

MANUAL

OF

FINANCIAL MANAGEMENT

SARVODAYA ASHRAM

(SIKANDARPUR, HARDOI)

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INDEX

1. PREFACE

2. CLASSIFICATION

- Terms
- Transactions
- Supporting Documents

3. PROCEDURE

- Cash Book
- Ledger
- Guard File
- Safety/ Security

4. General Rules

- Bank Operation
- Acknowledgement
- Cheque Books
- Drawal of Money
- Checking of Vouchers
- Money of Cash Expenses
- Payments of Travel Expenses
- Loans and Advances
- Purchases
- Assets
- Disposal
- Overhead
- Misappropriation & Embezzlements
- Preservation of Records
- Modification of Rules

PREFACE

As per its constitution and registration working area of SARVODAYA ASHRAM is entire Uttar Pradesh. It implements various projects of different magnitude in several districts of UP other than Hardoi. These projects are financed vis-à-vis by Government of India, Government of UP, and other internal and foreign funding agencies like ICCO Netherlands, UNICEF, CARE etc. Except for the basic system of maintaining accounts the monitoring ways of almost all of them vary from each other. So Sarvodaya Ashram needs to maintain separate accounts both for internal and foreign funders. Similarly Sarvodaya Ashram needs to maintain separate Cash Books etc for maintenance of accounts operated in other districts. However a central Cash Book also needs be maintained at the head quarter of the organization. All accounts maintained at Headquarter and outside in other districts are required to be got audited annually by a registered Chartered Accountant and a consolidated statement of Receipts & Expenditure also got prepared by him. All accounts to be operated under the signature of President and Secretary of SA and wherever it may be required either for facility or for smooth running of work by project incharge or some other senior person in addition where accounts will be operated by any two persons out of the three i.e. the President, the Secretary and the project incharge or senior person.

General rules and procedure of accounts have been embodied in this compilation to keep the financial management of the organization on track however the Executive Committee / Board of Directors of SA are fully competent to modify these rulings or bring new ones at every time of need.

Chapter 1 - CLASSIFICATIONS

i. Terms

The transaction relating to money coming in shall be called RECEIPTS and the transaction relating to money going out shall be called EXPENDITURE. The money received directly through Bank will be called TRANSFER.

ii. Transactions

All transactions of Receipts & Expenditure shall be made in Cash or by Cheque or with both. However money received directly through Bank Transfer shall also be taken as receipt on the basis of an authorized intimation from Bank which should later be confirmed by a DEPOSIT entry in the Bank Pass Book as soon as it may be possible.

iii. Supporting Documents

Every Transaction shall be backed by a Receipt, Counterfoil Cheque, Invoice or a Cash memo (whether printed or otherwise) i.e. a voucher in case of Expenditure.

(Clarification)

Any paper whether printed or manually written which contains the following essentialities shall be regarded as

VOUCHER and will be treated as a valid document for any amount of expenditure.

- i. Name and address of Supplier / Service provider
- ii. Name of the Person/ Organization etc. to whom supply is made or service is provided.
- iii. Name and quantity of goods Supplied / Service provided.
- iv. Rate and the price of goods or cost of service provided.
- v. Receipt of money except for a printed Cash Memo of a reputed firm, shopkeepers, supplier or service provider

Chapter 2 – THE PROCEDURE

i. Cash Book

(a)- Every financial transaction either of Receipts or Expenditure shall be written in a proper CASH BOOK maintained in chronological order as soon as it takes place.

(b)- Cash Book Should be written and maintained by the concerning Accountant or by some other responsible official deputed by President / Secretary. However in specific circumstances it may be written and maintained by the President / Secretary / Project incharge himself or get it done by some other responsible person other than the Accountant.

(c)- Cash Books needs be closed at least once a month by Project incharge /Manager etc. but it may be closed weekly or even daily if desired / required.

ii. Ledger

After an entry is made in the Cash Book the transaction should simultaneously be written in a proper Ledger at appropriate place and page to facilitate watching of sub head wise / work /commodity wise bookings.

iii. Guardfile /Portfolio

Every voucher after it is duly paid should be properly Punched / Pasted / Tagged in a separate Guard File maintained project wise. It should be placed in Guard File in accordance with the voucher numbers in the Cash Book i.e. the placement of voucher should be exactly in order of occurrence of expenditure and its entry in the Cash Book.

iv. Safety / Security

All original financial documents should be kept strictly with care in a locked Steel Almirah / Box as a measure of safety under the responsibility of a senior / trustworthy official or by the project incharge himself.

Chapter 3 - GENERAL RULES

i. Bank Operation

Accounts of the organization shall be maintained in a Reputed / Commercial Bank separately for all the projects or schools etc. as the case may be. However in the case of foreign funds only one account shall be maintained as per FCRA.

ii. Acknowledgements

Soon after any money is received a proper acknowledgement / receipts may be issued under the signature of President / Secretary of the organization. In exceptional circumstances it may be issued under the signature of one of the Director or the project incharge or accountant but this should be put up before the President / Secretary expeditiously for his / her perusal who should put his / her signature in token of having seen it. The counterfoil of the receipt should carefully be kept under the custody of some responsible official along with Cashbook, ledger and voucher etc.

iii. Cheque Books

Cheque Books containing blank cheques or a continuing cheque book containing

used and blank cheques should be kept under lock & key by the President / Secretary of the organization or by a trust worthy responsible person nominated / appointed by them.

**iv. Drawal of Money
From Bank**

Drawal of money from bank should be done with the signature of both the President and Secretary of the organization. In specific cases of accounts maintained in other districts or at any other place according to necessity the money may be drawn under the signature of either two person out of the President / Secretary /Project incharge. In case any one President or Secretary goes out necessarily for a long period he / she can put his / her signature on a blank cheque and leave the cheque book with either of authorized signatory so that work may not suffer in his absence. In this case the other one (President or Secretary) will sign the cheque after fully satisfying himself about the need and the amount of drawal of money. The absent partner on his / her return may see and satisfy himself/herself

about correctness of the money drawn from bank if desired.

**v. Checking
of Voucher**

Every voucher relating to payment shall be correctly scrutinized by the Accountant and passed either by President / Secretary or Project incharge. In the case of schools particularly it may be done by concerning manager who should obtain a written verification of the supplies / service rendered from some responsible person before passing the vouchers.

**vi. Drawal of Money
For Cash Expenses**

All money drawn from Bank for Sundry / Cash Expenses shall be counted and kept carefully by the writer of cash book in steel almirah or in a cash chest. Unspent balance kept in steel almirah / chest should be counted by the project incharge / Manager/ Secretary / President at least once in a quarter but these designatories may do so occasionally at their sweet will for their own satisfaction.

vii. Payments of Travel Expenses

Traveling expenses are allowed to field workers to cover the cost of their transportation within their jurisdiction. If it is allowed to them as a fixed TA it may be added in their salaries and paid preferably through cheque. If it is allowed as a separate provision in a project budget the organization if feels necessary may require proof of purchase of fuel etc. for use in the vehicles owned / hired / borrowed by them. The maintenance charges of the vehicle may be treated as inclusive of the cost of fuel purchased. Any other control over this expenditure shall be followed if it is specifically predefined.

viii. Loan and Advances

All loans and advances taken or given by the organization should be duly entered in the Cash Book & Ledger. However separate register for Loans and Advances may be kept if desired by the President / Secretary for exercising his/ her personal control .

ix. Purchase

Articles of daily use shall be purchased locally against Cash payment and Cash memo obtained from the local firm /

shopkeepers as an evidence of money paid and the material purchased or services obtained. However for bulk supplies Costing Rs. 25000/- or more quotations may be obtained before making purchases. In such case quotations carrying lowest rates may be accepted but while doing so quality of material may also be kept in consideration.

As far as possible standard articles be purchased from Manufacturers / Agency / Exclusive shops or Wholesalers.

The above rule does not apply in the case of goods purchased on controlled rates or books purchased from the publisher or Govt. nominated shops. In all such cases the education of children may be on priority.

In the case of raw materials like vegetables and food grains etc. purchase may be made from either local growers or from local village markets against cash payments on daily periodical basis but while doing so market rates may be kept in mind.

x. Assets

Except for perishable articles including goods of plastics, local wood , bamboo, rubber etc. all articles of plants, machinery should be brought on a separate register in

which important details relating to the article like engine number, make, model, horse power cost and the name of suppliers should be entered under the initials of President / Secretary / Project incharge. Such entries may also be made by project incharge or school manager the register need be put up before the secretary of the organization and his /her signature obtained at the appropriate place in token of having seen it.

xi. Disposal

All articles purchased or acquired in anyway from the funds of a project or direct by the organization out of its own funds shall be the property of the organization except for where it be otherwise restricted.

An asset on the books of the organization which has lost its utility due to constant work or an accident or in any other way other than its misuse need be put up before secretary of the organization who after his / her satisfactions require the article to be disposed off by sale in the local market or by auction after making due publicity by beat of drum / auction notice in the news

papers depending upon the value and the number of articles.

In the case of big articles like Trucks / Jeeps / Tractors / Cars / heavy machinery etc. a certifies from an engineer or local service centre or a mechanic may be obtained before its disposal that the article is now beyond economical repairs except for the article not required by the organization for further use. The decision of the Secretary shall be final and bounding in this respect. However in case / cases of big magnitude the Secretary may obtain the sanction of Exclusive Committee. The sum/ sums received from such sale / auction etc. shall be duly credited in the accounts of the organization.

xii. Overhead Charges

The entire overhead provision included in a project is the share of the organization. However the organization can use whole or any part of it on any unforeseen item of expenditure at its sweet will and the balance credited to the accounts of the organization each at the end of the financial year.

xiii. Misappropriation And Embezzlement

Any misappropriation of money or material including embezzlement should be brought to books as soon as it is noticed. Through a verbal or written enquiry of simple nature depending upon the money involved should be carried out and after fixing the responsibility recovery be made from the person / persons concerned. Except for exceptional circumstances the amount of recovery should not be more than 25% of the salary / honorarium paid to the worker. However in any unintentional event the recovery may be made in easy installments. However the President and Secretary are empowered to waive off the recovery on their individual or joint satisfaction. The amount of such waiver or any irrecoverable loss should be brought to books appropriately. In all cases endeavor should be made to settle the matter amicably but if the President / Secretary so desire on the merit of the case a FIR may be filled against the suspected person / persons. Powers for waiver of recoveries or losses should be exercised according to the following schedule.

1. Secretary

Recoveries / losses up to Rs.5000/-

2. Jointly by Secretary and the President

Recoveries /losses over Rs.5000/- and up to Rs.100000/-

3. Board of directors / Executive committee

Recoveries /losses over Rs.100000/ -

All such cases occurred in a particular financial year should be brought to the notice of members in the next general meeting of the organization.

xiv. Preservation Of Records

Except for where it is otherwise required all financial records like paid up vouchers ledgers, budgets and reports etc. shall be preserved and kept alive up to eight years after closing of a project and after it is audited by the Chartered Accountant and the utilization certificate is obtained and submitted to the funding agency along with audited statements. The documents need be burnt out subsequently after obtaining sanction of the President / Secretary of the organization. A record of such destroyed documents may be kept in a separate book

namely Register of DESTRUCTION OF RECORDS.

**xv. Modification,
Alteration,
Cancellation or
Adding New
Provisions**

Rules and procedure defined in this compilation are supposed to be followed by all concerned in Sarvodaya Ashram. These can however be modified, cancelled and new ones can be added to this present set of financial rules according to the need of the time. For this purpose a committee of at least two board members need be established and approval of the house be obtained in next general meeting of the organization. During emergency the Secretary and the President or jointly by both may make modifications or make new addition to these rules in the interest of running projects etc. smoothly. Any such action taken by the Secretary or President jointly or individually shall hold good till the approval of the next general meeting of the organization.

