

FINANCIAL POLICY

PARIVARTAN SAMAJ VIKAS SAMITI



Maintaining Vouchers

- a) Ensure that all the particulars required in voucher(s) are properly filled;
- b) Ensure that all the vouchers bear the 'Project Name' and 'Program' description;
- c) Every organization would maintain single control of vouchers for each Foreign Currency (FC) funds and single control for all local funds irrespective of the number of projects/activities;
- d) All type of vouchers namely, Cash Payments, Cash Receipts, Bank Payments, Bank Receipts and Journals/ adjustments would be filed separately for FC funds and Local Funds;
- e) Vouchers related to FC funds for all the projects would be filed chronologically in numerical order;
- f) Vouchers related to local funds would be filed separately in the same manner;
- g) The accountant would use 'Index Files' for filing the vouchers;
- h) Proper binding of the vouchers would be done as and when required, depending on the volume of transactions;

Cash Receipts & Vouchers

- a) No cash would be accepted unless the receipt is authorized as per the 'Authorization Procedure';
- b) Receipts would be pre-numbered at the time of its printing;
- c) The Receipt would be printed in duplicate. First copy for donor/ party and the second copy for accounting and references/ records;
- d) A 'Receipts Control Register¹' would be maintained to record Cash Receipts;
- e) Cash Receipts would be entered in **Tally software** using Receipt voucher;
- f) Receipt Voucher will be printed with serial control number (generated automatically by Tally), description of receipts (name & address of the donor, contributor, purpose, activity details etc.), detailed narration with space for signatures by the donor, accountant and Authorized Signatory;
- g) The Cash Receipt voucher will be made for total cash received during the day giving reference to cash receipts and the 'Receipt Control Register';
- h) Reference of Cash Receipt Voucher will be given in the Receipt Control Register also;



- i) The cashier clearly mention the purpose for which cash has been received;
- j) The blank Cash Receipts would be kept in a safe custody.

Cash Payments & Vouchers

- a) Cash payments would be made only if the supports are obtained to that effect;
- b) The accountant would fill in, on payment voucher(s), the 'Project Title' and the 'Name of Program' for which the expenses have been incurred and send the same to Authorized Signatory for approval;
- c) The Authorized Signatory² would give approval on payment voucher(s) and supports thereof;
- d) The accountant would obtain recipient's signature on cash payment voucher(s);
- e) Where cash payment is Rs. 5,000/- or more, 'Revenue Stamp' of Re 1/- must be affixed and recipient's signature should be obtained thereon;
- f) Cash payment voucher(s) would be entered in Tally software using payment voucher;
- g) Payment Voucher will be printed with serial control number (generated automatically by Tally), description of expenses (budget head, activity details etc.), detailed narration and space for signatures by the payee, accountant and Authorized Signatory;
- h) No Cash payments would be made to any outside parties who are on regular payment cycle/ terms with the organization;
- i) In case of one-off payment, ensure that cash payment is kept below Rs. 20,000 on a single day to a particular person³;
- j) Follow Authorization Norm in case of Cash Advances to outside parties and staff/workers;
- k) Advance payment to staff/ workers would be done only on the basis of an Authorized Plan for program/ Plan for travels⁴;



Petty Cash book/ Scroll Book

- a) Cashier will maintain a petty cash book for all the cash transactions within the organization;
- b) The cashier would clearly mention brief narration/ nature of transaction in each case;
- c) No alteration in the project name, program/ expenses head and amount would be allowed;
- d) If the change is inevitable, do so by clearly striking it off and writing again;
- e) The cash book(s) would be closed everyday mentioning physical balance of cash available. The cashier will mention denomination of cash in the cash book itself at the close of the day;
- f) The accountant or any designated person will verify cash periodically and counter sign the cashbook.

Physical control of cash and monitoring

- a) Cash of the organization would be kept at a secured place(preferably a steel safe);
- b) No personal cash would be mixed with Organization's cash;
- c) Physical control of cash would be with cashier of the organization;
- d) In no case, cash would be moved out of the organization's premises without corresponding payment voucher and authorization;
- e) Cash would be deposited in the designated bank on next working day;
- f) Withdrawal of cash would be done only when a proper planning for program or administrative expenses have been approved by the Authorized Signatories;
- g) Keep cash at the barest minimum;
- h) Must insure cash-in-safe and cash-in-transit to the extent of necessary volume and safety;
- i) Periodic physical verification (without any notice to cashier/ accountant), in a proper format meant for this purpose, will be done by the organization;
- j) The persons responsible for physical verification would be rotated;
- k) Stern action would be taken against relevant staff in case of discrepancies which is beyond explanation.



Bank Receipts & Vouchers

- a) Every cheque, draft/ pay order, direct transfers through RTGS/NEFT would be entered in the 'Receipts Control Register';
- b) Receipts would be pre-numbered as explained in "Cash Receipts" section;
- c) The Receipt would be printed in duplicate. First copy for donor/ party and second copy for references and records;
- d) All the receipts for the day would be entered in **Tally Software**. A bank receipt voucher would be prepared for all the bank receipts in a single day;
- e) Reference of bank voucher generated by Tally would be given in the Receipt Control Register as well;

Bank Payments & Vouchers

- a) Bank payments would mean payment through cheques/ RTGS/NEFT or direct debits by bank(s) only;
- b) No Authorization of cheque payment⁵ would be made unless supported by a Bank Payment Voucher;
- c) The accountant would check availability of funds in the relevant bank;
- d) The accountant would ensure, at the time of obtaining Authorization, that the supports attached to the Bank Payment Voucher are also signed;
- e) All the cheques issued would be crossed 'Payee's Account Only/Not Negotiable' unless it is for internal cash withdrawals;
- f) Complete detail of cheque issued would be mentioned on the payment voucher;
- g) The accountant would obtain recipient's signature on the payment voucher;
- h) A serial control number, generated by **Tally Software**, would be given to each payment voucher;
 - a) Where payment is Rs. 5,000/- or more, 'Revenue Stamp' of Re 1/- must be affixed and recipient's signature should be obtained thereon;
 - b) The cheque issued would be entered in the 'Cheque/ Draft Issue Control Register'⁶;
- i) In case, the recipient is outside party, an official receipt would be requested;

Routine Payments

- j) In case of payments for monthly salaries, only one payment voucher would be made. A statement mentioning cheque numbers/RTGS reference and amount



against them for each staff would be attached to the voucher for one time authorization;

- k) In case of any advance payment to staff, Advance Request Form⁷ would be attached with the voucher for authorization;
- l) No payment will be made unless ledger copy/ detail of that particular account is attached to the bank payment voucher;

Payment to Outside Parties/ Creditors

- m) No Bank Payment Voucher would be entertained unless supported by party's accounts in the books of the organization;
- n) Party's accounts in organization's books of accounts would be properly reconciled with all the bills raised and payments made till the date before the same is considered for payment;
- o) Statement of Accounts from outside party(ies) will be obtained wherever account reconciliation with the party is required;
- p) The accountant would ensure that the payments to parties are done only on or after the due dates;
- q) In case, the payment to outside party is being done on the basis of bills produced, the same would be attached to the bank voucher for authorization and bank payment.

Maintaining cheque books/ deposit slips

- a) Blank cheques would not signed in any case;
- b) Signed and unsigned blank cheques would be kept in the steel safe meant for keeping cash;
- c) Avoid giving post dated cheques unless absolute necessity but not without approval;
- d) Avoid giving bearer cheques;
- e) Do not leave any blank spaces in cheques between the figures and at the start of the box meant for filling amount in figures. Also, do not leave any spaces when writing amount in figures;
- f) Strike out the blank spaces after the name and figures in words;
- g) Preferably, use indelible ink pen for filling cheques;
- h) In case of cancellation of any cheque, deface the cheque diagonally;



- i) If bank payment voucher has been made earlier (for a cheque being cancelled now), prepare a bank receipt voucher and record in bank book/ account to avoid any confusion in future;
- j) Mention detail of cheques issued in the cheque counterfoils/slips. It serves as ready reference and is also useful at the time of preparing Bank reconciliation;
- k) Keep all the deposit slips separately and safely till the time banks are reconciled;

Bank Reconciliation Statements

In normal cases organization's Bank book/ account maintained should match with the Bank Statements/Pass Books maintained by the bank. There are, however, some cases where both do not match and needs reconciliation.

These are the reasons why organization's bankbook and bank statement/passbook will not match:

- I. Cheques issued by organization but not presented by party (ies) in bank for payments;
- II. Cheques deposited by organization but are still in clearing and yet to be credited by bank;
- III. Bank charges debited by bank on account of issue of cheques, bank draft clearing charges, commission for TT clearance etc. but are still to be accounted for in the books maintained by the organization;
- IV. Direct deposits credited by bank in organization's bank account by an outside without any intimation.

It is, therefore, necessary to prepare Bank reconciliation Statement where transaction entered into organization's bank book/ account is matched with the bank statements/ passbooks on a periodical basis.

The accountant need to take following action:

- a) Obtain Bank Statements or get the Bank's Passbook updated immediately after the end of the month;
- b) Prepare Bank reconciliation Statement at the end of every month for each bank;
- c) The reconciliation statement would be filed along with the bank statement for each month;
- d) Any deviations on bank's part would be immediately taken up with the bank and follow-up done periodically;
- e) Mistakes/ deviations on Organization's part would be corrected/ adjusted immediately in next month;



- f) The accountant would obtain Bank Balance confirmation at the end of each accounting year;

Journal Vouchers

- a) Journal vouchers would be prepared only for the activities not falling in the category of cash or bank transactions viz; creating liabilities at the end of a month or financial year, credit purchases, Credit sales, Depreciation on assets etc.;
- b) No Journal voucher would be accounted for without approval from Authorized Signatory;
- c) Every Journal/ Adjustment voucher would be required to have adequate supports unless the same is a transfer entry;
- d) In case of transfer entry, previous voucher reference will be given with complete narration and supports;

