

YUVA

YOUTHS UNION FOR VOLUNTARY ACTION

HAZARIBAG, JHARKHAND

FINANCIAL POLICY MANUAL

Approved By The Governing Body Of "YUVA"
In The G.B Meeting Held On 11.04.2019



INDEX

Sl.No.	Particulars
1	Introduction of Organization
2	Accounting Policies
3	Accounting Procedure
4	Accounting for Capital Expenditure
5	Accounting for Revenue Expenses
6	Requisition of Funds
7	Procedure for Making Advance for Travel
8	Procedure for Making Advance for Expenses
9	Advance against Salary
10	Rules for Reimbursement of Travel Expenses
11	Procedure for Purchase
12	Inventory Record
13	Cash Management
14	Bank Transactions
15	Accounting In Computerized Environment
16	Records and Documents
17	Vouchers
18	Fixed Assets Register
19	Bank Reconciliation
20	Statutory Compliance

1. Introduction of Organization

YUVA (Youths Union for Voluntary Action) Is an association of management professionals and social architects (registered under societies registration act in the tribal dominated state of Jharkhand) which contributes its efforts, resources and recognizes the potential of young people as agents of change.

The organization recognizes the need for well-designed, inter-linked focused spaces to sensitize youth to the underprivileged, and encourage youth action in development. The organization focuses on the following objectives

The foundation stones of the institution was laid with the vision of making an open access society where the marginalized communities especially the youths have access to resources for making their dreams into a reality. With this Vision the foundation tones of the organization was laid through its registration under the societies Registration Act XXI, 1860 at Ranchi, Jharkhand.

Objectives :-

- i. To work for optimal utilization of the available human, natural and institutional resources for uplifting deprived communities ensuring gender equity and justice.
- ii. To undertake Micro Finance activities for promotion of small income generation activities of the deprived communities for their economic self reliance.
- iii. To strengthen the livelihood options of the marginalized groups especially the BPL, Tribals, Physically and Mentally challenged section of the society in rural and urban areas.
- iv. To promote / organize maintain School, College, dispensaries, Hospitals, Vocational Training institutes, Training centers for promotion of modern techniques, sharing of knowledge and experience, improved health status through multi stake holders partnership with special focus on deprived communities.
- v. To undertake research studies for improve developmental initiatives and provide support services to grass roots level voluntary organizations aimed at promoting the similar objectives.
- vi. To promote and use “YUVA SHAKTI” (Energy of youths) in the developmental process for “SARVAJANA HITAYA – SARVAJANA SUKHAYA” and nationalism to uplift Indian Heritage and Culture.

Mission :-

To work for integrated development of the community through the optimum utilization of the locally available human, natural and institutional resources using the youth force, so that the gulf between the haves and have-nots be bridged without any distinction of caste, creed and religion.

Vision :-

A caring and sharing society based on equality and brotherhood without any distinction of caste, creed, religion and nationality for equitable, socially just, educated and egalitarian society.

1. Scope–Accounting Manual

The accounting manual discusses the rules and regulations that govern the financial allocations. Management of funds, investments, utilization and expenditure, statutory obligations, accounting concepts and formats of documents.

The activities under various statutes, which have already been completed and have no relevance in future, have not been deliberated in details.

The labor laws, although applicable to the Society but have not much relevance in the accounting function have also not been deliberated in this manual.
The overall accounting function is depicted in the form of organization chart of accounts department in Head Office and Project Offices, as below-

2. Accounting Policies

Method of Accounting

The accounts are prepared under the historical cost convention adopting the accrual method of accounting.

Financial Year

The financial year of YUVA (Youths Union for Voluntary Action) close on March 31, each year.

Grants

Grants provided by the donor agencies are money held and kept in trust and administered and utilized in terms the plans and budgets agreed upon by the donor agencies within a specified period. The grants to the extent not expended as per Donors mandate till the end of the year is accounted as liability and the money utilized as per donors' mandate is accounted as income. The Unspent amount will be spent in coming Financial year/s as per the approval from the Donor

Revolving Fund

This is micro credit initiative created out of revolving funds contributed by various agencies from time to time. The funds are given to Community based groups. The purpose of this is to revolve of fund among groups to meet their external fund requirements.

Fixed Assets

Fixed Assets shown in the Balance Sheet at their acquisition cost. The cost of assets acquired out of grants received from donor agencies is written off in income and expenditure account and an equivalent amount is credited to Capital Reserve to reflect the cost of assets in the Balance Sheet. Expenditure on assets is capitalized as and when these are purchased or expenditure incurred.

Depreciation

Depreciation in Fixed Assets is charged at the rates prescribed in Income Tax Act, 1961 for written down value method.

Foreign Currency Transactions

Transactions in foreign currency are stated at the exchanges rate prevailing on the transaction date.

Account Heads

Each project requires accounting to adhere to interpretations assigned to accounting heads. These interpretations are available within project proposal and section papers. Reference to such documents with clarifications from H.O. would guide project accounting.

3. ACCOUNTING PROCEDURES

Accounting of Receipt of Funds

Receipt of fund are classified into types mentioned here below

- (a) Receipt from partners/donors (Indian & Foreign / Govt.)
- (b) Receipt of fund from different units/Self IGA
- (c) Receipt of funds form Consultancy fees
- (d) Receipt of funds from general as donation & subscription, and
- (e) Receipt of fund from members as membership Fees and Contribution
- (f) Receipt from Corporate houses/Banks
- (g) Receipt of fund using Fund Raising Platforms
- (h) Receipts from Interest / Investments

Receipt of funds from partners/donors is accounted at H.O on receipt of bank instrument. Service charges levied by bank for collection of the proceeds are accounted as expenses. Movement of funds from H.O. to project locations / different units is made as advance or imprest system. That is, the demand for funds emanate from projects on month – to month basis. The demand is validated with the quarterly financial budget earlier approved by H.O. The requisite funds (month's demand less balance funds at end of previous month with the project) are remitted. The remittances so made are treated as project advance and is set off against actual expense bills received on monthly basis.

Sometimes a small contribution is may be taken in form of Contribution in kind or in form of labour days from the community to increase their belongingness and feeling of ownership. Any such contribution received is accounted as Community contribution.

4. Accounting for Capital Expenditure

Decision for capital expenditure is taken at H.O. Capital expenditure can be incurred at H.O. or at project locations. Such investments are reflected in the budgetary sanctions and allocation of funds. The process of allocation and movement of funds is similar to that of revenue funds. However no assets shall be purchased except with the prior permission of Secretary or Executive Director. Only written permission from Secretary or Executive Director for purchase of assets with description and number of assets will be considered as valid permission. No oral permissions for purchases will be considered as valid permission. The process of capital expenditures may involve payment of advance to vendor, staff entrusted with the purchase. Such advance will be accounted for, in the name of the vendor/staff and is set off against receipt of proper bill and acknowledgement of payment.

All bills for purchase of assets should be only in the name of the organization. Capital expenditure includes provision of assets to community, if the ownership is in the name of YUVA. However if the ownership is transferred to community, the cost of assets is accounted as revenue expenditure. In both the cases acknowledgement receipt should be obtained from the recipients.

All capital items shall be given an identification number, which will be written on asset by paint / Permanent Marker and the particulars will be recorded in the Fixed Assets Register under the appropriate head like Furniture, Office Equipments, etc., along with noting of the location and project to which it is allocated. No assets should be transferred from one location to another without a written prior permission from the Secretary/Executive Director. The same should be properly recoded under the remarks column in the Fixed Assets Register.

In case a capital item is un-serviceable/redundant, these should be reported to Head Office and should be written-off on approval by the Secretary/Executive Director.

Replacement of an Asset :Broadly expenditure on replacement of assets or any major

Component of asset and rehabilitation work is capitalized if in the opinion of the management it results in enhancement of the capacity/efficiency of the asset or increases in the life of the asset.

In case whole of an asset is replaced, the amount of the old asset appearing in the Books is to be written off and the expense incurred on replacements is to be capitalized.

In case the expenditure pertains to replacement of one/more parts of the equipment. asset, just to keep it in running position, such expenditure shall be considered as ordinary repair and shall be charged to the Income and Expenditure account or to the Project expenses.

All the purchases, disposals, replacements, sales and write off of assets during the year should be reported to the Expenditure Committee for their post factor approval.

5. Accounting for Revenue Expenses

The periodic financial budgets (monthly/quarter/annual) form the basis for accounting reference. All revenue expenses are therefore to be treated in reference to the sanctioned financial budget. Care has to be taken that modifications / alterations are authorized by R.O. based on specific needs.

Accounting for revenue expenses have to be related to the purpose for which the expenditure is

incurred. Care needs to be exercised with dual reference to (a) sanctioned revenue allocation and (b) purpose. Revenue expenses are sanctioned in relation to project. Each revenue expenses, on other hand, has to be related to purpose. Distinction therefore needs to be made between nature and purpose. This decision is to be handled by the passing authority at the project and H.O. [Example: a local conveyance expense, by nature is conveyance expense; if the purpose of such conveyance was to attend a training program then the expense would be accounted for as a training expense.]

Advances paid in connection with expenses are accounted in the name of the recipient. Such advance is set-off against actual expense on receipt of bills/ receipt and other supporting documents related to expenditure incurred.

Revenue expenses should be supported by Cash Memos/Bills and receipt of payment made in respect of expenses incurred or items purchased. Bills should be in the name of YUVA and must contain complete details of services taken/items purchased. The claimant should verify the Cash Memos/Bills and receipt of payments and these should be duly approved by the competent authority, before their accounting.

6. Requisition of Funds

The Project –in-charge / Coordinator should submit a detailed fund requisition well in advance (at least 07 days) from the date of program in field level to Accounts department. The indent should indicate requirement for revenue expenditure and for capital items separately, giving broad description of the expenditure involved and with clear justification. Whenever indent includes extraordinary item, the same should be supported with explanations and quotation, if any.

7. Procedures for Making Advance for Travel

- i. The Travel Advance should be limited to the estimated cost of travel.
- ii. The advance should be settled by rendering appropriate traveling expenses bills duly passed by the appropriate authorities.
- iii. The bills should be submitted at the earliest but not later than 10 days from the Date of reporting for duty at the officer after return from tour. If this is not done, the advance will stand adjusted from the salary at the time of preparation of pay roll.
On completion of journey, the total traveling expenses including cost of tickets and to account of concerned staff for the balance amount.
- iv. The cancellation charges of tickets should also be accounted to traveling or other related account.
- v. Charges of Travel agent (If Bill from Travel Agent is available or not) for ticket Booking also be accounted as Travel cost. (If bill from Travel agent nit available a organizations “Receipt of Payment” should be signed by the travel agent)

8. Procedures for Making Advances for Expenses

- i. No adhoc advance should be given. Advances should be allowed only to cover immediate expenses and specific work as approved by the project coordinator/project team leader on advance requisition form All advances are to be accounted for in the recipient’s name.
- ii. Advances should be allowed only on the basis of requisition slip.
- iii. **No second advance** should be approved by the project coordinator/project team Leader and allowed by the accountant, unless the first one is settled.
- iv. All advances should be settled immediately after the expenses have been incurred, in any case with in 15 DAYS. Any amount outstanding for more than 15 DAYS shall be deducted from the salary of the person.
- v. If out of advance taken, any advance is given to any supplier of material/ service (after obtaining due receipts/voucher), the advance account of staff should stand settled and the account of concerned party/supplier shall be debited.
- vi. All Receipts, Bills or Cash Memos for expenses incurred or for purchase of any

item, should be in the name of organization "YUVA" and not in the name of individual who is making payment.

9. Advance against Salary

The advance against salary shall be given to staff at the sole discretion of the Secretary to the organization considering the exigency in each case and as per the following considerations. Salary advance will not be given more than four times in a year and the amount can not be more than a month's salary.

- ✓ Salary advances so taken will be repaid in 04 equal installments from the next pay.

10. Rules for Reimbursement of Travel Expense

- i. As Travel Expenses constitutes a major cost to the organization, it will be the endeavor of Directors/Project Coordinators/team Leaders to curtail expenses on

Travel and take judicious decision while authorizing travel expenses.

- ii. All claims for travel expenses should be on the prescribed format. The travel claim must accompany with a brief report of the work undertaken during the tour.

Fare

- iii. All journeys should be undertaken through the **shortest possible route**.
- iv. All staff members are entitled to undertake journeys through train using 3rd AC sleeper berths or bus, however travel by sleeper class should be encouraged. Any journeys by air or train using 2nd AC or any higher class or through 4 wheeler shall be undertaken only with prior permission from the Secretary/Executive Director. In case of Chief Functionary and other GB members Journeys by Air (Economy class) is permitted however travel by 3AC or 2AC should be encouraged

Lodging Expenses

- v. No claim for lodging expenses will be entertained for visit to places where YUVA has in-house lodging facilities, unless such facilities are not available because of full occupations or otherwise. The actual expenses incurred for lodging will be reimbursed subject to following ceiling AND THIS IS APPLICABLE TO ALL INCLUDING CHIEF FUNCTIONARY AND GOVERNING BODY MEMBERS

Cities of Mumbai, Delhi, Kolkata,
Chennai, Bangalore etc.

Rs.3,000.00

Per day

All other places

Rs.1500.00per
Day

Boarding Allowance

- vi. A per diem allowance of Rs. 700/- will be paid to cover meals and incidental expenses on the basis of self-declaration..

- vii. For the purpose of the Diem Allowance, a day (24 hours) will be deemed to have started from the time of departure from the base station (residence or office) and the number of days will be counted up to the same time on the date and time of return. There will be no per diem entitlement for a fraction of a day below 12 hours. AND THIS IS APPLICABLE TO ALL INCLUDING CHIEF FUNCTIONARY AND GOVERNING BODY MEMBERS

viii. Other Expenses during Journey

Actual expenses incurred on local conveyance from residence to railway station/bus station/airport and vice versa and from hotel/place of stay to work and vice versa, and telephone expenses (on producing bill) for contacting office

will only be allowed. NO other expenses (like personal telephone calls, laundry, medicines, etc.) will be entertained.

b. Reimbursement of Local Conveyance Expenses

Those who are using their own vehicle or institutional vehicle for official; use, with the prior permission of appropriate authority, will be reimbursed as designed in the project budget' TRAVEL EXPENSES

Local conveyance undertaken through other mode of transport will be reimbursed on the basis of actual expenses incurred. However as far as possible public transport facilities should be used

1. Using 2 wheeler (either personal of Institutional) Rs. 4.00 per KM (Including Repairs and Maintenance)
2. Using of 4 wheeler is allowed only with prior approval from the chief functionary.
3. KM travelled from home to work place will not be counted. Only KM travelled within the work place for daily assigned work will be counted.

c. Maintenance of Vehicle Log Book

The staff member, who is using vehicle either owned by YUVA or by the staff will be responsible for the proper care and maintenance of the vehicle and will ensure proper maintenance of vehicle Log Book. The Log books shall be checked and signed by the team leader/project coordinator monthly (Prior to produce before Accounts department) to ensure the proper use of vehicle, proper maintenance of Log Book and avoid misuse of the vehicles.

Vehicles should be serviced periodically as prescribed in service manual of the vehicle.

11. Procedure of Purchase

For all kind of purchase like assets, stationary, office consumables, training material and other items costing below Rs. 10000.00 at one time, following procedure will be followed:

- ✓ The user will initiate a requisition with details of items required (like name and specifications of item, quantity required, estimated cost, etc.) on a prescribed form.
- ✓ The requisition form will be submitted to the person maintaining store inventory for verification of quantity available in the stock. He / She will verify the quantity available and mention the quantity required to be purchased.
- ✓ The requisition form duly verified by the store in-charge will be forwarded to the accountant for checking the calculations and availability of budget.
- ✓ After verification by the account, the requisition form will be submitted to the Chief functionary for approval

In case of purchase of items costing more than Rs. 10,000/-, the approval will be given by a purchase committee consisting of the team leader/project coordinator, accountant and one or two other members from the GB or appointed by the Secretary.

In all Fixed Assets items costing Rs. 10,000/- or more, quotations will be invited/obtained from at least 3 suppliers/manufactures of such items.

A comparative chart of quotations received shall be prepared and submitted before the purchase committee.

The purchase committee will note its decision on comparative chart along with remarks and reasons for not purchasing from the supplier, who quoted lowest rated, if applicable.

As far as possible, the purchases shall be made and payments shall be released against proper bills/cash memos and by A/c payee cheque/ Bank Transfer if possible.

(Details in Purchase Policy manual)

12. Inventory Record

Inventory records shall be maintained for all items (designed or not designed in budget of any project) of stationary office consumables, publications, items purchased for distribution among community like seeds, fertilizers, agriculture tools, pipes, instruments. Etc. A stock register shall be maintained containing details of items purchased, quantity purchased, quantity issued and the balance quantity.

This records shall be maintained by the store keeper (in case of large program) or any other person to whom this responsibility has been assigned by the team leader/project coordinator.

The storekeeper will physically verify all items in his custody and reconcile them with the balances reflected in stock register at least once in a month. He / She will prepare the report of physical verification containing items verified, quantity verified, quantity as per records, difference noticed and reasons for difference, if any. The report will be submitted to the team leader/project coordinator.

Once in every quarter the team leader/project coordinator him / her self will do this exercise.

The reports along with recommendation for action to be taken for discrepancies observed shall be submitted to the Executive Director / Secretary.

13. Cash Management

- i. Cash should always be kept in the Cash Box or a safe place, under lock and key. Cash balance should be kept to the minimum. Excess amount should be deposited in Bank.
 - ii. The payments in cash should be discouraged. As far as possible all payments beyond Rs. 10000.00 should be through crossed cheques/Bank Transfer.
 - iii. The cash balance be physically verifies periodically (not later than a month) by competent authority. (other than the Cashier) and he should sign the cash book in token of his / her verification. At the end of each month indicate the denominations of the currency notes, coins, stamps, etc. held.
 - iv. In the event of the cashier going on pre-sanctioned leave cash key and the cash box with Cash Book will be handed over to the other authorized person who is going to officiate.
- v. Procedures relating to Cash Receipt sand Cash Payment**
- vi. Pre numbered money receipts should be issued for all receipts, other than withdrawals from the bank.
 - vii. All cash payments either in settlement of an expenses or for payment of an Advance or for any other purposes should be some in the following manner-
 - viii. A cash voucher should be prepared in the first instance by the claimant.
 - ix. The cashier/accountant should verify the supported documents, arithmetical accuracy, purpose of advance. Etc. He would also fix the account head and codes and countersign the voucher.
 - x. After obtaining the above voucher along with supporting from the claimant, the cashier should part with actual cash. The supporting Cash Memos/Bills/receipts should be in the name of YUVA". No Cash Memos/Bills/receipt in the name of any individual. Whether staff or executive of "YUVA" or outsider shall be accepted.
 - xi. For payments of Rs.5000.00or above revenue stamp of Rs.1.00 should be affixed And the claimant should sign across the revenue stamp.
 - xii. All the vouchers should be approved by the Secretary or Treasurer

14. Bank Transactions

All bank accounts shall be opened in the name of the organization and preferably savings accounts will be opened.

The bank accounts shall be operated through (Secretary and Treasurer) joint signatories.

Bank accounts should be reconciled monthly.

The cheque book and the "Authorized Signatory" stamp should be kept under lock and key.

The counterfoil or transaction sheet or photocopy of cheque should be properly written before issue of cheques.

As far as possible, and compulsorily for all payments beyond Rs.10000.00 payment should be made through crossed "Account Payee" cheques or NEFT / RTGS .

Safe keeping of Records

All books of account (Cash Book, Bank Book, Journal, Ledger, etc.) are required to be kept in bound forms with proper identification.

Vouchers with supporting, should be properly filed in separate files and should be got bound after the year ends. The files should be properly labeled with the name and period of vouchers contained therein.

In case of computerized accounts proper back up should be taken periodically, preferably weekly. The backup should be taken on hard disk of other computer in the network environment as well as on a pen drive / External Hard Disk.

While writing data on pen drive / External Hard Disk. Two sets of backup should be kept. i.e. one for the current data and other for the immediate previous period.

The back up pen drive / External Hard Disk should be kept at a secured place. Preferably in a fire / heat proof container or away from the place, where computers are kept so that in case of fire or other eventuality, back up pen drive / External Hard Disk are safe . One copy of the pen drive / External Hard Disk should be kept with the Executive Director / Secretary / Treasurer and the other with the Accounts in-charge.

Once the yearly accounts are finalized, complete back up should be taken on two pen drive / External Hard Disk and kept at a secured place. These pen drive / External Hard Disk should not be used for any other use or for back up of current data.

Final Approval of any Expenses :

1. Expenses bills / vouchers submitted should be checked (arithmetical accuracy, as per budgetary allocation or not, quality of bills, supportive documents etc.,) should be checked by the accountant and sign.
2. Treasurer will recheck all the expenses related documents and sign.
3. The expenses will be forwarded to the Chief functionary for final approval. In absence of Chief functionary, President or Treasurer to the organization will be the final approving authority.

15. ACCOUNTING IN COMPUTERIZED ENVIRONMENT

- a. YUVA is presently using "TALLY" accounting software

Users

The software is controlled through pass words under Level of Password

- DO – Data Operator
- DA – Data Administrator

The DA login shall remain with the in-charge of accounts department (Chief Accountant and Treasurer) at Head Office. The user login (DO) will be created as per need by the DA for each installation.

Vouchers

Four types of vouchers are being used by YUVA namely Cash, Bank, Contra and Journal. The numbers of vouchers are generated by the system automatically. Once vouchers up to a particular date are entered, no voucher in the previous date should be entered. The software accepts date entry in previous date (in the current month) but voucher number generated would be after the number of vouchers already entered. This will create mismatch and is not allowed.

Although there are separate vouchers for receipts and payments, the present accounting software gives same identification number in one serial.

Modification of Vouchers

Voucher once entered could not be altered / modified / deleted. If there any mistake the rectification entries may pass in current date.

Various reports are generated through the accounting software. Which should be made use of as per requirements of management.

16. RECORDS AND DOCUMENTS

The records required to be maintained are as under;

- ✓ Cash Book
- ✓ Bank Book
- ✓ Journal Book
- ✓ Ledger
- ✓ Subsidiary Ledger
- ✓ Fixed Assets Register
- ✓ Vouchers
- ✓ Log Book for each vehicle separately
- ✓ Advance Register
- ✓ Attendance Register
- ✓ Other Register/ s if required

Separate Books of account comprising of Cash Book, Bank Book, Journal and ledger are required to be kept for India and Foreign Funds.

In case of computerized accounts, all the transactions are required to be entered on the date of transaction on daily basis

17. Vouchers

- ✓ Following types of vouchers are used
- ✓ Receipt
- ✓ Payment
- ✓ Journal
- ✓ Contra

Each voucher (whether cash, bank or journal) has to have the following details:

- ✓ Project Name
- ✓ Voucher Number
- ✓ Date
- ✓ Account Head
- ✓ Narration or details of transaction
- ✓ Value
- ✓ Initials of the Accountant
- ✓ Approval from Authorized person
- ✓ Signature of the recipient (if there is no other supporting document).

18. Fixed Assets Register

All assets acquired/owned by YUVA should be recoded in a register. All particulars like make and model of asset, name of manufacturer/ supplier, identification (chassis or machine number) given by manufacturer, identification number (given by YUVA), Quantity, cost including taxes, freight and installation expenses.

19. Bank Reconciliation

At the end of each month the balances in each Bank Book (Tally) should be reconciled with the balances in the Bank.

20. STATUTORY COMPLIANCE

Under the Societies Registration Act 1860

Registration

YUVA has already got the necessary registration. The registration number of YUVA is 884 dated 6th January 2009

Filing of quarterly return in form-‘H’ at the end of each qtr. And submission of annual Return along with Audited statements of accounts, Annual Activity report and Present List of Governing Body to the registrar of Societies, Govt. of Jharkhand or as required by the Department time to time.

Changes etc. in Rules and Regulation (Amendment in Bye-Laws) to be Intimated to Registrar

A copy of ever/change made in rules of the society and intimation of every change of address of the society or any other amendment in MOA and Bye-Laws, certified by not less than three of the members of the Governing body shall be sent to the Register within thirty days of the change.

Under the Income Tax Act 1961

The Organization will comply with all the rules applicable as per the Income tax Act

Under the Employees Provident funds and Misc. provisions Act 1952

The Organization will comply with all the rules applicable as per the Employees Provident funds and Misc. provisions Act

Financial Year

The accounts shall be maintained for the financial year beginning from 1st April to 31st March
Audit

The Organization must get its accounts audited by a Chartered Accountant. Statement of Accounts along with annexure/s , Notes on Accountants and significant Accounting Policies to be obtained from the Statutory Auditor. Filing Returns to the Government

The organization will comply with submission of all the return/s to the various Govt. Dept. within the specified date.