

**Financial Manual  
Of  
PCC & MEC**

**Revised: March, 2007  
First Preparation: January 2003**

# Financial Operational Manual Of PCC & MEC

## 1. Introduction:

**Background of PCC&MEC:** Population Crisis Control & Mass Education Committee (PCC & MEC) is a non-profit, non-political, and non- Government voluntary organization came into appearance in 1985. It is committed to help in changing socio-economic and health status of the local poor specially the deprived women and destitute children of the poor families of its working areas. A group of civic-minded men and women of Khulna area established it who closely found the measurable condition of the local poor living in the poverty brackets. The organization realizes the socio-economic problems of the poor people and believes in their potential for overcoming the problems by their own efforts.

## 2. Background and experience of the organization

Population Crisis Control & Mass Education Committee (PCC & MEC) is a non-profit, non-political, and non- Government voluntary organization came into appearance in 1985. It is committed to help in changing socio-economic and health status of the local poor specially the deprived women and destitute children of the poor families of its working areas. A group of civic-minded men and women of Khulna area established it who closely found the measurable condition of the local poor living in the poverty brackets. The organization realizes the socio-economic problems of the poor people and believes in their potential for overcoming the problems by their own efforts.

PCC&MEC has a diverse range of activities under its organizational banner. Most of its core activities are of non profit nature, which are essentially funded by donor organization.

## 3. Government Registration Status:

<b>a.</b> FDR No. 384 dated on 29/01/1991.NGO Affairs Bureau Prime Ministers Office, Government of Bangladesh	<b>b.</b> Reg. No. 382/86 dated on 20/10/ 1986 Directorate of Social Welfare Government of Bangladesh	<b>c.</b> FP: 24dated on 14/02/1987in 1987 Dated: 30.01.2008 Department of Family Planning
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#### **4. Some of the major areas of focus of the PCC&MEC**

- ▣ Development Projects
- ▣ Child & Women Rights
- ▣ Micro Credit and IGAs
- ▣ Disaster management
- ▣ Education (Human Resource Building)
- ▣ Renewable Energy
- ▣ Capacity Building, Training and Workshops
- ▣ Consultancy
- ▣ Fisheries and livestock
- ▣ Mother and child Health care

#### **5. VISION OF THE ORGANIZATION:**

- ▣ A prosperous country, technologically modernized and self-sufficient.
- ▣ In a broader sense: An enlightened world, free from the darkness of poverty, pollution, illiteracy, and fundamentalism.
- ▣ A healthy and sustainable society with equity and justice in the program areas.

#### **6. Mission and vision of PCC&MEC**

Work with those poor people who have less access and unserved and undeserved in the operational areas, organized and provide them demand driven support, mobilize local resources, contribute sustainable development ensuring quality services and also ensure people participation at all levels.

#### **7. Objectives of PCC&MEC**

- ▣ As a visionary organization working in the development sector PCC&MEC has many enlightening objectives that reflect its vision and mission as an organization. Apart from its general organizational objectives, PCC&MEC formulates specific objectives for its different development projects. The general organizational objectives of the organization are illustrated below: To be established as a transparent, efficient and visionary national Non Government Organization in the NGO sector of Bangladesh
- ▣ To actively and voluntarily participate in multidimensional development projects focusing on poverty alleviation, disaster management, rehabilitation, rural health, literacy, livelihood sustenance, infrastructure development and other social issues.
- ▣ To build and disseminate awareness regarding different societal problems such as crime, illiteracy, environmental degradation, malnutrition, natural calamities, safe water & sanitation etc.
- ▣ To work effectively for building a safer and pollution free environment characterized by an ecologically stable habitat in rural and urban Bangladesh

- To come up with innovative project designs and ideas to address these multidimensional social issues in the context of Bangladesh.
- To facilitate innovative and practical ICT tools that will aid these development activities
- To share management expertise and know-how with partner organizations in order to facilitate coordinated development efforts
- To provide constructive consultancy and organizational expertise to the partner organizations and clients

To actively work as a complementary force alongside the government initiatives of Bangladesh, by obliging to the legal regulations of the Government of Bangladesh.

### **8. Objective of the Manual:**

The Objectives of the Manual are;

- i) To facilitate the management of PCC & MEC to ensure optimum utilization and controlling of financial resources of the organization to achieve its goal;
- ii) To facilitate the finance staff of PCC & MEC to understand the policy, procedures and practices of the organization in its operation at all level;
- iii) To facilitate transparent and fair practice in acquisition, utilization and handling of the financial resource at all level of PCC & MEC 's operation;
- iv) To facilitate the finance staff in accurate recording of financial data/information, reporting of them and presentation to the management for decision making purpose;
- v) To enhance transparency and accountability in financial management;
- vi) To present and expose the overall system and mechanism of financial operation of PCC & MEC to the concerned stakeholder of the organization; such as; Management, Board, Donor, Auditors and to the Government;

### **9. Relevance with other manuals of PCC & MEC :**

The Financial Operation Manual contains all the current policies and procedures as required and applicable for effective management of financial resources of PCC & MEC . These policies and procedures are fully in agreement with the existing policies and practices of other manuals/guidelines of PCC & MEC and in line with the policy and practice of the other manuals like HR, Administration, etc. Finally, the policies and practices that stipulated in this manual are kept consistent with the currently enforced financial rules of the Government of Bangladesh.

### **10. Revision and updating procedures:**

The policies and procedures of this manual will be effective from March 2007 as revised edition as it was prepared in January 2003. However, these are not perpetual but to be changed over time to adjust with the demand of time and situation. PCC & MEC will revise this manual at the

outset of each financial year (if there is any addition, deletion or edition of policies and procedures.

The Management Team of PCC & MEC has the authority to introduce any new policy and procedures or to edit or revision of the old policies to meet the demand of the time and the interest of the organization and its employees. These interim policies and procedures will be circulated to all concerned through Office Memorandum and will be effective accordingly but all these changes will be compiled by the Administration Section over the year and incorporate them into the manual at the beginning of the Financial Year and circulate it to all concerned.

## **Financial Policies & Procedures**

### **11. Advance and Adjustments**

#### **11.1 Types of Advances:**

There will be three types of Advances in PCC & MEC : (a) Travel Advance, which will be exclusively used for travel, food and accommodation purpose while field trip. (b) Miscellaneous Advance, which will be exclusively, used for miscellaneous small expense and the payment which is beyond the bracket of petty cash payment and where the parties/vendor is reluctant to receive check payment. (c) Salary and others advance as approved by ED.

#### **11.2 Travel advance & its adjustment:**

Travel advance can be taken by the individual employee for any field trip upon submission of a filled up advance request form duly approved by the employee's supervisor. Advance should be adjusted within a week after completion of the subject field trip. Employees will be entitled for a further advance after adjustment of the previous one. Accounts shall maintain a list of advance amount against each employee and the adjustment shall also be made accordingly. Advance Request Form (ref. Annex-1) will be available in the Accounts Section. Format for recording travel expense and adjustment of the Travel Advance will be remain available in Accounts (ref. Annex-2)

#### **11.3 Miscellaneous advances & its adjustment:**

The concerned office staff member who usually deals with miscellaneous office work that resulted to incur some expense can take miscellaneous advance. The employee can take a further advance after adjustment of the previous one. Miscellaneous advance request shall be filled up with necessary break up of expense of the requested amount by the requester.

Besides, the project staff can also receive miscellaneous advance for any occasional project activities/events that requires cash payment. Respective supervisors should recommend and sign the advance request form as usually. Miscellaneous advance should also be given upon adjustment of the previous miscellaneous advance (if any).

However, if the purpose of the advance and the activities are different and if it is found that the previous activities have not yet completed and the previous advance has not yet exhausted but a further advance is required for another emergency activities, the concerned supervisor may allow for another advance for the employee in an exceptional ground.

#### **11.4 Receipts and Deposits:**

PCC & MEC normally received fund from its donors directly in Bangladesh. Besides; PCC & MEC earn some local income from its credit program, service charge of any given service like – clinical service, health service, insurance service, training service and others projects etc., renting it's training venue and guesthouse, Bank Interest etc. All these are direct inflow of fund. Apart from that there are varieties type of receipts but these are not fund flow, such as; Adjustment of Advances when expense is less than advance, Sales proceeds of old items, Sales of partnership form, sales of primer, any refund etc. All receipts should be deposited to bank immediately after the receipts.

The Accounts shall keep the money for not a single day if the money is received during Bank hour. The Accountant/s shall provide money receipts for all receipts, other than bank transfer, duly approved by the Financial Coordinator or designate. The Accountant shall prepare a credit voucher supported by the money receipt/s and the Bank signatories must approve the voucher.

#### **12. Petty Cash Management:**

Petty cash should be used only to meet petty expense of the office where issuing of checks are cumbersome for small amount of payments. The highest limit of payment from petty cash fund should be Tk.10,000. Any payment beyond this amount should be in cheque. The petty cashier will receive a fund of Tk10, 000 at a time for petty expenses. After finishing the amount, the petty cashier will replenish the fund after adjustment of all vouchers of petty expenses. For recording, petty expenses, the petty cashier will use the Petty Cash Ledger format given in Annex-3. Petty cash amount will be withdrawn from the Mother Account of the PCC & MEC . After closing each month, Accounts will summarize the total expense from petty cash project/department wise. The amount would be spent from the petty cash other than administration purpose, shall be reimbursed from the concerned project/department account. The balance of petty cash fund will be treated as the asset of the Mother A/C.

#### **13. Security Rules for Petty Cash**

- ❑ Petty cash shall never stay around. Cash should be kept in a lockable metal box during petty cash ours and after the close of the workday, the cash box should be kept in a locked cupboard;
- ❑ The petty cashier must hold the key. Arrangements must be made when the petty cashier is absent;
- ❑ Two persons should count the cash and sign the cash reconciliation before a new impress is given out;
- ❑ Petty cashier should never mix petty cash with personal money;

#### **14. Store Inventory Management, Recording & Accounting treatment:**

Store Items should always be purchased from a particular account's money instead of sporadically from various accounts. In PCC & MEC , The store items will be purchased from the money of Mother A/C. The Sore In-charge will keep records for all receipts & disbursement of items at store using the Store Inventory Report (SIR) form given in Annex-4. At the same time s/he will keep proper record of consumption of items and amounts thereof project/department wise based on store requisition slip and actual disbursement using the Store Items Disbursement Sheet (SIDS) form given in Annex-5.

At the end of each month, Accounts will take the information from the storekeeper for the total receipts and disbursement. The amount would be spent in terms of store items other than administration purpose; value of the items shall be reimbursed from the concerned project/dept.'s account. The balance of store inventory will be treated as the asset of Mother A/C. Procurement of Store items shall follow the same procedures of procurement as described in the Administration Manual. The Accountant treatment of the Store accounts as received from the store in-charge will be as follows;

##### **Purchase of items:**

Prepaid Store Inventory A/C	Dr.	
Bank A/C		Cr.

##### **Disbursement of items:**

Stationery items expense A/C	Dr.	
Prepaid Store Inventory A/C		Cr.

#### **15. Payroll System & Procedures:**

PCC & MEC employees payroll prepare centrally from its head office for both its head offices and Field Offices staff using the Payroll Statement Form given in Annex-6. PCC & MEC always pays its employees salaries through cash/bank account. In case of Field Office staff salary, finance will sent salary of the Field Office staff A/C from the Field Offices bank A/C. PF and other deductions will be made directly from head office Khulna and to be deposited to the concerned bank A/C for staff future fund directly.

The Finance section will issue a payroll slip for each individual employee furnishing the earnings and deduction as per rules of project concerned. All the staff of PCC & MEC will preserve the payroll slip for future reference particularly for earnings, deductions, savings and income tax issues. Standard Payday of PCC & MEC is determined as the end of each month.

Project wise salary would be disbursed through Bank account according to donors guidelines.



## **16. Employees Future Fund (PF, Gratuity, as needed)**

PCC & MEC has good savings scheme for its employees, which are as follows;

### **16.1 Provident Fund**

Provident Fund is a part of the compensation package. In PCC & MEC, all the regular employees receive this facility. 10% of basic salary is paid as provident fund on monthly payroll. This 10% of basic salary plus further 10% of basic salary is deducted from the staff monthly payroll and deposited into the Provident Fund A/C. The collective funds of all employees are then invested in any profitable venture. The total amount is payable only at the event of separation of an employee from the organization as final payment. For easy & quick understanding of the PCC & MEC PF system, please refer the byelaws/Regulation for the management of the Provident fund.

### **16.2 Gratuity**

All the confirmed and regular employees are entitled to annual gratuity equivalent of her/his one-month's basic salary after completion of 25 years of uninterrupted service in PCC & MEC.

### **16.3 Festival bonus**

The PCC & MEC provides festival bonus to its entire regular employees (after service life of one year) two festival bonus each equivalent of half-month basic salary or one festival salary equivalent to one month basic salary once in a year. The employees on contract service will not entitle for any festival bonus.

Hindu Employees: Durgapuja

Christian Employees: X-Mas

Buddhist: Mughipurnima

Muslim: Eid-UI-Fitre & Eid-UI-Azha

## **17. Transactions and Bank timing**

All bills/invoices should be produced to Accounts for processing of payment at least three days before the expected date of payment. Accounts will process the bill/invoices in accordance with the budgetary provision, accuracy and authenticity of the bill, necessary approval from the concerned authority and then finalize the bill for payment. In an exception, emergency payment will be made with the desecration and approval of the Executive Director. Recipient/s of payment (vendor/parties/employee) should receive the bill directly from the Accounts. Check signing and Bank transaction scheduled will be as follows – As the EC members i.e. President and ED is the signatory authority, for project Coordinator with ED mandatory.

### **18. Bank Accounts and Transaction Procedures (FOs & HO)**

PCC & MEC may be maintained more than one bank A/Cs in Khulna with any private, foreign or nationalized bank. Among the A/Cs, one should be the mother a/c and other may be for the project wise (as needed for the individual donor). Separate bank accounts must be maintained for the employee's future fund for such as, one for Gratuity and another for Provident fund.

### **19. Field Offices financial support and reporting system**

As explained above, there may have a bank A/C in each individual Field Offices to support its operation. The Field Office does not need to maintain any accounting records and prepare any financial report. It is has been PCC & MEC 's experience that normally three or four main transactions are made from Field Office Bank A/C. e.g. Staff Salary, Field Office Rent and Monthly advance for one month's miscellaneous office running expense.

For the above transactions the cheques will be signed at the head office in Khulna and then send to the concern staff in the field offices for the said expenses. The monthly advance will be provided in the name of the designated field office staff according to the needs for the Field Offices. The responsible field office staff would cover the expenses from this advance for office utility, office supplies, motorcycle fuel and maintenance, travel and per diem expense of the field staff and others monthly office running cost. The concern field staff should prepare miscellaneous expense report for the monthly expense against the monthly advance and send another request for further advance for the next month. The respective Project Manager should review and recommend the expense report and new advance and accordingly finance section would adjust the previous advance to arrange for a new advance. The Field Office will report the monthly miscellaneous expense report.

### **20. Internal Audit of Books of Account**

PCC & MEC may implement a project directly or with its partner at the local level. Presently most of its project is implemented by the PCC & MEC itself. The finance section is primarily responsible for conducting internal audit to the books of accounts for optimum utilization of fund and ensures transparency in each stage of financial operations. The purpose of the internal audit is to find out any irregularities in financial operations of PCC & MEC 's fund in better financial management.

### **21. Annual External Audit**

This is a routine job for the PCC & MEC to verify and checks its policy adherences and further actions for improvement. On the other hand, the external audit is also a statutory obligation to the Government. PCC & MEC should conduct the external audit by a chartered accountants firm that enlisted under the NGO affairs Bureau. PCC & MEC allows a selected firm to conducts the external audit Firms as decided by General Meetings each year. PCC & MEC changes the firm

to ensure transparency in auditing. In selecting audit firm, PCC & MEC collects firm profile from more than 3 reputed audit firms and select one from them based on various criterion such as; Enlisted by NGOAB, Number of principles, number of article ship students, fees etc. Prior to start the audit, PCC & MEC and the audit firm sign a Terms Of Reference (TOR) and determine the overall scope of work, manner, report submission time frame, payment procedures etc.

## **22. Management's Role in External Audit**

This is management's responsibility to conduct external audit for its financial statements and accounts. The management shall hire external audit with its own initiative as per the requirement of the board, donor and the Government. In conducting the external audit, a standard Terms Of Reference (TOR) shall be developed. Before going to contract an external auditor the TOR can be shared with the audit firm. The TOR will be the basis of the audit. Besides, it is the management's responsibility of full disclose of all the facts and figures to the auditors as relevant and concerned with the audit. The management shall also provide necessary logistics support to the auditors as agreed in the TOR.

## **23, Preparation of Accounts**

This is the responsibility of the organization to prepare necessary Accounts for the organization. It shall be manually or computerized. The auditor's role is to verify the accounts and its different statement along with all-corresponding documents in support of the authenticity of financial transactions. The organization shall have to prepare the accounts statements as per their requirement and following the Generally Accepted Accounting Principles and the International & Country Audit Standards. In case of PCC & MEC , all accounts statements are prepared by the PCC & MEC and the external auditors verify as per the TOR and the audit standards. In preparation of the Accounts statements PCC & MEC shall also keep in mind the requirement of the NGO Affairs Bureau of the Government of Bangladesh.

## **24. Auditors to help the management team improve financial control**

As the audit work is carried out, the auditor may identify weaknesses in the system, or mistakes in the records. The auditor will make a note of these and will decide whether they are matter, which are material. That is, important or substantial enough to be included in the audit report.

In most cases the weaknesses will be of a fairly minor nature, and the auditor may not consider it necessary to mention them in the formal audit report.

However, the concerned management will be interested to have details of all weaknesses or mistakes found by the auditor, however small; this is an opportunity to improve controls and procedures, which they should not miss. The management should insist that the auditors discuss all their findings with the management team, however trivial. The auditor should be willing to

offer this service. In addition the auditor should prepare a written report listing all findings, together with recommendations, in a management letter.

A good procedure is to arrange a meeting between the auditors and the management team towards the end of the audit. The auditor should give management a draft report, preferably before the meeting. And go through the matter raised. This gives management the opportunity to ask questions, or to give the auditor further information, which has not been brought to the auditor's attention or has not been taken into account in the draft audit report.

The management should ensure that the recommendation as made by the auditor should be addressed for future improvement of the identified weakness.

## **25. Internal Control**

This is the system of controls established by management in order to:

- Continue the business of the organization in an orderly and efficient manner;
- Ensure that management policies are strictly followed;
- Safeguard assets;
- Ensure the completeness and accuracy of the accounting records;
- Inspire confidence in the organization by its funding partners and beneficiaries;

## **26. Types of Internal Control**

### **26.1 Budgetary Control**

All transactions should be in accordance with the activities that are stated in the annual budget. Expenditures should not normally exceed budgeted amounts and income should conform to that anticipated in the budget.

### **26.2 Organization Controls**

These include division of the organization's activities and operations into appropriate departments, and the appointment of persons to assume responsibility for different activities. There should be clear lines of authority, and division of responsibility between these persons and the governing body. Management should ensure good overall coordination of the daily activities and operations.

### **26.3 Division of Duties**

Segregation of duties reduces the risk of fraud and error.

### **26.4 Physical Control**

These include restricting physical access to cash, stocks and other assets. For example, are cash banked regularly and a minimum kept on the premises? If the organization holds large amounts of cash (or stores) than a small amount sufficient for daily needs should be kept in one place, while the bulk of cash (or stores) not immediately required is held elsewhere with extremely tight controls as to access.

## **27. Description of Accounts Group**

The accounts group uses in the General Ledger (GL) chart of Accounts are described below for recording and classification of transactions;

### ***27.1 Salaries***

Monthly Gross Salaries include Basic Salary, Housing Allowance, Contribution to Provident Fund, Medical Allowance and Conveyance Allowance. Besides there are some other benefits that normally paid occasionally and on Annual basis such as; Festival Bonus, Gratuity, Income Tax, Over Time Allowance, Insurance Premium etc.

### ***27.2 Office Supplies***

All the office stationeries, tea and cleaning materials such as; paper supplies, printing, photocopy, pencil batteries, ledger books, floppy diskettes, computer cartridge, tea, sugar, cleaning kits etc.

### ***27.3 Furniture & Fixture***

All office furniture and fixture (wooden, plastic or steel etc) that are tangible and of which normal life expectancy is more than one year would be treated as furniture and fixture such as; Table, Chair, File cabinet, Almira, Sofa set, wall cabinet etc.

### ***27.4 Office Equipment***

Normally the tangible equipments, which are mechanically or electrically derived and fully used for office running purpose, are defined as office equipment such as; Computer and its other accessories, Printer, Type Writer, Air Cooler, Ceiling Fan, Fax Machine, Photocopier and such other items and equipment of which normal longevity is more than one year.

### ***27.5 Communication***

All communication expense that include: postal, telephone, telegram, telex, fax, courier services charge, GPO box renewal fee etc.

### ***27.6 Facilities Rent***

Rent expense of head office in Khulna and Field Offices as well as any garage, parking lot etc rent.

### ***27.7 Office Utility***

Expense related to electricity, gas, water and sewerage bill and any others small expense related to utility such as, plumbing cost, wiring for electricity etc.

### ***27.8 Office Maintenance***

Expense related to office repairing and any other maintenance related expense, utensils, lock & Key etc.

### ***27.9 Vehicle Fuel***

Expense related to fuel, also called petrol and diesel for vehicle and motorcycle.

### ***27.10 Vehicle Maintenance***

All Expenses that related to maintenance of vehicle such as; oil, spare parts, vehicle repairing cost, maintenance and operation costs, cost for fitness certification, Road tax token, insurance certificate cost etc.

### ***27.11 Travel and Perdiem***

Expense related to employees travel expenses while on official PCC & MEC business. To include costs related to field work, local transport, tools, ferry charges, perdiem, lodging fee and all transport cost related to field trip.

### ***27.12 Training***

All training expenses for PCC & MEC employees or other sponsored training events: conference, seminars and workshops. Expenses include facility and equipment rent/fees, perdiem, transportation etc that are related to the training.

### ***27.13 Vehicle Purchase***

All vehicles regardless of cost or purpose: Jeep, Sedan, motorcycle what ever it is shall be charged under vehicle purchase head of expenses

### ***27.14 Consultants***

Cost related to all consultants services for training, staff development, project evaluation, Income Tax Advisor's fee, Attorney retainer fee, computer consultant's remuneration etc.

### ***27.15 Property Insurance Premium***

Insurance premiums for vehicles, motorcycles, property insurance against theft and burglary, cash security etc.

### ***27.16 Depreciation and Amortization***

The depreciation and amortization expenses related to fixed assets as per PCC & MEC policy

### ***27.17 Project Materials & Delivery***

All direct project materials and equipment cost. Includes project evaluation service, GOB circular printed by the mission, monitoring forms, booklet, flipcharts and all others project materials as related with particular projects. Besides all direct projects related cost depending on project nature and its approved budget.

### ***27.18 Miscellaneous Expenses***

In general, these expenses are related to items or services that are not included in the above expense accounts such as; picnic cost, staff meeting, roof gardening, office beatification, books for library etc.

## **28. Financial management through software System**

PCC & MEC as present using manual system/Microsoft XL software for its financial management. This would not possible to continue once the PCC & MEC receives fund from the different donors. It is important that PCC & MEC introduce financial software that keeps record

of all transactions and generate financial reports in a standard manner. There are few software programs commonly used by the international and large NGOs but PCC & MEC has to use a standard as well as cost effective software when need in the future.

It is recommended to use ACCPAC; customized accounting software for it's recording, reporting of financial transactions. For the convenience of same accounting practices and procedures PCC & MEC can use it in the future. While introducing this software the PCC & MEC has to design its Chart of Accounts for the Accpac GL in accordance of its requirement of tracking of Assets, Liabilities, Revenue and Expenses for different sources of fund and its outlay in different activities. Upon introducing the Accpac, a set of GL segment Codes, Chart of Accounts etc. would be for the PCC & MEC 's GL set up.

## **29. Financial documents used in supporting to ACCPAC operation**

### **29.1 Vouchers**

A voucher is a form used in an internal control system to document information about and authorization of accounting transactions. All transactions such as; receipts, disbursement, or adjustments, must be initiated by preparation of vouchers. Vouchers are the supporting documents of Journal Entries. PCC & MEC uses three categories of vouchers for journal entries into ACCPAC. Vouchers are normally prepared using Ms. Excel format. All vouchers carry a serial number and date.

### **29.2 Receipt Voucher**

Receipt vouchers are prepared for each deposit of funds into the bank account: cash, check, pay order, demand draft etc.

### **29.3 Disbursement Voucher**

Disbursement vouchers are prepared for each disbursement of fund from the bank account; for example advance to partner NGO, payment of vendors, staff, withdrawal of petty cash fund etc.

### **29.4 Adjusting Voucher**

An Adjusting Voucher is a voucher that is prepared in order to adjust an original book of entry; disbursement journal, receipt journal etc. Adjusting Vouchers are prepared for any non-financial transaction i.e. no financial transaction is made but any previous transactions adjusted. Normally Adjusting Vouchers are prepared for the following cases;

- (i) Adjustment of an advance where the expense is equal to the amount advanced;
- (ii) Accruals;
- (iii) Rectification of any error in proper classification of expenses etc.

## **30. Journal Entry**

Journal entry is the primary entry in the books of Accounts. A journal also known as the Book of Original Entry in which accounting transactions are primarily recorded in chronological order before being posted to a ledger. Journal voucher supports each transaction. In computerized

accounting system, journal entry is the only task to get all report and information regarding financial transactions. Once the journal entry is completed, all the entry should be verified carefully in terms of date of entry, period of the FY, Source code, appropriate charging etc. if all the entry is correct, the journal entry can be posted. Once the entries are posted, in no way it can be changed. Therefore, prior to posting, all entry must be checked properly. Once the journal entries are posted into the General Ledger (GL), all the reports are updated with transactions, and any sorts of report can be produced after posting the entries.

### **31. General Ledger & Accounts Payable**

Once ACCPAC is introduced in PCC & MEC, in the system there should have two major options for recording and reporting. One is GL option and another is AP option. A user can use any one of the two options for recording or reporting of accounting data even, both the two option can be used simultaneously. AP module is useful for the user where, there is a lot of procurement, vendors' payment, tax deduction and adjustment. On the other hand the GL module is useful for normal operation where most of the payment would be made as advance and/or direct expense. PCC & MEC will use the system considering the accounting system, tax mechanism of the Government and the nature of business. However, in future it has a plan to use both the two options.

### **32. Financial Reports from ACCPAC**

Normally the Trial Balance, GL listing, Source Posting Journal etc. can be automatically printed for any information and report preparation. Besides, Sort income statement and Balance Sheet can be produced from the financial reporter option. There is also the option to design customized financial report using the Financial Reporter option of ACCPAC in which one can generate financial report as one desire.

### **33. Budgeting**

Budgeting is the financial planning of a person or an entity. In other word it can be expressed as the plan of income and expenditure of an organization for a certain period of time, normally for one year, to achieve a specific goal. PCC & MEC also has the system of budgeting. PCC & MEC prepares budget on annual, multiple years & as and when required basis.

### **34. Responsibilities of Budgeting**

The concerned project/section/department is responsible to do their respective budgeting. In case of PCC & MEC, the Program people will prepare budget for their own program but the Finance people will provide necessary guideline and assistance in the whole process keeping in mind the accounting setup and charging of expense and prior approval of the donor and the Government. In case of Section/Department budget (Finance, Administration and for overall mission), the finance people are directly responsible to prepare necessary budget. After having received the program budget and the section/department budget the finance shall compile as a whole the



organizational annual budget for having necessary approval from the concerned authority (Executive Director and/or the board).

### **35. Budgeting and financial control**

The budgetary system, just as any other control system, involves the establishment of quantitative targets, comparison of actual with the targets and reporting the results of the comparison. The budgetary report forms the basis for action.

### **36. Factors reflects in preparing a budget**

The budget is prepared on the results from a combination of:

- Clear thinking about the future activities of the organization in the light of its overall strategic plan;
- Information obtain from an examination of past results/trend analysis;
- Common sense enquiry about external factors that may affect income and expenditures- for example, the grant policy of funding partners;
- Inspired guesswork about the future;

### **37. Time of Budgeting**

Normally Budget is prepared annually. In PCC & MEC also, budget is prepared annually. In PCC & MEC budget is prepared for all projects funded by the donors or internally managed by the PCC & MEC . Normal financial year for PCC & MEC is July to June each year. However, emergency and need based budget is also prepared as and when needed. Besides, normally at the eve of designing of a new project, when project proposal is submitted to the donor, a multiple year budget is also prepared for the project life. The Multiple Year Budget is prepared as and when any new project proposal is developed.

### **38. Budget Monitoring**

Budget monitoring is an important part of internal controlling of financial system of an organization. PCC & MEC has also the practice of budget monitoring. PCC & MEC prepares a Budget Expenditure Summary (BES) on monthly basis. The BES format contains the Budget line items, Budgeted amount for the year, previous month's expense, current month's expense, Year to Date expense, annual budget balance and Notes & Remarks column. In case of PCC & MEC the monthly financial closing is done at the 15<sup>th</sup> day of each month and the BES is prepared project/department wise and circulated to the concerned management for their review and future action (if needed).

### **39.Overhead Cost Calculation**

All the organization should have a system of Overhead Cost Calculation (OCC) (as applicable). For a development organization like PCC & MEC , the basis of calculation may be the time factor i.e. the time spent by the Overhead staff for support to the individual service receiving projects. Sometimes the PCC & MEC does not need to calculate any OHC ration for allocation

to the projects if no project is available from the different sources of fund. However, it should have a system in place to calculate the OCC for charging to the projects in future.

**Conclusion:**

This policy will ensure smooth management, accountability & and transparency of the financial matters of the organization An effective financial management system with a comprehensive policy like this manual could bring success of the programs and the organization. Without having a policy guideline, it is impossible to maintain an efficient and legitimate requirement of the financial planning, transactions, monitoring and reporting of the financial activities in an organization like PCC & MEC . This policy guideline has been developed considering the standard policies followed by the other organizations.

PCC & MEC reserves rights of this policy document and change of any part of the policy as and when required.