

# **M VENKATARANGAIYA FOUNDATION**

## **MANUAL OF ACCOUNTS**

201 NARAYAN APARTMENTS  
WEST MARREDPALLI  
SECUNDERABAD 500026  
Phones : 040 27801320, 27700290, 27710150  
Fax : 040 27808808, 27701656  
[mvfindia@gmail.com](mailto:mvfindia@gmail.com)

## **Background of the Organization**

M V Foundation is a registered Trust established in the year 1981 with focus on elimination of child labour through universalisation of education and protection of child rights, environment protection and empowerment of women.

## **About the Finance & Accounts Department**

The Finance & Accounts department of M V Foundation performs functions at all levels of the organization as illustrated below.

- Participation in budget and financial planning activities
- Grants tracking
- Apportionment of funds to various projects for developmental activities
- Accounting for various activities at all levels of the organization
- Regulatory and Statutory compliances

Accounting is centralized at the Head office. The District Offices and Mandal Offices maintain accounts which are integrated with the centralized accounts at head office, online.

## **IT System for accounting**

MVF uses the WINGS E-Biz Version 18.2 package for its accounting activities.

## **Scope, Purpose and Coverage of the Document**

### **Scope & Purpose**

This document covers the Standard Operating Procedures for the entire Finance & Accounting activities of M V Foundation.

### **Coverage**

The SOP covers inter alia the following:

- Schedule of Authority
- Effective checks and balances
- MIS of the Finance & Accounts Department

## **Structure of the Finance & Accounts Department**

In addition to the above, the District and Mandal Accountants also form part of the Finance & Accounts Department. However, they do not have a direct reporting relationship to the Finance & Accounts personnel at the head office. They report to the District and Mandal heads respectively, who in turn report to the head office.

## **Roles and Responsibilities**

The roles and responsibilities described below are in reference to the Finance and accounting functions only.

### **Secretary Trustee**

- Responsible for the functioning of the Finance & Accounts Department as a whole
- Participate in discussions regarding commencement of new projects, closure of existing projects, geographical expansion etc
- Signing loan proposals
- Formulation and maintenance of Accounting, Investment and Project Funding policies of the organization
- Participate in the working of the Purchase Committee
- Approving authority for interest and penalty payments for statutory dues, filing of tax returns, Legal and audit fees etc.
- Approval of GL closing entries
- Approval of internal audit reports
- Approval of provisioning entries
- Fund raising activities
- Participate in the financial budgeting activity of the organization
- Approval of Payroll register for Payment Preparing and Reviewing Periodical Financial Statements and Annual Reports to Regulatory authorities and Donors. Reviewing Compliances

### **Finance and Administrative Officer**

- Physical cash handling at the HO
- Approval of BRS for HO accounts
- Approval of transfer of funds for expenses to the District and branch offices
- Approval of payment vouchers for payments made by HO

- Maintain details about grants received and utilized
- Approval of monthly tax payments and quarterly tax filing
- Making arrangements for salary payments
- Responsible for data entry in the accounting system for the appropriate Projects
- Comparison of actual expenses with the budget, when required
- Preparation of Payment Vouchers and cheques for various payments
- Preparation of monthly BRS of respective bank accounts
- Preparing and Reviewing Financial Statements and Progress Reports to Donors and Regulatory Authorities
- Preparing Compliance Reports
- Preparing Budgets and comparison of Actuals with Budgets and Variance Analysis
- Preparing the minutes of the FAC

### **District Accountant**

- Maintenance of books of accounts for activities of the district office
- Preparation of monthly BRS of respective district bank accounts
- Coordinate with HO for receipt of funds for expenses and subsequent settlement of the same with relevant documents
- Coordinate with Mandal offices for disbursement of funds for expenses

### **Schedule of Authority**

A clearly defined Schedule of Authority is essential for delegated working, faster decision making at appropriate levels and at the same time maintaining desired level of Internal controls.

The SOA has been devised for clarity and ease in rendering finance functions. The division recognizes each and every individual as an important member of a unified team with a common goal, irrespective of the position he/she may have in the organization.

The Trust is governed by a Board of Trustees which has empowered the Chairman and Managing Trustee and Secretary for managing the activities of the Trust.

S.No	Particulars	Authority/Limits
	<b>General</b>	
1	Commencement of a new project Closure of a project Geographic expansion	Chairman and Managing Trustee along with the Secretary Trustee and the National Convenor with inputs from Project Coordinators.
2	Signing of contracts with donors	Chairman and Managing Trustee/ and Secretary
3	Signing legal / regulatory / compliance agreements	Chairman and Managing Trustee /and Secretary
4	Signing loan documents	Chairman and Managing Trustee/ and Secretary
5	Signing Lease deeds (Rental) a. For HO b. For District	Secretary District Head
6	<b>Banking Operations</b>	
6.1	Opening of bank accounts	Chairman and Managing Trustee and Secretary
6.2	Authorized signatories for cheques and other instruments  For HO Main Accounts  For District Office	Chairman and Managing Trustee and Secretary/Member  Secretary Trustee/District Head and District Accounts Head.
7	<b>Expenditure</b>	
7.1	Payroll	
	Approval of Payroll register for Payment	Finance and Administrative Officer
7.2	Purchase of Fixed Assets of value > Rs.5000	Purchase Committee at Head Office and District levels
7.3	Statutory Payments	
7.4	Monthly payment of taxes, Approval of tax remittances	Finance and Administrative Officer
7.5	Interest and penalty payments for statutory dues	Finance and Administrative Officer
7.6	Approval of tax returns prior to filing	Finance and Administrative Officer
7.7	Legal & Audit fees	Finance and Administrative Officer
8	<b>Cash</b>	
8.1	Limit for physical cash holding: At HO At District At Mandal	Rs. 500000/- Rs.100000/- Rs.50000/-
8.2	Limit for single cash payment: At HO At District At Mandal	Rs.20000/- Rs.20000/- Rs.20000/-
9	Rights for adding/managing GL accounts	Finance and Administrative Officer
10	Writing off Bad Debts	Finance Advisory Committee
11	Approval of monthly Bank Reconciliation Statements For HO Accounts For District Office	Finance and Administrative Officer District Head

12	Disposal of Movable Assets	Finance Advisory Committee
13	Investments in Short Term Deposits	Managing Trustee and Secretary Trustee

### **Purchase Committee**

A Purchase Committee consisting of the respective User Department/Project Head, Finance and Administrative Officer and Coordinator (Programme Support) must be formed. This committee will be responsible for authorizing all expenses for purchase of Movable Assets and for entering into agreements with vendors/service providers as required. The role of the Purchase Committee is to ascertain the need for the asset, decide on the best possible product, obtain market quotes and finalise the purchase.

The Purchase Committee shall also review whether the purchases are within the approved budgets of the respective programs

The Purchase of All Capital items shall be placed before the FAC for approval.

### **Expenses**

M V Foundation's expenses can be divided into Programme and Administrative Expenses. The former constitutes all expenses incurred specifically for a programme, while the latter comprises those expenses that cannot be associated directly with any of the programmes and are incurred for the organization as a whole.

Programme and administrative expenses are incurred at all levels, viz. Head Office, District Offices and Mandal Offices.

All expenses incurred at the HO (Programme and Administrative) are being accounted in the respective projects.

Various expenses are incurred and accounted for at the district and mandal levels. Advances are made by the HO to the district office which in turn advances to the mandal office.

<b>S.No</b>	<b>Expense description</b>	<b>Head Office</b>	<b>District Office</b>	<b>Mandal Office</b>
1	Salaries, wages and allowances	✓	✓	✓
2	Communication expenses	✓	✓	✓
3	Meeting expenses	✓	✓	✓
4	Repairs & Maintenance	✓	✓	✓

5	Travelling & Conveyance	✓	✓	✓
6	Training Expenses	✓	✓	✓
7	Printing & Stationery	✓		
8	Postage & Courier	✓	✓	✓
9	Insurance	✓		
10	Vehicle Fuel & Maintenance	✓	✓	✓
11	Rent	✓	✓	✓
12	Computer Maintenance	✓	✓	✓

## Budgeting

Budgeting is an important activity for any organization. At MVF, programme budgets are prepared on a monthly basis by each mandal in charge in discussion with the Project Coordinator/District in charge. The individual Project Budgets are then consolidated to prepare the budget for the activities of MVF as a whole.

### Monthly Budgeting of expenses

S. No	Activity	Process owner	Operating Procedure	Documents/Controls	Frequency
A	Budgeting at Mandal Office	Mandal in Charge with the Mandal Accountant	<ul style="list-style-type: none"> <li>Prepare a budget of all expenses expected to be incurred for the upcoming month</li> <li>Send the approved budget to the District Office</li> </ul>	Monthly indent of expenses for the mandal	By the 25 <sup>th</sup> of every month
B	Budgeting at District Office	District in Charge with District Accountant	<ul style="list-style-type: none"> <li>On receipt of budgets from mandals, prepare a consolidated budget for the District with the expected expenses of the mandal and district offices</li> <li>Send the approved budget to the respective Project Head</li> </ul>	Monthly indent of expenses for the District	By the 27 <sup>th</sup> of every month
C	Budgeting at Head Office	Project Head	<ul style="list-style-type: none"> <li>Verify the budgets received from all district offices</li> </ul>	Consolidated Monthly indent of	By the 29 <sup>th</sup> of every month

S. No	Activity	Process owner	Operating Procedure	Documents/Controls	Frequency
			<ul style="list-style-type: none"> <li>Prepare a consolidated budget of expenses for the Project</li> </ul>	expenses for the Project	
D	Verification by Finance Department	Finance and Administrative Officer	<ul style="list-style-type: none"> <li>Make arrangements for transfer of funds according to the budget</li> </ul>	Indent	On receipt of consolidated indent for each area.
E	Data Entry	Accountants	<ul style="list-style-type: none"> <li>Make necessary entries in the accounting system:</li> </ul>		

**Transfer of funds for expenses for all projects.**

Expenses of all levels are incurred out of FCRA and Local funds. Such funds for meeting expenses at each level are transferred to the designated FC and LC bank accounts from the next higher level. Based on monthly indents for expenses, the Head Office transfers the requisite amount of money to the designated district bank accounts, which then disburses the same to the Field Offices in cash.

S. No	Activity	Process owner	Operating Procedure	Documents/Controls
A	HO	Finance and Administrative Officer	<ul style="list-style-type: none"> <li>Based on the monthly budget, make arrangements for fund transfer of requisite funds to the respective District FC and LC bank accounts</li> </ul>	Monthly indent of districts
B	District Office	District Accountant	<ul style="list-style-type: none"> <li>Obtain the signatures of the two authorized signatories and withdraw cash from the bank.</li> <li>Based on the monthly indent of the mandals, disburse cash to the mandals.</li> </ul>	Monthly indents of mandals
C	Mandal Office	Mandal Accountant	<ul style="list-style-type: none"> <li>On receipt of cash for expenses, the mandal office incurs expenses as indented.</li> </ul>	



## Detailed Operating Procedures

### Salaries, wages and allowances.

This expense relates to all employees on the payroll of the organization. Salary expenses relate to employees of the Head Office, District Offices and the Branch Offices. While the expense may be incurred at any of the three levels, the payroll processing and accounting is centralized at the Head Office.

Payment of honorarium, consultants' fees, casual wages etc. will not be included under Salaries, Wages and allowances.

S. No	Activity	Process owner	Operating Procedure	Documents/Controls
A	Payroll processing	Accounts Department	On receipt of indents from all districts, consolidate the payroll for all employees project wise.	Monthly indents and Project wise salary statements
B	Arrangements for making payments	Director – Accounts	<ul style="list-style-type: none"> <li>• Based on the list of employees classified into the various districts/mandal offices and HO along with their payroll calculations arrangements for transfer of funds is made.</li> <li>• Salaries of only the Head Office employees are made directly by the HO</li> <li>• Make arrangements for payment of salaries to HO employees in one of the following methods:               <ul style="list-style-type: none"> <li>○ Direct online credit for employees who hold accounts in the same bank as the HO</li> <li>○ RTGS transfer for employees with accounts in other banks</li> <li>○ Cheques for employees who cannot avail either of the above facilities</li> <li>○ In cash to employees who do not have bank accounts (For this, prepare a Self cheque signed by the authorized signatories and withdraw cash from the bank)</li> </ul> </li> </ul>	List of employees with payroll calculations, RTGS transfer forms, Demand Drafts, Cheque for withdrawal of cash.

S. No	Activity	Process owner	Operating Procedure	Documents/Controls
			<ul style="list-style-type: none"> <li>Obtain acknowledgements from employees for receipt of salaries</li> <li>Salaries of District and Branch offices are made at the respective levels. For this purpose, the HO transfers the total amount to be paid as salary to each district for further disbursement to the District and mandal employees</li> </ul>	
C	Data Entry		<ul style="list-style-type: none"> <li>Make the necessary entries in the accounting system</li> </ul>	
D	Arrangements for disbursement of salary	District Accountant	<ul style="list-style-type: none"> <li>Obtain the approval of the District Manager to make the salary payments.</li> <li>Salaries of the District level employees are to be paid at the District Office.</li> <li>Make arrangements for payment of salary to employees.</li> <li>For payment of salaries of mandal level employees, the amount must be given in cash to the respective mandal accountant for further disbursement to the employees.</li> </ul>	List of employees with payroll calculations approved by District in Charge, RTGS transfer forms, Demand Drafts, Cheque for withdrawal of cash.
E	Disbursement of Salary at Mandal office	Mandal Accountant	<ul style="list-style-type: none"> <li>Receive in cash the amount to be paid as salary to Mandal employees</li> <li>Disburse the salaries to the employees as per the payroll calculations.</li> </ul>	Monthly salary indents, acknowledgements from employees.

**The same procedure is followed for programme expenditure.**

### **Insurance**

Insurance is taken by MVF for the following categories:

- Cash in Transit at HO and branch
- Fidelity at HO and branch

- Fire at HO
- Theft at HO
- Vehicle Insurance at HO
- Burglary at HO, District and branch

### **Vehicle Fuel & Maintenance**

Some vehicles have been purchased by MVF for various activities. This expense specifically relates to fuel, service and other maintenance expenses of the vehicles and will be incurred only at the Head Office.

### **Rent**

All office premises (District offices, branch offices and any other project related premises) are being taken on rent by MVF. The funds for rent expense of each office are transferred along with the funds for other expenses. Rent expenditure is based on contracts.

### **Computer Maintenance**

Computer maintenance includes any expenses incurred in connection with service (AMCs) of computer systems and purchase of items such as Printer cartridges, floppy drives, CDs and pen drives. Entering into AMCs is centralized at the HO through the Purchase Committee process while the purchase of other items may be done at the respective offices.

### **Income**

Income for M V Foundation is derived from the following:

- Grants
- Donations
- Other income from miscellaneous activities
- Interest from Bank

### **Grants – Foreign and Local**

The major source of income for M V Foundation is the grants received from various donors both foreign and local for specific projects.

Some grants are also received from local sources – individuals and corporate as well as funding from State and Central Governments. Grants are generally supported with contracts/agreements.

## Donations

Another source of income for M V Foundation is donations both foreign and local of various amounts received from individuals who make donations. Donations are received in cash or cheque. Depending on the nature of donation i.e. foreign or local funds the amount is deposited in the relevant account and an acknowledgement given to the donor. All donations in India are eligible for deduction under Section 80G of the IT Act.

## Provisions – Others

S. No	Activity	Process owner	Operating Procedure	Documents/ Controls	Frequency
A	Verification of expenses	Finance and Administrative Officer	<ul style="list-style-type: none"><li>• Check whether all expenses for the year have been paid (verification of all bills received from vendors, contracts entered into for the year etc)</li><li>• Prepare a list of all amounts pending</li></ul>	Bills from vendors, Contracts, List of amounts pending	Yearly
B	Creation of provisions for payments due	Finance and Administrative Officer	<ul style="list-style-type: none"><li>• Obtain the approval for creation of year end provisions for all payments due for the current period</li></ul>		Yearly
C	Data entry	Accountant	<ul style="list-style-type: none"><li>• Make the necessary entries in the accounting system.</li></ul>		

## Advances

Advances are given by MVF:

- To employees
  - As a salary advance
  - For travel/tour expenses
- For conduct of various programmes
- To Vendors

## Deposits

Deposits made by MVF are on account of rental agreements entered into for the office premises (branch, district offices etc.) at different locations. Payments should be made directly to the landlord by the respective office on the basis of the agreements by cash/ cheque.

Telephone and electricity deposits are also made with relevant authorities where required.

## Programme Advance

S. No	Activity	Process owner	Operating Procedure	Documents/ Controls
A	Requisition of Programme Advance	Any employee	<ul style="list-style-type: none"><li>• Submit a requisition containing the following details to the Project Head:<ul style="list-style-type: none"><li>○ Purpose for which advance is required</li><li>○ Total amount of advance required</li><li>○ Break up of expenses expected to be incurred for conduct of the programme</li></ul></li><li>• Obtain the approval of the Project Head</li><li>• Submit the approved requisition to the Finance Department</li></ul>	
B	Verification of requisition and issue of advance	HO / District / Mandal Accountant.	<ul style="list-style-type: none"><li>• Verify whether the application has been approved by appropriate authorities</li><li>• Prepare Payment Vouchers and obtain approval at the respective level.</li><li>• Issue the advance and obtain acknowledgements for the payments made</li></ul>	Monthly Budget, Payment Vouchers,
C	Data entry	Accountant	<ul style="list-style-type: none"><li>• Make the necessary entries in the accounting system at the HO.</li></ul>	
D	Settlement of programme advance		<ul style="list-style-type: none"><li>• Programme Advance must be settled after conduct of programme by the employee by submission of bills.</li></ul>	

## Other Advances

S. No	Activity	Process owner	Operating Procedure	Documents / Controls
A	Receipt of request letter for issuing advance	Senior Accounts Executive	<ul style="list-style-type: none"> <li>Receive a request letter from the User Department/ vendor for issue of advance</li> </ul>	Request letter from User Department/ vendor
B	Verification of requisition and issue of advance	Senior Accounts Executive	<ul style="list-style-type: none"> <li>Verify whether the application has been approved by appropriate authorities</li> <li>Check the terms of the payment with the agreement/ Purchase Order copy in the records</li> <li>Prepare Payment Vouchers and obtain the approval Finance and Administrative Officer for making the payment</li> <li>Prepare cheques in favour of the respective parties and obtain the signatures of the authorized signatories</li> <li>Deliver/ issue the cheque or make the payment in cash to the vendor</li> <li>Obtain receipts for the payments made</li> </ul>	Monthly Budget, Payment Vouchers,
C	Data entry	Senior Accounts Executive	<ul style="list-style-type: none"> <li>Make the necessary entries in the accounting system:</li> </ul>	

## Deposits

### Rent Deposits:

All offices taken on rent must be supported by an agreement signed by authorized person. For existing rental premises where the organization wishes to vacate, notice as per agreement must be given by the concerned in charge. The deposit given must be claimed from the owner or rent for the relevant period should not be paid and adjusted against the deposit. No rent will be paid for the premises vacated.

## **Cash and Bank**

Cash and Bank functions include the management and control of receipts and payments on a day to day basis.

Receipt activities include

- Receipt of cash from income sources such as grants, donations and other activities of the organization
- Accounting for the receipts
- Banking the receipts

Payment activities include

- Disbursements of operating, administrative and other expenses with proper authorizations
- Ensuring the necessary supporting documents are available for effecting the payment
- Accounting for payments

Control of cash is established through

- Daily Reconciliation of the cash payments through maintenance of Petty cash book, coin ware register etc
- Physical Verification of the cash in hand on a daily basis
- Daily collection, balancing and banking of the cash receipts
- Insurance of cash in transit and cash in safe

Control of receipts and Payments through other modes like cheques, Demand drafts, RTGS Transfers and internet banking are established through

- Proper authorization of the payments
- Monthly Bank reconciliations
- Tracking of stale cheques
- Safe custody of cancelled cheques

## Bank Reconciliation Statement

S. No	Activity	Process owner	Operating Procedure	Documents /Controls	Frequency
A	Preparation of Monthly Bank Reconciliation Statement	HO/ District Accountant	<ul style="list-style-type: none"> <li>• Collect bank statement from the respective banks on monthly basis</li> <li>• Extract data of the bank Ledger from the Accounting system</li> <li>• Compare extracted ledger extract derived from the accounting system with the bank statement</li> <li>• Identify the difference between two books' balances</li> <li>• Cross verify with vouchers &amp; cheque</li> <li>• Check whether all the entries of the ledger are matching with the bank statement or whether there are any differences</li> <li>• If there are any differences, check if the difference is due to booking error in accounting statement or bank statement</li> <li>• If the error is in Bank books, then intimate the bank about the booking error with the transaction details where the error has occurred</li> <li>• Adjust the same in the BRS statement of the subsequent month</li> <li>• Compute the total bank charges/ interest debited/ credited by the bank during the month.</li> </ul>	Bank Statement	Monthly
B	Approval of BRS	Finance and Administrative Officer	<ul style="list-style-type: none"> <li>• Obtain the approval of Finance and Administrative Officer for HO accounts, District in Charge for District office accounts for the BRS</li> <li>• File copies of the same.</li> </ul>	Bank Reconciliation Statement	



## Fixed Assets

Fixed Assets are controlled centrally at the Head Office. While the physical asset may be at different locations (branch, district offices etc.), they are purchased, accounted for and controlled at the Head Office level.

Purchase of other assets of value less than Rs.5000 is decentralized. The assets intended to be purchased must be included in the monthly budget of the unit. Head Office approval of the budgets serves as sufficient approval for purchase of the asset and individual approval for each purchase is not required. However, after settlement of each bill for asset purchase, the unit's manager/ accountant must communicate the details of the purchase along with copies of the invoice to the Head Office for accounting the same. A Fixed Asset register with requisite details must be maintained at the unit which may be inspected by the Head Office at periodic intervals. The HO may also conduct physical verification of assets on a periodical basis (yearly in case of vehicles, computers and other assets over a period of three years or as deemed necessary).

Manual Amendment Circular No.1 dated 31<sup>st</sup> August 2012

The following clause in the manual is hereby amended and enhanced to Rs.10,000/- being the lower limit for approval by the purchase committee.

7.2	Purchase of Fixed Assets of value > Rs.5000	Purchase Committee at Head Office and District levels
-----	---	---

Manual Amendment Circular No.2 dated 30<sup>th</sup> Sep 2016

All programme advances must be adjusted by submitting vouchers and bills within a period of 60 days.