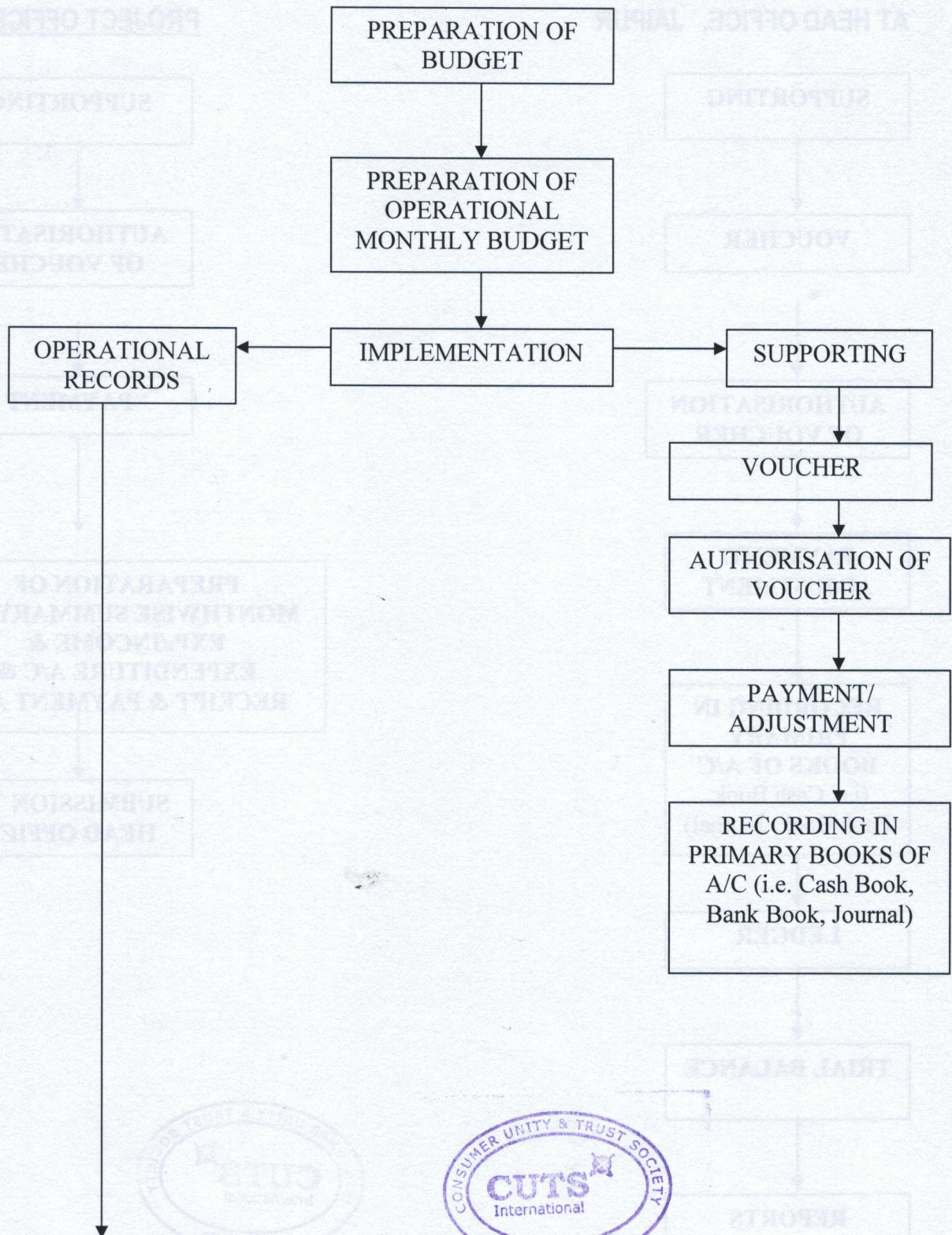
AT HEAD OFFICE, JAIPUR



PROJECT OFFICES



Flow chart of Financial Management System



1. Reporting format

1. Respective Branch office of CUTS should send monthly cash & Bank statement (CBS), Budget v/s Actual expenditure statement and Statement of Funds requirement, to CUTS Head office Jaipur latest by 5th every month. The format of these are as follows: -

a. Receipt & payment of the -----for the period
from ----- to -----

S.No.	Particulars	Amount
1.	Opening balance of cash/bank as on starting of month-----	
2.	Add: Funds received during this period- Date-wise	
3.	Total funds available	
4.	Less: Total expenses/payments made during this period (as per statement and vouchers attached)	
5.	Closing balance available as on-----	
	In Physical Cash	
	In Bank	

Attached all details of payments vouchers/Bills with full information.

Prepared/Checked by
Admin/Account officer
Cuts DRC/ CRC/CHD office
Dated:

Passed by
Regional coordinator / In charge

b. Detailed payments /vouchers sheets of -----
from----- to-----

<u>S.N</u> <u>o.</u>	<u>Vouc</u> <u>her</u> <u>No. &</u> <u>date</u>	<u>Expen</u> <u>ses</u> <u>head</u>	<u>Particula</u> <u>rs of</u> <u>payment</u>	<u>Exp.</u> <u>For the</u> <u>period</u>	<u>Nature of</u> <u>payment</u>	<u>Paid</u> <u>to</u>	<u>Amoun</u> <u>t</u>

(Please attached all payments vouchers and supporting/bills with this statement)

Prepared/Checked by
Admin/Account officer
Cuts DRC/ CRC/CHD office
Dated:

Passed by
Regional coordinator / Incharge



Budget v/s Actual expenditure statement for the month----- of

S.no	Expense s line items	Total annual sanction ed Budget	Budg et for this mont h	Actual expens es incurre d upto last months	Actual expense s incurred during this month	Total expens es incurre d upto this month	Varia nce Col. No. 3- 7	Reason s for varianc e
1	2	3	4	5	6	7	8	9

Prepared/Checked by
Admin/Account officer
Cuts DRC/ CRC/CHD office
Dated:

Passed by
Regional coordinator / In charge

Funds requirement statement for the month ----- of

S.no.	Expenses line items	Approved Budget for next month	Amount of Funds requirement	Remarks (please mentioned the approx. Date, when funds will be required)

Prepared/Checked by
Admin/Account officer
Cuts DRC/ CRC/CHD office
Dated:

Passed by
Regional coordinator / Incharge



Thank you

