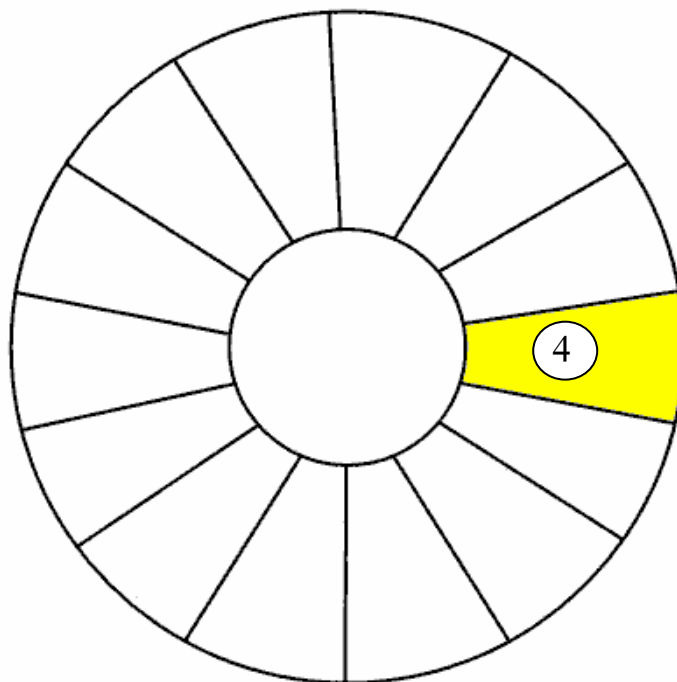


**Gemidiriya Community Development and Livelihood Improvement
Project**

Community Operations Manual

Chapter 4 - Financial Management



September 2007

Gemidiriya Foundation

Ministry of Nation Building and Estate Infrastructure Development
No. 40, High Level Road,
Kottawa, Pannipitiya.

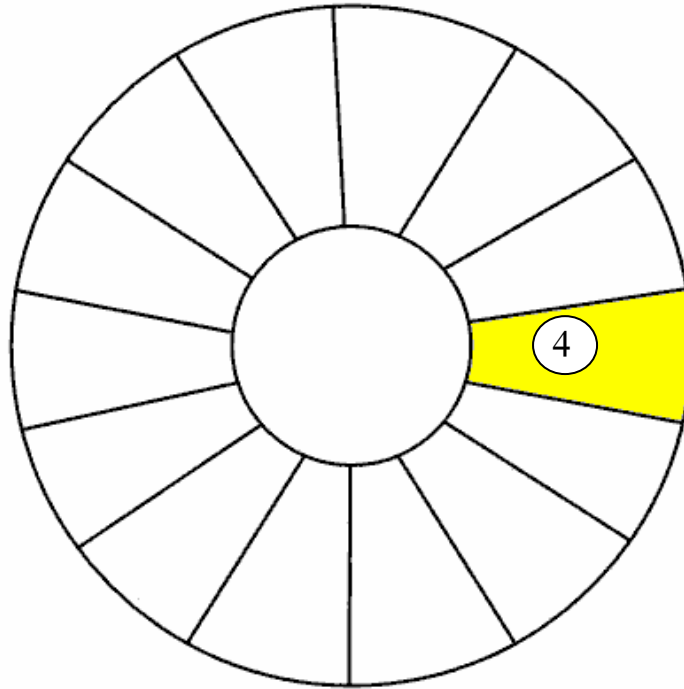
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Step 4 - Managing Our Finances and Keeping Accounts



“Even if you want to throw out something, do so after measuring it”

In this chapter we will learn:

- Fund flow and fund release conditions
- Umbrella Financing Agreements and Addenda
- Accounting and record keeping
- Preparing budgets
- Operating Bank Accounts
- Auditing

1.0 Introduction

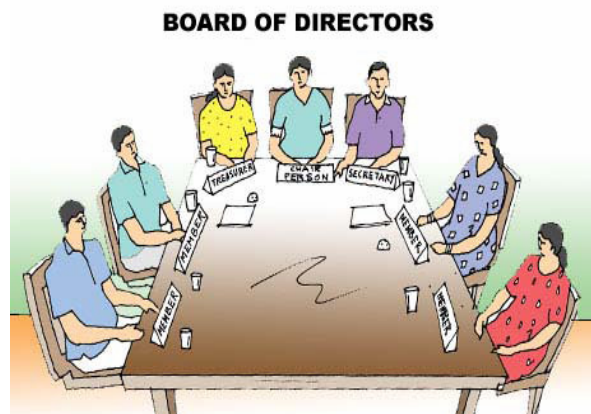
In the VSHLI villages, for the first time in our country, village communities have been directly financed for planning and implementing village development activities. Money has been directly handed over to the Village Organization; the villagers have been given full freedom to decide on the village development priorities and allocating financial resources to implement village development proposals planned by the villagers. They have demonstrated that scarce financial resources for village development can be managed by the villagers themselves. Their key achievements are:

- Substantial reduction in cost of investment of development proposals like, water supply, rehabilitation of irrigation canals etc.
- Number of beneficiaries is much larger and includes women, youth and the poor
- Established a simple accounting and book keeping system, which can be managed by villagers themselves.
- A system of accountability and social auditing for all the actions of the office bearers of the Village Association.

Gemidiriya Program will also directly finance our Village Organization. All important financial decision making at the village level will be restored to the Village Organization. Let us understand in this Manual the important guidelines for handling the scarce financial resources for village development.

2.0 Finance Committee and Its Composition

2.1 Composition



- i. A 5-7 member committee (or as needed), consisting of:
 - (a) Treasurer of the Board of Directors of the Village Organization
 - (b) One representative from an operating Sub-project Committee
 - (c) One representative from Village Saving and Credit Committee
 - (d) Two representatives from the Board of Directors (other than the treasurer)

- ii. Treasurer of the Board of Directors is the Chairperson of the Finance Committee
- iii. At least 3 members in the Finance Committee are women
- iv. Adequate representation to be given to the youth and poor in the village

2.2 Responsibilities of the Finance Committee

- Maintain all account books and financial records.
- Chairperson of the Finance Committee (i.e. Treasurer of the Board of Directors) and Chairperson of the Board of Directors will jointly operate the bank accounts of the Village Association.
- Release funds to Sub - Project Committees with the approval of Board of Directors. The funds to be release on time.
- Review the financial progress and ensure that all financial transactions are according to Gemidiriya rules and principles.
- Plan for the fund requirements of the Village Organization.
- Make payments towards the administrative expenses of the Village Organization.
- Sanction petty cash account operated by the Treasurer of the Sub-project committees and the specialized committees.
- Preparation of financial reports.
- Ensure that all bills and vouchers are properly kept.
- Ensure that the books of accounts of the Village Organization, Sub-project Committees and Specialized Committees are audited and anomalies pointed out by the audit are rectified.
- Check for financial misappropriations and report to the Board of Directors.
- Provide books of accounts and other records for inspection by the Board of Directors, Social Audit Committee, and any member of the community or anybody outside the community, upon request.
- Display all important financial information at common places like the village temple, community hall etc.
- Oversee financial management functions of Sub-project Committees and Village Savings and Credit Organization
- Prepare annual budgets and activity plans and arrange for funds availability both from GDF and the communities.
- Scrutinize vouchers, books of accounts and ensure its correctness
- Verify financial reports and authenticate the same
- Take overall financing decision on behalf of Board of Directors
- Review audit reports, take corrective actions and submit follow-up reports to Board of Directors
- Ensure proper utilization of funds by Sub-project Committees
- Ensure proper reporting of financial information by the Sub-project Committee
- Assist the Board of Directors in fulfilling statutory legal obligations of the Village Organization

2.3 Office Bearers in charge of Financial Management

a. Treasurer / Director Finance (FD)

The Treasurer/ FD of the Village Organization /Company is assisted by an Accounting Assistant and has the following responsibilities:

- Make all payments on behalf of the Village Organization as directed by the Finance Committee
- Make all vouchers, receipts
- Maintain all books of accounts
- Prepare Financial Reports
- Ensure that Project Financial Guidelines are complied with
- Exercise control on expenses vis-à-vis budgets
- Facilitate auditing of accounts
- Safe Custody Books of Accounts, Cheque Books, Counterfoils, Petty Cash, Stamps etc.
- Render the above documentation when requested by the GEMIDIRIYA Staff, external/internal and Government Auditors, Director Board and Finance Committee.

2.4 Delegation of Financial Authority:

Authorization of a Payment:

A sample format is given below. This may be changed or modified according to the need by the Maha Saba. All plans should be authorized by the Maha Sabha.

| Village company | | Sub project Committee | |
|-------------------|----------------|-----------------------|----------------|
| Finance Director | Rs < 5000/= | Treasure of SC | Rs. <1,000/= |
| Finance Committee | Rs. <50,000/= | Sub Proj. Comm. | Rs. < 5,000/= |
| BOD | Rs. > 50,000/= | Finance Committee | Rs. <50,000/= |
| | | BOD | Rs. > 50,000/= |

2.5 Accounts Assistant and his/her duties and responsibilities

The Village Organization can hire the services of an Accounts Assistant to assist the Treasurer of the Village Organization in carrying out financial management activities. The responsibilities of the Accounts Assistant are:

- Assisting the treasurer in maintenance of books of accounts, records and vouchers
- Preparation of bank reconciliation
- Filling of supporting documents and vouchers
- Helping the Treasurer in banking transactions
- Assisting the treasurer in preparation of financial progress reports and financial statements
- Assisting the external and internal auditors in carrying out their audit activities
- Handling Petty Cash if so assigned by the Board of Directors
- Training the Sub-project Committees in the maintenance of accounts

3.0 How do we maintain accounts?

3.1 Accounting Policies

(i) General Accounting Policies

- a) Accrual basis of accounting
All expenditures should be accounted for the period for which it is incurred irrespective of whether the payment is made or not.
- b) Going concern
The company will be in operation for the foreseeable future.

(ii) Fund Release

- a) Infra structure fund released to the VOs and accounted as advance paid to Sub committees in the company books of accounts. Advance account is got adjusted for expenditure through the finance report received from the sub committee.
- b) VSCO fund released to VOs and accounted as Investment/ Capital expenditure and treated as assets in the balance sheet of the Company.
- c) Development Grant received from GDF is treated as Grant Contribution. The portion utilized out of the total grant received as expenditure is recognized as contribution realized in the Income account. The balance contribution is treated as differed liability until the grant is fully utilized for the indented purpose.
- ò) Sub projects with legal ownership of the VIO will be entered as fixed assets in the balance sheet. (e.g. Drinking water projects, Community hall etc.)

3.2 What is meant by financial discipline?

Every member, office bearer or committee member dealing with the funds of the Village Organization has to adhere to three important principles, which we call financial discipline. These three pillars on which our financial discipline is built are:

- Transparency
- Accountability and
- Prudence

Transparency

Transparency means that:

- All financial transactions are made with full knowledge of the Maha Sabha, leaving no reason for confusion.
- Every member of the Maha Sabha has the right to know the details of all financial transactions.
- All financial transactions are clearly recorded in detail and any member in the community or outside the community can verify these records.
- All important financial information must be displayed in prominent public locations such as the community center.

Accountability

Accountability means:

- The office bearers have to exercise their financial powers with utmost care and remain answerable to the Maha Sabha for all their actions.
- The Maha Sabha can fix responsibility on any office bearer for not complying with the guidelines in dealing with village financial resources and can legally recover all the losses incurred by the Village Organization on account of such actions, from the officer bearer.
- All financial transactions are to be properly reported to the Maha Sabha and its sanction must be obtained.

Prudence

Prudence refers to the following:

- All financial transactions have to be carried out with utmost care protecting the interest of the community.
- No office bearers or their relatives or allies shall directly or indirectly get undue benefit from a financial transaction of the Village Organization.
- All financial transactions are to be documented carefully with correct documentary evidence using sound accounting principles.

**3.3 Funds and Flow of Funds in to the Village Organization/ Companies**

Fund is the collective name we use for all the money the Village Organization receives and spends. Fund flow refers to “where” the money is coming from into the Village Organization/Company and payments is “where” is it going ?

Some of the Funds available for the Village Organization

With the following Chart we will understand the flow of funds of the Village Organization / Company:

Flow of Funds into and out of a Village Company

| Inflow of funds (Receipts) | Out flow of funds (Payments) |
|---|--|
| 1. Community share holders fund | 1. Payment for administrative expense (from CB fund) |
| 2. Funds from Gemidiriya Foundation (VDF) | 2. Fund releases for sub project implementation |
| 3. Funds from business | 3. Fund releases for VSCO operation |
| 4. Fund from community contribution (10%) | 4. Payment for other goods and services |
| 5. Funds from user charges | |

| | | |
|-----------------------|--|--|
| 6. Funds as Donations | | |
|-----------------------|--|--|

3.4 Accounting:

What are the four main areas in accounting?

1. Revenue.
2. Expenditure.
3. Assets.
4. Liabilities.

Accounting and Record Keeping

There are two levels of accounting:

- At the Village Organization level; and
- At the Sub - project Committee level

At both the levels, separate accounts need to be maintained like:

- Accounting for Projects and activities involving funds from GEMIDIRIYA Program

All transactions involving Project funds are to be separately accounted Sub-project wise both at the Village Organization level and at the Sub - project Committee level.

- Accounting for Village Organization's own activities

All transactions involving membership, annual subscriptions towards membership, are accounted in Village Organization accounts.

3.5 Books of accounts and other documents

Books of accounts and other documents used by the Village company and a sub project are shown separately under this chart:

Source Documents

| | At the Village company level | At the Sub project level (Infrastructure Sub Project) |
|----|-------------------------------------|---|
| 01 | - Day book | - Day book |
| 02 | - Receipt book | - Receipt book |
| 03 | - | - 20% Labour Contribution Register |
| 04 | - | - 10% Cash contribution Register |

Main Ledgers

| | | |
|----|------------------|-------------|
| 01 | - General Ledger | |
| 02 | - Cash Book | - Cash Book |

Other Registers

| | | |
|----|---------------------------|---------------------------|
| 01 | - Cash Advance Register | - Cash Advance Register |
| 02 | - Voucher Register | - Voucher Register |
| 03 | - Cheque Issuing Register | - Cheque Issuing Register |
| 04 | - Shareholders Register | - |
| 05 | - Stock Register | - Stock Register |
| 06 | - Fixed Assets register | - |

3.6 Accounting for Transactions (Receipts/ Payments)

Accounting for Transactions (Receipts/ Payments) in the VO and sub project Level

The Cash transactions either it is receipts or payments are first recorded in a daybook, the format of which is given below:

Format of a Daybook

| Date 1 | Receipt/ Voucher Number 2 | Membership No. /Budget Account head 3 | Particulars 4 | Receipts 6 | | Payments 7 | | Balance 8 | |
|-----------|------------------------------------|---|------------------|---------------|-----|---------------|-----|--------------|-----|
| | | | | Rs | Cts | Rs | Cts | Rs | Cts |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

How to make entries in the Day Book?

All the payment vouchers and receipts are entered in the Day Book. As agreed earlier, separate Day Books are maintained for Project-related accounting and Village Organization related accounting. The Sub-project Committee will have one-Day Book.

Points to be reckoned in maintaining Day Book:

- All payments and receipts are recorded showing membership number, or head of account code
- The description of the entry is as per the narration given in the receipt or the voucher
- Since Day Book is a compilation of all the transactions taken place in a day and may affect different heads of accounts.
- A head of account is a budget item we recognize while preparing Subproject plans. Examples of head of accounts are overhead tank, distribution lines, a community hall, an income generating activity etc.

Accounting for Receipts:

Receipts in the Village organization level

Generally It is assumed that all the receipts **except the 10% cash contribution to implement the sub project** should be received by the VO and accounted accordingly. Gemidiriya Project contribution towards the sub project will be released to sub project committee bank account from the Village Organization after signing a MOU.

Cash Receipts

When remittance of cash, a receipts which is marked as cash receipt need to be prepared in duplicate and the original be given to the customer. The format for the cash receipt is as follows:

| GEMIDIRIYA Village Organisation | | | |
|--|------------------------------|-------------------------|-----|
| RECEIPT | | | |
| Receipt No 1245A | | Book No. 5 | |
| Member No 128 | | Date: 19.10.2003 | |
| Received from Mr./Mrs./Ms. <u>Mr. K. Dayananda D. 128</u> | | | |
| The sum of Rs. <u>1,342.60</u> (in figures) <u>Rs One Thousand three hundred and forty two and cents sixty only</u> (in word) as detailed below: | | | |
| Sl. No. | Particulars | Amount | |
| | | Rs | Cts |
| 1 | Share Capital | | |
| 2 | Project fund from Gemidiriya | | |
| 3 | Donation | | |
| 5 | Others | | |
| Total | | | |
| President/Secretary | | Treasurer | |

The cash/cheque receipts pertaining to the Village Organization as distinct from Project funds and those relating to Project-related are to be separately prepared, preferably in different colors.

Receipts in the Sup project committee level

Receipts

Members normally remit their dues / contributions either in the form of cash or by contributing labour and material. While contributing labour, the members may remit the entire wage earned as contribution or would like to receive a portion of the wage earned as cash to meet their other expenses. Hence two separate receipts will be utilised to account one for cash receipts and other one is for labour contribution.

Cash receipt

A sub project Committee model is given below.

| GEMIDIRIYA Village Organization | | | |
|--|--------------------------------|-------------------------|-----|
| RECEIPT | | | |
| Receipt No 1245A | | Book No. 5 | |
| Member No 128 | | Date: 19.10.2003 | |
| Received from Mr./Mrs./Ms. <u>Mr. K. Dayananda D. 128</u> | | | |
| The sum of Rs. <u>1,342.60</u> (in figures) <u>Rs One Thousand three hundred and forty two and cents sixty only</u> (in word) as detailed below: | | | |
| Sl. No. | Particulars | Amount | |
| | | Rs | Cts |
| 1 | Annual fees | | |
| 2 | 10% Cash Contribution | | |
| 3 | Water bills/ any other charges | | |
| | Others | | |
| Total | | | |
| President/Secretary | | Treasurer | |

Community Contribution in the form of Labour / Material

When members are paying community contribution for Sub - projects as labour or materials, a separate receipt need to be issued. Let this receipt be printed in another color. Here again, there will be two situations. When a member contributes labour, there will be paid a part of the value of labour and the remaining is retained by the company and adjusted towards the member cash contribution.

| GEMIDIRIYA Village Organization | | | |
|---|---|------------------------------------|------|
| Labour Contribution Receipt | | | |
| Reg No. | | Book No. | |
| Sub – Project Name: | | | |
| Sub – Project No: | | | |
| Stage –I-II-III | | | |
| Month _____ | | Received from _____ | |
| Membership No. _____ | | Name: _____ Rs. _____ (in figures) | |
| _____ (in words) as detailed below: | | | |
| Sl. No. | Particulars | Amount | |
| | | Rs | Cts. |
| 1 | Total amount of wage earned for ----- ----- (specify work undertaken) | | |
| 2 | Amount of wage disbursed out of 1, above | | |
| 3 | Amount of wage accounted as contribution (1-2) | | |
| President/Secretary Treasurer Received Rs. _____ (shown against Sl. No. 2) <div style="text-align: right;">Signature of the Member</div> | | | |

Sometimes, the member would like to account the entire value of the labour towards their contribution. However, when materials are contributed, the entire value will be reckoned towards contribution from the member concerned. Hence, the format for receipts to be issued for labour contribution is slightly different.

How to Prepare Labour Contribution Receipts?

When a member is offering labour towards contribution, the labour contribution receipts need to be prepared. These receipts are prepared for every day's work. In serial no. 1, write the details of the work undertaken and the total amount of wage to be paid for the work. If the member wishes to receive a portion of the wage earned which amount is shown in serial no. 2 and the member must sign at the bottom of the receipt showing this amount. The amount of contribution to be accounted in the member's name is amount in serial no. 1 minus amount shown in serial no. 2. The above postings are clearly shown in the illustration.

Rs 150 / - for a day's wage of which
Rs 50 / - paid as wage
Rs 100 / - retained as contribution

Village Organisation
Labour Contribution Receipt

Reg No. _____ Book No. _____

Received from Sri Sena Membership No. 107 Rs. _____

100 (in figures) (in words) as detailed below:

| Sl. No. | Particulars | Amount |
|---------|---|--------|
| | | Rs. P. |
| 1 | Total amount of wage earned for <u>Oneday pipeline</u> (specify work undertaken) | 150 |
| 2 | Amount of wage disbursed out of 1, above | 50 |
| 3 | Amount of wage accounted as contribution | 100 |

President/Secretary Received Rs. 50/- (shown against SL No. 2) Treasurer

Signature of the Member

Points to be noted in preparing receipts:

- All receipts have to be prepared in triplicate with the original given to the remitter
- All receipts must contain the serial number and book number
- All receipts must be signed by the Treasurer and countersigned by either the President or Secretary
- All receipts must be dated and sealed with the stamp of the Village Organization or Sub - project Committee
- All corrections in the receipts must be authenticated by the Treasurer and the counter signatory
- It shall be ensured that the amount entered in figures and words must agree.
- Past experience shows if labour is obtained from the members for which payment is made for such labour, twice in a month or in certain interval and not daily. So, issuing labour contribution receipt daily will be a difficult process. Preparing labour contribution schedule for a particular period is sufficient . Based on this schedule we may issue receipts to the members and total value of the labour contribution from the schedule can be taken into accounts books.

- SeemasahithaGemidiriya Janatha Samagama
Name of the sub Project.....

Labour calculation schedule (Month.....) for all other purposes

Signature:

Date _____

- Even in case any member/members request a portion of the value has to be paid as cash the schedule shown below will assist as to calculate this process.

SeemasahithaGemidiriya Janatha Samagama

Fin 4-Sub Proj.

Gemidiriya Community Development & Livelihood Improvement project

Name of the Sub Project :.....

Labour, Cash contribution Schedule

| S- No. | HH- No. | Name of House Holder | Labour Contribution Receipt no. | Total Wages Earned | amount deducted for 10% Cash contribution | Amount paid for labour | Signature of House Holder / Recipient | Initial of Treasurer sub Comm. |
|-----------|------------|----------------------|---------------------------------------|-----------------------|---|---------------------------|--|--------------------------------------|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| | | Total | | | | | | |

Prepared by :
DateChecked by:
DateApproved By:
Date:

Accounting for Payments:

Payments in the Village Organization level

Whenever payments are effected, a voucher is prepared in the following format. As we have already seen, separate vouchers need to be prepared for capacity building and Project related accounts involving funds received from Gemidiriya Program. Each voucher shall be attached with bills and receipts supporting the payment made through the voucher.

| PAYMENT VOUCHER | | | | |
|---|---------------|---|-------|--------|
| GEMIDIRIYA Village Organization | | | | |
| Payment Voucher : 45/10/2003 | | | | |
| Date: Voucher No : 20.10.2003 | | | | |
| Payable To : Dadigama Hardware Stores | | | | |
| Description of Account | Accounts code | Description of Services Rendered, work Performed of good supplies | Rs. | Cents. |
| | | 10 Cement Bags | 3,250 | 00 |
| | | 15 Iron Bars | 3,000 | 00 |
| | | | 6,250 | 00 |
| Amount in words: Rs Six Thousand Two Hundred and Fifty only | | | | |
| Authority for Payment: | | | | |
| Prepared By: | | Checked By: | | |
| Name: | | Name: | | |
| Signature: | | Signature: | | |
| <p>I hereby certify from personal knowledge/from the certificates in the relevant files that the above Supplies/services/works duly authorized and performed and that the payment of Rupees Six Thousand Two Hundred and Fifty and cents ----- is in accordance with the regulations/contact and is fair and reasonable.</p> <p>.....</p> <p>Date: Chairman Secretary Treasurer</p> <p>Received this 22nd day of October, 2003, in payment of the account, the sum of Rupees. Six Thousand Two Hundred and Fifty and cents ----- only</p> <p>Witness: Signature of receiver</p> <p>Signature of Paying Officer: Paid in cash/By cheque No: Date:</p> | | | | |

How to Prepare a Payment Voucher?

- When the Village Organization or Sub - project Committee makes a payment, the Payment Vouchers are prepared
- The recipient of the payment must sign the payment voucher
- Bills, receipts etc. showing the full details of goods and services or materials supplied, quantity, unit rate, date of supply, amount etc. are to be attached with the Payment Voucher
- The details in the Payment Voucher shall be filled with the following particulars:

- who received the payment
- the reason for making the payment
- the mode of payment like cash or cheque
- particulars of the bills/receipts
- When fully authenticated and sealed bills or receipts from the recipient of the payment is attached with the Payment Voucher, the recipient need not sign the voucher
- Also when payments are made in the form of cheque, the invoice against which the payment is made shall be attached to the voucher and formal receipts need to be obtained and later attached to the Payment Voucher
- Whenever advance payments are made, sufficient cross-reference be recorded in the Advance Payment Voucher as well as the Final Payment Voucher
- While making payment voucher for labor charges a single consolidated voucher can be prepared indicating the total amount of labor charges paid. A detailed master roll must be prepared and attached with the labor payment voucher in the following format:

Accounting the advances released to the Sub-project Committee;

The Village Organization will release amounts for implementing Community and Social Infrastructure Fund Sub-project to the Sub-project Committees as advances. These advances will be accounted as follows:

- When the advance is released, the Village Organization will show this as a Payment expense in the Advances account in the name of the Sub-project Committee and issue a cheque which the Sub-project Committee can deposit in their bank account.
- The Sub-project Committee will implement the Sub-project using amounts drawn from their bank account.
- At the end of the month, the Sub-project Committee will submit the monthly financial report to the Village Organization as explained later in this Manual .
- The Village Organization will then show the total amount of expenditure incurred by the Sub-project Committee for the month, as expense in the respective Heads of Accounts for the Sub-project. The amount of community contribution collected for the month will be shown as receipts in the community contribution Head of Account and if any amount is received for use in future period that amount will be shown as receipt in the advances account of the Sub-project Committee.
- We may note that the actual payment of the amounts to the Sub-project Committee has taken place earlier and we are making records in the accounts later when we receive monthly financial statements. When we record such transactions, it is called a **Journal entry**.
- We will prepare a Journal Voucher for this transaction. Since there are no cash transactions, we need not write this transaction in the Cash Book. The format for the Journal Voucher is given below:
- **Journal Voucher**

Journal Entry No.

Date:.....

| Date | Account Code | Particulars | Ledger Folio | Debit (Rs.) | Credit (Rs.) |
|--------------|--------------|-------------|--------------|-------------|--------------|
| | | | | | |
| | | | | | |
| | Total | | | | |
| Explanation: | | | | | |

Prepared by: Approved by:..... Entered by:.....

Date:..... Date:..... Date:.....

Accounting the payments to Village Savings and Credit Organization

- The savings and loan component of the Livelihood Support Fund is released to the Village Savings and Credit Organization.
- The accounting entries are treated as Capital Expenditure / or an investment in the VO's books of accounts. Whatever the profit/ Loss (as interest/ loss) earned by the VSCO should be recognized in the VO's P/L or Income and expenditure accounts.

Payments in the Sup project committee level

To make payment in the sub project committee level the above format we have introduced in the VO level can be used. If any changes are necessary The committee can modify the voucher according to the needs.

While making payment voucher for labour charges a single consolidated voucher can be prepared indicating the total amount of labour charges paid. A detailed muster roll must be prepared and attached with the labour payment voucher in the following format:

Labour payment register

..... Gemidiriya Peoples Company
Ltd.

Name of Sub – project

Date:.....

| Sl.No. 1 | Name of the person 2 | Description of work 3 | Amount of wage 4 | Signature 5 |
|-------------|-------------------------|--------------------------|---------------------|----------------|
| | | | | |
| | | | | |
| | | | | |

Prepared

Checked :.....

Authorised:.....

To ascertain the value of the labour contribution earned when a sub project is implemented in a particular period / month such value can be easily calculated and incorporated in to finance reports or in to accounting books.

Cash Book

Cash book is the key document whee all the Cash Transactions (Receipts and Payments) pertaining to a company are recoded . Let us learn that all inflows of funds are recorded in the receipt side and all out flows of fund are recorded in the payment side.

| Date | Receipt No | description | Ledger Folio | Cash | Bank | Date | Receipt No | description | Ledger Folio | Cash | Bank |
|------|------------|-------------|--------------|------|------|------|------------|-------------|--------------|------|------|
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

Ledger

A ledger contains separate pages for each head of account. A head of account is an item on which we spend or receive money. All transactions of receipts and expenses relating to a particular item will be happening on different days. Hence these transactions will be recorded in different places in the Day Book against the respective dates. In the ledger, we group together all these entries, which are disbursed at different places in the Day Book relating to a particular item, in a single sheet of the ledger. Examples of heads of account are development of water source, construction of community building, rehabilitation of irrigation canal, different income generating activities etc. We segregate and group items of expenses in the Subproject proposals and estimate probable expenditure on each item. This estimated amount is called the budget and it is important that we do not over spend on a particular item above what has been provided in the budget.

Heads of account will be designed by Gemidiriya Foundation and will be provided to the Village Organization along with account code numbers.

The format for a ledger folio is given below:

Format for Ledger

Head of Account Code:

Page No:

Description of Head of Account:

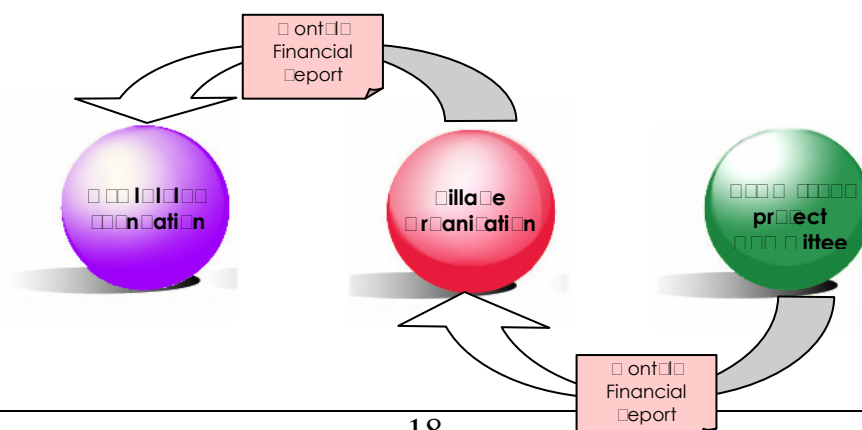
| Date 1 | Voucher No. 2 | Description 3 | Folio 4 | DR 5 | CR 6 |
|-----------|------------------|------------------|------------|---------|---------|
| | | | | | |
| | | | | | |
| | | | | | |

How to Make Entries in Ledgers:

- Each head of account in the ledger folios are posted from the Day Book
- Record the entries in the Day Book as and when the transactions take place and ledger accounts are posted subsequently
- Ensure that all items in the Day Book are posted in the ledger or member's accounts register
- Posting of receipts
The amount of receipt from the Day Book as appearing in column 6 is recorded in the ledger folio, column 5 (credit/receipts)
- Posting of payments
The amount of payments from the Day Book as appearing in column 7 is recorded in the ledger column 4 (debit/expenses)
- We have seen that when the transaction involves cheque, we enter a second line for that transaction with letter 'B' noted in column 3 of the Day Book. These entries are posted into the bank folio of the ledger.
 - If the amount is in column 6 of the Day Book, the same is entered in column 5 of the ledger
 - If the amount is in column 7 of the Day Book, the same is entered in column 4 of the ledger.
- Receipts and payments by members as appearing in the Day Book need to be posted in the following manner:
 - Receipts as appearing in column 6 is posted in column 4 of the member's accounts register
 - The amounts appearing in column 7 (payments) is posted in column 5 (receipts) of the member's accounts register
- Receipts and payments by members also need to be entered in the ledger folio for capital contribution
 - The receipts appearing in column 6 of the Day Book is posted in column 5 (receipts) of the ledger
 - The payments appearing in column 7 of the Day Book is posted in column 4 (expense) of the ledger

4.0 Financial Reporting**4.1 Reporting Financial Progress**

The Village Organization must submit a monthly financial report to the Gemidiriya Foundation / HUB office based on the monthly financial reports collected from Village Savings and Credit Organization/Sub-project Committee as shown below:



a. Monthly Financial Report of the Sub-project Committee

The Sub-project Committee will submit the monthly financial report to the Village Organization in the following format:

- Let us now understand the format:
- Form **Fin 2 Sub Proj.** is used for the Sub Project Committee to prepare the monthly financial Report to forward to the Village company.
- Form **Fin 1 - VO** is used for the Village company to prepare the monthly financial Report to be forwarded to the HUB/ Gemidiriya Foundation.