Dear Friends,

A transparent and good financial management is key to the organizational growth and its sustainability which impacts on decision making across the organization and as such should be integrated into all aspects of an organization’s operations, from managing project budgets to gathering information for strategic decision-making etc.

A smooth and transparent financial management is all pervasive to the growth and development of an organization, especially for development organizations because they are meant for promoting transparency and accountability in the society. With this vision, we have developed this Finance and Account Manual which aims to facilitate and systematize the financial management on our organization. The manual will serve as a guide for all of us in the organization regarding financial matters. The document will be revised by the Governing Body from time to time and for that purpose your suggestions will be very valuable for us. I hope this manual will go a long way in the smooth and transparent operation of our financial activities.

With best regards

Executive Director, JVS
Date: 10-02-2019
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Chapter 01

Introduction

Jan Vikas Samiti (JVS) is a charitable society registered in 1998 under Societies Registration Act, 1860. From its inception it has been rendering dedicated and committed services for the empowerment of the marginalized and vulnerable groups of the society with special focus on women, children and other marginalized groups.

JVS is also the strategic partner organization for Liliane Fonds and MIVA (Netherlands based funding organization working exclusively for the inclusive development of children and youngsters with disabilities and transport and communication means). JVS coordinates and monitor the program for people with disability through 66 Local Partner Organizations in North and Northeast India.

Vision

We visualize an inclusive and humane society based on the values of Equality, Justice and Freedom.

Mission

Empowerment of the marginalized people of the society, especially the Dalits, Women, Children and persons with disabilities through a process of awareness, organization for collective actions and advocacy for raising their Socio- Political, Educational, Economic, Health Status and Promotion of Environment.
Legal Status and Registrations

Registration under Societies Registration Act
JVS has been registered under the section 21 of Society’s Registration Act 1860 with the registration number 963 of 1997-98 and renewal number 2142 of 2017-18

Registration under Foreign Contribution (Regulation) Act
JVS has been registered under the section 6 (1) (a) of the Foreign Contribution (Regulation) Act 1976 with the registration number 136760090 dated 13 March, 2002

Registration under Section 12A of Income Tax Act 1961
JVS has been registered under the section 12A of the Act with Registration Number 847 of 2002-03

Registration under Section 80G of Income Tax Act 1961
JVS has been registered under section 80G of the act with registration number 1065 of 2003-04 and renewed later by number 241/2008-09/1784

PAN (Permanent Account Number)
JVS has PAN with Number AAATJ3375M

TAN (Tax Deduction Account Number)
JVS has TAN with Number ALDJ00720G
Chapter 03

Introduction to the Finance and Accounts Manual

Preamble

This Finance and Accounts Manual is intended to provide guidance to the users, especially those engaged in execution of finance & account function, in carrying out their day to day work systematically & consistently. The manual is meant to be a guide for the organization which describes the accounting policies, systems and procedures to be used by the organization to maintain high standards of financial accountability. It provides key steps that should be employed in conducting various tasks of finance & accounts function from budgeting, keeping books of accounts, preparation of financial statements and reporting. The manual also includes the policies that are necessary for proper execution of various arms of finance & accounts. It should be availed to all staff that is involved in carrying out finance & accounts work in the organization. The manual has been developed to set out the accounting policies and procedures that will ensure that the organization’s books of accounts are prepared to conform to sound accounting principles and practices to enable the management to obtain accurate, regular and timely financial reports, thereby promoting sound financial management and to ensure correct use of funds and other resources.

3.1. The manual provides information on:

- Quality management of the finances at JVS
- Sound decision-making on financial matters
- Compliance of major obligations
- Requirements of funding agencies
- Budgeting, fiscal discipline and hygiene
- Efficient utilization of available resources
- Reporting and monitoring
- Legal and financial issues for funding agencies
- Integration of economic policies with the mission of the organization

3.2. Objectives of the manual:

- To be used as a reference document by the staff, management, auditors and other stakeholders of the organization for the effective execution and management of financial activities.
- To enhance and ensure completeness and accuracy of the data posted from
source documents (say invoices, payments receipts, journal and cashbook) to the computerized accounting system.

To detail the operation and administration procedures for input, processing, output and distribution of data to ensure security of financial data and documents.

To assist to generate accurate and reliable financial reports to enable management to perform effective control over the operations of the organization.

To provide a guidance to all staff of accounts and finance for smooth execution of their duties.

3.3. Users of manual

- The General Body and the Governing Body of JVS
- The Executive Director, the Program & Finance staff and all other Staff/volunteers of the organization
- The Statutory and Internal Auditors
- The Financial Advisors
- Staff and volunteers at different sub-center of JVS where projects are being directly implemented by JVS

3.4. Financial laws and regulations

- The financial operations of the organization are governed by the existing laws and financial regulations of the country and the organization.
- These regulations may be varied from time to time as approved by the JVS Governing Board which will be circulated as and when changes take place.

3.5. Amendment to the manual

Any amendments to the manual shall be carried out only with the approval of the Governing Body of JVS on recommendation from the Finance Advisory Committee/External Consultant/Executive Director. When the changes are approved, the revised version of the manual will be printed with the approval date. The old version will be withdrawn from circulation & stamped absolute. Circulation of the manual outside the organization should be done only with the explicit approval of the Executive Director/Finance and Accounts Manager. All queries on the interpretation of this manual or any matters not covered should be addressed to the Executive Director/Finance and Accounts Manager

3.6. Circulations and Control

The Finance and Accounts Manual is to be distributed to all the staff in the organization by the Finance and Accounts Manager. When changes are made and approved by the Governing Board, the revised version (part pertaining to the
changes) would be circulated to all the staff with the approved date. With this the old version or part thereof would cease to exist.
Chapter -04

Responsibilities of Finance Team

4.1. Duties of Finance and Accounts Manager

The Finance and Accounts Manager (FAM) is responsible for the efficient and effective financial management of the organization and for the development and maintenance of the necessary systems to safeguard the assets and financial operations of the organization. The work includes:

1. Assisting in the formulation of the policy to be adopted by the organization in financial and manpower terms;
2. Assisting in carrying out the financial policy of the organization and making necessary recommendations concerning financial policy;
3. Ensuring proper Accounting, Record maintaining, Asset management, Liabilities, Operations and Transactions are maintained and that statutory objectives in this regard are discharged;
4. Control of income and expenditure and financial administration of the organization in general including that all revenues are collected, payments including salaries and wages are duly made, and ensuring responsible stewardship and safe custody of cash and other assets of the organization;
5. Ensuring the preparation, presentation and interpretation of periodic management accounts and cost statements. Advising management in the controls of costs and achievement of budget plans for the better functioning of the organization.
6. Providing effective financial control, records of all capital projects and liaising fully with other Managers;
7. Ensuring that training and skills development of financial staff is carried out; and assisting in the development of computerization strategies and furthering the development of computer based financial accounting and financial information systems.

4.2. Duties of Finance Officer

Finance Officer is a person for assisting the Finance and Accounts Manager for effectively carrying out the day to day financial activities of the organization. He/she must see that all organizational money or other assets entrusted to him/her are under the safe custody. Having financial responsibilities in connection with his/her official duties, h/she is responsible to observe the following requirements:
1. To fully acquaint himself/herself with the financial regulations and accounting instructions, and to take care that all are duly followed;

2. Promptly to bring to account under the proper headings of the Budget for the preparation of the financial statements;

3. To ensure that proper provision is made for the safe-keeping of cash, stamps, official receipts, requisitions, cheque books, local purchase order books, and all other documents related to the accounts and finance, and assets under his/her charge;

4. To ensure that no payment is made without proper authority being obtained and to make sure that all the financial transactions are done in accordance with the organizational policies;

5. To ensure that all the expenses of the organization are taken care in accordance with the predefined budgets as per the program and the funding organizations;

6. To prepare and submit any financial statements required by Management;

7. To see that all books of accounts, registers, records etc, are maintained in accordance with accounting instructions and financial regulations and are posted and kept up-to-date and when not in use, are kept in safe custody.

4.3 Duties of Accountant

1. To process and oversee the work of financial transactions, accounts payable, accounts receivables, vouchers, etc., by thoroughly checking and correcting the accounting and other relevant financial records;

2. To provide support in preparing the financial reports in the accounting and finance system as per the instructions received from the finance manager/officer;

3. To maintain, update, and retrieve the financial information from the financial database and system;

4. To assist finance manager/officer in the preparation of receipts and vouchers and their relevant formats, so that the financial details can be entered correctly in the accounting system;

5. To apply the basic accounting principles, knowledge, and techniques to analyse the variances, assist in production of journals, and perform routine accounting activities;

6. To perform accounting computations and calculations accurately, and try to identify if there are discrepancies, and if there are any errors, try to resolve them;

7. To collect information and prepare payroll payments for employees.

4.4. Duties of Non-finance staff

All non finance staff have their own due responsibilities for the effective management of the organizational financial activities. The major financial responsibilities include:

1. To ensure that all the programs are conducted in accordance with the prescribed and approved budget and the financial policies of JVS;

2. To ensure that all the financial obligations are met for any program or activities of JVS;

3. To make sure the safe custody of any money or assets of JVS entrusted to them;

4. To follow the financial instructions and procedures for the smooth functioning of the financial department.

4.5. **Audit inspection duty officers (Internal Auditors)**

Audit inspection duty officers are appointed or entrusted by JVS to ensure the internal control of the financial operation of the organization. Their major responsibilities are as follow:

1. JVS will have an annual internal audit done. The internal audit will be done by the Chairman and Treasurer of the Mother organization of JVS.

2. The Internal Auditor is responsible for regular checks and/or test checks of the financial operations of JVS.

3. Internal Auditors may recommend system/procedural changes to management but has no authority to direct management/subordinate staff to carry out any changes in the financial operation of JVS.
Chapter -05

Financial Governance

5.1. Duties of Governing Body (G.B)

The Governing Body of JVS is entrusted with responsibility for overseeing the organization on behalf of the stakeholders. They act as stewards, representing and protecting the stakeholders’ interests and making sure the achievement of the organizational vision. The G.B has ultimate legal, moral, and financial responsibility for the organization in all aspects. The G.B is not involved in the day to day activities of the organization, however it is aware of and plays a responsible role on the below aspects:

- Making sure that funds are used to help the stakeholders effectively
- Making sure that the organization has enough funding
- Making sure that the organization has effective senior management
- Making sure that the organization operates within the law and the statutory requirements of the country
- Making sure there are no conflicts of interest between the organization’s operations and G.B members' work or business interests

5.2. Conflict of interest

Conflict of interest is a circumstance of a public office holder or responsible person who’s personal or his/her relatives’ interest might benefit from his/her official action or influences. In conflict of interest the interested persons may be the Executive Director, Member of the Program Management Team or member of a committee with delegated powers from G.B, who has a direct or indirect financial interest. The below are the circumstances regarded as material interests by any of the delegated office bearers of the organization.

- Appointment of relatives in G.B or management of the organization
- Ownership or partial ownership in organizations which are engaged or may seek business or consultancies
- Payment of fees and remuneration
- Directorship or management position in other entities
- Providing consultancies in personal capacities
- Having commercial interest in any decision or resolution
- Having direct or indirect relationship with the donor or donor organizations
- When contracts are awarded to relatives of the G.B etc.
JVS adopts certain measures and policies to avoid and also for the treatment of such issues under conflict of interest within the organizations as follows:

- In any of the case above the G.B should declare such interests
- The interested G.B members should not participate in the decision making and voting process for that particular resolution
- An annual declaration of such interests should be placed in the annual general body meeting
Chapter -06

Financial Policies, Procedures and Systems

Financial Policy

Introduction

a. Financial policy is a tool as well as a measure for the standards of accountability of JVS.
b. Good financial policy enables the fulfillment of the vision of JVS. The nobler the vision the higher the standards of accountability will be. Transparency and high standards of accountability can be infused in JVS only if there is a sound financial policy.
c. The financial policy of JVS is its guiding light and if it is to be implemented and correctly translated into reality, proper systems and procedures have to be evolved and practiced.

6.1.1 Guiding principles of JVS financial policy

a. A creative, honest and sound management of resources entrusted to JVS
b. Optimum utilization of the above resources for the objectives of JVS
c. Creative investments of the funds of JVS
d. High accountability standards and transparency in JVS
e. A professional system of reporting, monitoring and evaluation

6.1.2 Planning and budgeting

Ref to chapter 07

6.1.3 Training of finance staff

The Finance staff will be provided with refresher and orientation courses as and when necessary to up-graduate the skills and knowledge of finance team. This will improve the quality of the accounting standards and thus will promote better financial management within JVS.

6.1.4 External review

It is healthy for JVS, which is responsible and accountable to the public to have an expert on Finance. An external expert familiar with the finances of JVS will review the finances and financial policies and systems of JVS from time to time to see whether they are adequately adhered to and will alert JVS with regard to any lapses and deficiencies in standards and policies.
6.2. Procedures and systems

Procedures and systems are the key factors, which ensure an organization’s smooth running. A good system will make sure that there is a clear and automatic functioning of JVS preventing domination or manipulation by any one person or group of persons for their own personal benefits.

The following are some of the common and generally accepted systems and procedures for JVS:

a) Internal Control
b) Professional Accounting Systems
c) Reporting and Monitoring Systems
d) Handing Over System

6.2.1 Internal control

Internal control are like checks and balances, which help to keep the system in place to avoid frauds and misappropriation or deviations from accepted policies and procedures. Periodical review of internal control is required to maintain the vitality of the system.

The following will be the internal control:-

Cash transaction

1. Segregation of cash payments into petty cash and larger payments

Both for accounting and control purposes, all the payments will go through the Executive Director and in his absence the Associate Director and in his absence the Finance Manager. Petty cash payments up to the limit of Rs 5000- will be handled by the Cashier/Finance Officer.

2. Cheque payments versus cash payments

As far as possible all payments for expenses will be made through bank transfers/cheque except for petty cash transaction. All payments exceeding Rs.10,000/- will be made by crossed “A/c Payee” cheque or demand draft or bank transfer.

3. Physical verification of cash

The Executive Director/Associate Director/Manager Finance will verify the actual cash in hand with the balance shown in the book at least once a month and also on surprise checks.
4. **Cash receipts**

The finance manager will ensure that the cash received by the organization is promptly deposited in the bank within a couple of days. It will be acknowledged through pre-numbered receipts, which are properly recorded in the cashbook.

**Bank transactions**

a. The Bank Account shall be operated by any two among the given below:
   - President
   - Secretary
   - Treasurer
   - Any of the Governing Body Members as delegated by the President

b. There will be a system for preparation of Bank Reconciliation Statement and for monitoring the same. The bank account will be reconciled every month and the BRS shall be verified by FAM/Executive Director/Associate Director

c. Issuing bearer cheques and post-dated cheques will be avoided as far as possible.

d. Cheques for payment will be issued only when there is an adequate balance in the account since the dishonoring of a cheque will attract criminal liability.

e. All cancelled cheques will be preserved for identification and control purposes.

f. The cheques book will always be in the safe custody of a designated staff, who will be held accountable and responsible for the same.

g. Cheques and drafts received by JVS must be acknowledged through pre-numbered receipts which are promptly deposited and properly recorded and the various functions of receiving, processing and recording will be clearly segregated.

i) **Fixed assets and inventory control**

While an inventory (Stock Register), records assets which are generally consumable or saleable, a Fixed Assets Register records more permanent assets, which provide long-term benefits to JVS. Hence both are valuable since they represent a substantial portion of the net worth of JVS. Both types of assets have, therefore, to be controlled and managed efficiently and also used effectively.

**JVS will follow the given measures for exercising adequate control:**

a. A professional system of accounting will be introduced as - Maintenance of a Fixed Assets Register

b. A physical verification of the stock and assets will be carried out periodically by the E.D/A.D

c. The E.D will make sure that there is an annual physical verification prior to the statutory audit

d. Original documents such as sale deeds, registration documents for vehicles, sanctioned building plans, land related revenue records etc. will be carefully preserved with the E.D.

e. All fixed assets will be numbered for identification and accounting purposes
f. It will be ensured that the fixed assets are acquired or disposed off only after proper authorization and that they are adequately safeguarded with the consent of E.D.

The asset record will be composed of the following information.

- Year of receipt
- Description of item
- Identification code/number
- Quantity
- Assigned location
- Item funded by (donor)
- Current status
- Value of assets

**Removal of items**

The procedure described above permits the identification of dilapidated or defective goods whose presence in office presents more inconveniences than advantages, for various reasons below:

a. steep rise in operating or maintenance expenses;
b. Excessive cost of repair
c. Any other objective reason

The Executive Director should give the authorization to take out of service, transfer or dispose of any items, and that should be noted in the book of assets.

**Investment Control**

Other than fixed assets and stock, investments represent a substantial net worth of JVS. Hence it is vital that investments are managed and controlled efficiently and effectively.

- No risk oriented investments will be made by the organization
- JVS will only go for short/long term bank fixed deposits as its investments

Given below are some healthy practices which will be followed:

A. Professional investment accounting through an investment register
B. Monthly investment report will be prepared highlighting
   - The percentage of return
   - Returns for the month
   - Investments matured
   - Investments maturing in the next quarter
C. All records pertaining to investments will be in the safe custody of a designated person, namely, Executive Director/Finance Manager

**Staff loan & advances**

JVS will only provide advances and loans to the staff if the circumstances demand. The following will be the measures to exercise control on loans:
a. A staff may request for a personal loan not exceeding three months’ salary. The Executive Director may sanction such loan request in consultation with the concerned Program & Finance Manager.
b. Fresh loan will not be given until the earlier loan is cleared.
c. The practice of obtaining confirmation of outstanding balance will be carried out at least at the end of each quarter.
d. The repayment and deduction schedule will be written out from the salary towards the principal in case the staff does not repay the loan as promised.
e. The total loan repayment must be cleared by the staff before the end of the current financial year.
f. Loans and advances shall be paid through bank transfer or A/c Payee cheque or draft only. In the emergency circumstance cash payment will be made to the applicant upto Rs. 5,000/- only.

6.3 Reporting and monitoring systems

Refer to Chapter 5

6.4 Handing over system

At JVS, in case of change of financial personal in the office the following guidelines will be adhered to while handing over responsibility:

a) Books of accounts, register and other financial records will be updated and signed by the preceding office bearer along with another person authorized by the Executive Director.
b) Financial statements will be drawn up to the date of handing over charge and signed by the preceding office bearer along with another person as to the completeness of the financial statement.
c) Physical cash will be reconciled with the balance as per Cash Book on the date of taking over charge. The Cash Book will be signed jointly and a certificate to that effect will be signed in the presence of another office bearer.
d) A bank reconciliation statement will be prepared and a certificate from the banker as to the bank balance on the date of laying down charge will be obtained by the preceding office bearer.
e) Statutory books will be updated and signed before they are given to the new office bearer.
f) Files pertaining to legal compliance will be handed over along with the legal compliance status report e.g. Income Tax file, Societies Registration file, Foreign Contribution Regulation Act file.
g) Original documents relating to the fixed assets e.g. sale deeds, building plan, investments, Certificate of Registration under various laws etc. will be handed over and be signed in the presence of another office bearer.
h) Any outstanding income or expense such as advance recoverable, bills payable etc. will be booked
i) All the Savings Bank cheques are to be handed over with the verification by a third person.
j) Change of signatories in the bank has to be prepared and submitted to the bank by the outgoing office bearer.
Chapter -07
Planning and Budgeting

1.1 Need for planning

JVS has a vision, which must be translated into reality. JVS is based on certain values of service to humanity and it will be a regular practice for them to go through a process of vision building and making a mission statement. JVS will plan for the future with wisdom and foresight, so that the mission can be fulfilled in the most economical way, within the least time limit, with professionalism and quality and in accordance with the highest standards.

1.2 Significance of planning

The finances of JVS will become healthy only if the same is used for planned activities of JVS to achieve the objectives and finally to serve the vision.

1.3 Annual budgeting

Budgeting is an important tool for planning the finances of JVS. JVS will follow budgeting with a corporate approach since there are many departments, which incur expenses. Therefore, the finance department will prepare the budget estimates by consolidating estimates received from different regions/depts. and present the same to the Finance Advisory Committee on or before 31st January. The Finance Advisory Committee then gives its feedback/comments/suggestions on the proposed Budget and the same is forwarded to the Executive Director by the first week of February. The Executive Director will then present the Annual Budget with his feedback and comments to the Governing Board for discussion and approval on or before 15th February of the each year.

For constructing any of the budgets, the following steps will be taken care of:

- Estimating the income/receipts
- Estimating the expenditure/payments
- Reviewing the previous two to three years income and expenditure for pattern
- Arriving at the surplus/deficit in either case, plan how to use the surplus or manage the deficit

1.4 Annual Program Income Budgeting (in linkage with Annual Programme Action Plan)

JVS in order to attain its goals and objectives will undertake activities for implementation of the project. Each of these activities planned will be linked to the financial plan through budget code and budgeted head of accounts. This linkage will facilitate to prepare a clear budget and enables JVS to determine the expected income for the year. This also gives JVS the picture of the previous years anticipated income and actual income.
1.5 Staff budget

This will be the first step to prepare the annual budget. Under this we will determine various positions at various cost centers, which will lead to determining the personnel cost for the year.

1.6 Salary budget

Based on the staff budget, the actual salary payable during the year to the staff will be calculated giving all details of the salary components. Under salary (Basic, DA, HRA, T.A etc.) of each individual employee by his/her name will be determined keeping in mind the staff budget.

1.7 Capital budget

Capital Expenses (non-recurring expenses), at JVS will be the acquisition of new assets like equipment, furniture, vehicles, land and building and/or additions to building. These assets will require substantially large resources.

Resources will be invested in capital assets only if they are required for the objects of JVS. Capital assets will otherwise turn out to be liabilities for JVS e.g. maintenance charges for rundown or idle building and equipment, cost of litigation arising out of encroachment of land etc.

1.8 Cost center wise budget

Operating expenses will represent the operative expenses of JVS such as salaries, travel, office expenses, normal maintenance expenses etc.

This will be the estimation of expenses on the cost centers basis i.e. CC-wise, department wise. This will help to determine the cost of a particular CC, department.

1.9 Total administrative budget

Total of cost center wise budget (Capital as well as Revenue) will be compared with the budgets and actual expenses of previous three years to have an idea regarding the inflation in the overall Admin Budget.

1.10 Rationale of the budgets

We will also keep the basis of the budgeted amount, how it is calculated, what type of expenses were anticipated and amount budgeted for the same under each head (cost center wise). This will help to clarify doubts about the various provisions made under different
budget heads, whether that particular activity/transaction was estimated and under which head it has to be accounted for.

It will be healthier to run JVS in a self-reliant manner rather than to be dependent. High dependency will affect the stability of JVS and result in dislocation of its activities. All efforts will be made in this regard by sensible budgeting, fund raising and cost cutting and effective implementation of activities.

1.11 Finance advisory committee

A Finance advisory committee at JVS is responsible for:

➢ To review the annual budget of JVS and make such comments as may be necessary
➢ Review the audited periodic financial statements of JVS
➢ Advice JVS on the investment policies
➢ Meets periodically at least every half year to review the finance system of JVS
➢ Meets for such purpose having financial implication of JVS and render advise for example, mobilization of corpus fund, purchase of office premises for CC of JVS, any unexpected expenses etc.

1.12 Approval of the annual administrative budget from GB

After incorporating the comments from the Finance Advisory Committee and the E.D, the budget will be presented to Governing Body of JVS for their approval before implementing the same.

1.13 Budget monitoring – budget comparison and revision of budget

The budget, however, provisionally prepared, will be a futile exercise if the same is not monitored periodically. Finance department will monitor the budget on a monthly basis as per the format and the procedure recommended earlier and if required the budget could be revised based on the half yearly expenses. Quarterly cost center wise budget comparison will also be made for the close monitoring and better control.

1.14 Charts of accounts – budget heads

Chart of accounts at JVS will be a list of accounts agreed based on the Vision, Mission, goals and objectives. The accounts will be prepared based on the programs run, which falls within the vision of the organization. Any expenditure will be classified under the agreed head of account and not under any other head of account. Both the heads of accounts and the description of the nature of expenditure under each head will be agreed and not to be charged without proper authorization. In short the budget heads will be integrated with chart of accounts.
Chapter -08

Accounting and Record Keeping

8.1 Maintenance of books of accounts

Introduction

Accounting is a basic management tool which if used properly will enable the Governing Body / Management to determine the correct financial status of JVS at any point of time.

8.2 Types of accounting: -
There are different types of accounting. Two important types are:

   a) Cash System
   b) Mercantile System

JVS will follow Cash system of accounting

In the Cash System of accounting, entries will be made only when the cash is received or paid and no entry will be made when the receipts or payments are due.

8.3 Accounting for JVS: -

The Following books of accounts will be used:

1) Petty Cash Book (Impressed)
2) Main Cash Book with cash and bank columns (normally referred to as Cash book) (Computerized)
3) General Ledger (Normally referred to as Ledger- monthly, half yearly, annual) (Computerized)
4) Project Ledger (Computerized)
5) Journal Register (Normally referred to as journal)
6) Investment Register (Manual or Computerized)
7) Fixed Assets Register (Manual or Computerized)
8) Loans and Advance Register (Manual or Computerized)

JVS will maintain exclusively the following books of accounts:-

Books of accounts for Receipts and Utilization of Foreign Contribution as required under the Foreign Contribution Regulation Act, 1976

Books of accounts for local funds collected and spent by JVS

Books of accounts for Government Grants collected and spent by JVS for easy accounting, monitoring and reporting to the Government from time to time
Each project under foreign contribution will have its individual cash book, bank books and ledgers maintained separately.

### 8.4 Impressed petty cash book

It will be used for recording recurring petty transactions and thereby lessens the burden of maintaining the Cash Book as well as posting to the General Ledger. Payments made from the Cash Book will be acknowledged as receipts in the Petty Cash Book. The difference between the receipts and the total of expenses as shown in the Petty Cash Book will reflect the petty cash in hand.

### 8.5 Maintaining petty cash under the imprest system

Under the Imprest System the Petty Cash will be fixed to a certain limit for handling cash. The limit will be fixed based on the estimated requirements for a week/fortnight/month. The Petty Cashier will get the amount reimbursed of the expenditure incurred from the Main Cashier when the cash balance becomes low e.g. the petty cash limit is Rs.50,000. The petty cashier has incurred expenses of Rs.40,000 under various heads of accounts. The balance cash with the Petty cashier is Rs.10,000. The Petty Cashier will be reimbursed Rs 40,000 to ensure that the cash balance is Rs.50,000.

This book will be maintained to record the following transactions:

- a) All the petty cash payments, which are below Rs.5,000. Payments exceeding Rs. 5,000 will be made in exceptional situations.
- b) To record the recoupment of the Imprest cash from the main Administration Account.

### 8.6 Imprest account in sub centers (SC)

Funds will be disbursed towards reimbursement of Imprest to the sub centers/Offices from the foreign contribution account and from Indian funds separately. This will be followed for accounting convenience, for proper legal compliance and to avoid mixing of FC (Foreign Contribution) and LC (Local Contribution).

The SC office will maintain proper accounts and send the expenses statement along with the original bills to JVS office when 80% of the Imprest funds have been spent or monthly, which ever will be earlier.

The person who maintains the Imprest Account will take into account the following points:

- Supporting documentation
- Booking the item of expenditure under relevant heads of accounts
- Tallying the expenses
- Identification of unauthorized expenses
- In case of certain expenses like long distance calls, proper details – namely person called, purpose, number and time utilized, have to be verified and discrepancies have
to be pointed out to the Head of Department. After all these verifications the assessing assistant will specifically recommend to the Head of Department to make the payment
-  In case of problems of discrepancies in the imprest, the designated person will point it out to the Head Office and follow it up till they are classified/ rectified
-  To ensure the follow ups, the person will maintain a register

8.7 General ledger

This will be a book of accounts in which transactions are posted from the Cash Book, Petty Cash Book and Journal Register under account headings e.g. salaries, repairs and maintenance, traveling & conveyance, rent, interest received etc. according to the date of occurrence. The ledger printouts will be taken on monthly basis, half yearly (6 month ledger) and annual basis (12 months ledger).

8.8 Accounting for different projects: -

JVS will carry out various projects/programs in collaboration with Central and State Government as well as with funding agencies abroad. Invariably the above agencies will also ask JVS to maintain accounts separately for each project or programme funded. In all the above cases JVS will maintain a separate set of books for each of the funded projects.

If there will be any component of local funds used with foreign grants, separate set of books will be maintained. However, for the purpose of reporting to the funding agency, transactions from both local funds and foreign funds will be merged.

All the foreign contributions received for different projects have to pass through the designated FCRA bank account.

Further, the project control accounts will be online with the main computerized systems. The integrated accounts of the project will be validated once every quarter. Reporting formats will be evolved to ensure proper monitoring of the project finances.

8.9 Advances

- Submit the duly filled form forwarded by the respective program in-chargers to the finance responsible person who will forward it to the Executive Director for the approval.
- The form needs to be submitted to the finance department prior to five working days of the date of advance required.
- Advance will be given on the previous day of the advance required date.
- Fresh advance will not be sanctioned if any previous advance is due for settlement by the applicant.

Advances that are made will be classified as under:
1) Advances made towards the projects
2) Advances made to the staff for travel and program expenses
3) Other Advances

8.10 Advances made towards projects

Project advances will be made from that particular grant of that program. Advances taken by the programme team has to be settled as soon as possible (within 5 days) after the programme is implemented or organized. Once such an advance is made both the Program Department and the Finance Department will keep track of it and ensure that the same is regularized within the Financial Year. Such advances that cannot be regularized with the Financial Year will be avoided.

8.11 Advances made to the staff for travel

The staff will ensure that the tour advances taken by him/her is settled as soon as possible (within 5 days) after reporting on his or her return from the tour. No subsequent advance will be made to any staff before the settlement of tour advance by the staff through a designated assistant who will keep a separate register of all the tour programs.

8.12 Other advances

The advance is permissible to the CC staff/Finance office/ HR & Admin department for arranging any meeting, workshop etc. The concerned staff/office/department will ensure settling the same as soon as possible after the finish of such meeting etc.

Format for the Advance (Annex: 01)

8.13 Local Contribution

JVS will maintain the following books of accounts for the receipt and utilization of local contributions:

8.14 Local contribution bank book

This book will be maintained to record the followings: -

a) All the inward remittances of local contributions including cheques/drafts received towards campaign, special collections, donations etc.
b) All the disbursements made to the CC and towards charity grants
c) To reconcile the closing balance in the Bank day after day

8.15 Local contribution ledger

This Ledger will be maintained to reflect the status of local funds. This ledger will contain the following transactions:
a) Amount received towards campaign, special collections & donations  
b) Amount disbursed out of local funds  
c) Balance available or deficit in the funds account

8.16 Depreciation

Depreciation will be provided in order to achieve the following objectives:

✓ To ascertain the true surplus  
✓ To show the asset at its fair value  
✓ To present a fair and true picture of the financial status  
✓ To provide for replacement of the depreciation asset

Depreciation will be a non-cash expenditure of JVS. It is allowable expenditure under the Income Tax Act.

8.17 Method of providing depreciation

The following will be some of the methods of providing depreciation

- Straight Line Method  
- Written Down value Method

JVS follows the Written Down Value Method for the last 10 years. The rate prescribed by the Income Tax of the respective year will be taken / charged for calculating Depreciation. Assets purchased prior to 10 years of period will be taken as purchase in the 10th year and calculations will be done on that basis.

8.18 Fixed Deposit ledger

This Ledger will record entries relating to Fixed Deposits made out of foreign/local contribution with the date of deposit, principal amount, interest received, period of deposit and maturity date, bank wise.

8.19 Maintenance of bank accounts

JVS will maintain exclusively a separate bank account for operating Foreign Contribution and separate bank account or accounts for operating local funds and also Government Grants.

8.20 Bank account for foreign contributions

This bank account will be the account officially approved by the foreign contribution Regulation Act Division of the Ministry of Home Affairs, Government of India, while granting registration to the organization under FCRA. This account will contain only the transactions relating to foreign contributions. All inward remittances of foreign contributions
will be deposited and en-cashed through this bank account. No local funds will be remitted into this account under any circumstances.

8.21 Receipt of foreign contribution

All the receipts of foreign contributions will be credited into the Foreign Contribution Bank Account against which official receipts will be issued to the Donor Agency. No other receipt will be paid into this bank account under any circumstances.

8.22 Payments out of foreign contribution

Payment out of foreign contribution will be made for the following purposes:

a) Disbursements to project holders
b) Drawing for administrative expenses of JVS

8.23 Bank Account for Local Funds

JVS will maintain as many bank accounts as it may require for operating various local funds like Campaign fund, special collections, Government Grants, donations etc.

JVS will open or close such bank accounts from time to time with the proper resolution of the Governing Body.

8.24 Bank reconciliation statements

The Finance Department will prepare a bank reconciliation statement every month which will be certified by the Head of the Department and attached to the monthly management report described elsewhere.

The Correction, rectification entries required will be passed on or before the first week of the next month.

The difference in the balance could be due to the followings:

a) Bank charges debited by the bank are not immediately entered in the books of JVS
b) When cheques are being deposited, JVS will record it in its books immediately whereas the bank will enter it in the bank pass book or statement only on realization of the cheques
c) When cheques are being issued JVS will record it as payment but until each party presents the cheque for payment the bank will not debit it.
d) Errors may be committed in the books by the bank and / or by JVS
e) Standing instructions given to the bank to make payment or collect receipts are entered in the bank books but the entries in the books of JVS are passed only after receipts of the bank advice
The Finance Department will maintain an inward remittance list exclusively for foreign contribution received in the given format:

**JAN VIKAS SAMITI**

**INWARD REMITTANCE LIST FOR FOREIGN CONTRIBUTIONS**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name Donor</th>
<th>Type Of Donor- Institutional/ Individual</th>
<th>Date Of Receipt</th>
<th>Address Of The Donor With Email And Phone Numbers</th>
<th>Purpose For Which Received</th>
<th>Amount(Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8.25 **Cash flow projection/cash flow statement**

The Finance Department will prepare a cash flow projection report at least every quarter to serve the following triple purpose:

a) To make the best investment decisions for the funds of JVS  
b) To ensure that there is smooth flow of cash receipts and payments  
c) To avoid any cash crunch/deficit situation

In order to prepare a scientific cash flow projection report, the finance will take the assistance of other departments like Program Dept. or HR & Admin.

The Cash flow statement presents the flow of funds of the reporting period that has just expired. The purpose of this statement is to compare the actual transaction with the projection referred to in the previous month and to make any such adjustments as may be required in the coming months. The cash flow projection report of the departments’ will be in the given form:

**JAN VIKAS SAMITI**

**CASH FLOW FOR THE YEAR ....................**

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVARD FROM (MAY SPECIFY)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>
The pattern of disbursements of the previous months or the same period in the last year or past years may be considered. The administrative expenses to be incurred will be taken into account.

8.26 Maintenance of financial records and documents

Maintenance of proper financial records and documents on a daily basis is a good accounting system. Any transaction at JVS must be supported by certain valid documents e.g. vouchers, receipts etc. These will be known as supporting documents and they are an integral part of any accounting systems.

8.27 Maintenance of files

A good system for file maintenance is an integral part of the accounting systems of any organization.

The Following files concerning the financial transactions will be maintained in JVS:

1) Voucher file for cash book
2) Voucher file for petty cash book/ Register (Manual or computerized)
3) Voucher file for journal register (manual computerized)
4) A separate bank file for each bank account
5) Cheque book register (Manual or Computerized)
6) Receipts file/book
7) Fixed Asset file/register
8) Fixed deposit file
9) Management reports financial statements (monthly)
10) Financial statements
11) Audited accounts statements (separate files for separate projects)
12) Budget file
13) Income Tax Files (Returns, TDS files, assessments Etc.)
14) Different contract and maintenance files
15) Files for FCRA returns
16) Salary files/Staff file
17) Different files for all the programs supported by JVS.
18) Files for PAN, TAN, 12A, 80G etc.
19) Correspondence with the Banks
20) Correspondence with the auditors

Some of the above files will be permanent documents and certain others will non-permanent records.
8.28 Fixed assets - purchase/disposal procedure

Purchase procedure
1. Assets which have to be purchased will be approved in the budget.
2. In case it is not budgeted; rational/justification for urgency of such purchase has to be given.
3. Three quotations from known and trusted companies are to be obtained from different vendors to ensure cost effectiveness and utility (cost benefit analysis) for the purchase of fixed assets worth Rs.25,000 and above.
4. Identification of vendors from whom to purchase and its terms of reference such as payment terms, delivery details, guarantee period, services available, AMC etc. is the responsibility of the Purchase/Disposal Committee.
5. The Purchase/Disposal Committee prepares a comparative statement of the assets to be purchased based on the quotations and gives its recommendations.
6. The Executive Director gives the final approval for the purchase of assets based on the recommendations of the Purchase/Disposal Committee. If the ED is not satisfied with the quotations and the recommendations of the Purchase/Disposal Committee, he can ask the Purchase/Disposal Committee to get fresh quotations and give their recommendations.
7. The Executive Director gives the final approval for the purchase of Assets. In the case of purchase of land/property or construction, the Executive Director gets the approval of the Governing Body prior to purchase/construction.
8. After purchase/installation, proper identification mark (asset number) will be put on the asset by the finance department.

Sale procedure
1. Reason for disposal/ write off the assets, possibility for further utilization at different location or with some modification/repair etc.
2. Recommendation of the Purchase/Disposal Committee if ED has referred the matter to the Committee.
3. Approval for the disposal/write off from the ED/Governing Body.
4. Calculate the estimated present value of the assets and comparison with Written Down Value (WDV).
5. Fixing reserve price.
6. Calling/ scrutiny for tenders/ auction of assets.
7. Collection of sale value.
8. Depositing the sale proceeds in the JVS account.

Documentation of fixed assets:

Fixed assets can be classified into two types
1. Immovable e.g. Land, Buildings
2. Movables e.g. Vehicles, Furniture, Equipment

The following documents relating to Fixed Assets will be properly preserved at JVS:

**Immovable Assets:**

a) **Land (Free hold)**
   - Original Sale Deeds
➢ Parent documents
➢ Sketch of the property
➢ Encumbrance Certificate
➢ Legal opinion as to the title of the property
➢ Land Tax receipts, if any
➢ Patta/katha

In the case of leasehold land the lease agreement document will be preserved.

b) Building
➢ Purchase of Building:
➢ Parent documents
➢ Encumbrance Certificate
➢ Legal opinion
➢ Property tax and land tax receipts
➢ Original Sale deed
➢ Sketch of the land and building

c) Constructed Building
➢ Building plan approved by the Government
➢ Valuation report from an approved value as to the value of the building

Movable Assets:

a. Vehicle
➢ Invoice
➢ Registration document of the vehicles
➢ Road Tax
➢ Insurance

b. Other assets
➢ Cash bills
➢ Invoice
➢ Cash Receipts

8.29 Preservation of financial record

The financial records will be preserved at least for 12 years and made available for verification by the Governing Body, members of the organization, the funding agencies, auditors and Government authorities.
Chapter -09

**Procurement Policies & Procedures**

Procurement is the purchase of works, assets, goods and services for the organization.

**Objectives of the procurement policy**

- A good procurement process ensures that:
  - The correct goods or services are purchased, in terms of the correct quality and specification
  - Best value for money is achieved
  - The process is safe, i.e. risk of fraud is minimized
  - The process is fast enough to meet program needs
  - Grant conditions are complied with

**Different stages**

The steps to go through for a particular purchase depend very much on the type of purchase:

- One off (e.g. consultancy service) or repeat (e.g. office stationery)
- Low, medium or high value
- Budgeted or not budgeted
- Subject to grant conditions or not
- Cash or credit purchase
- Fixed asset or consumable
- Routine or emergency

The figure below describes a typical process for the purchase of a high value item on credit.

**Authorities involved in the process:**

**Governing body**

The Governing Body would get involved by authorizing very high value purchases exceeding a Lakh or more when they such items were not budgeted.

**Procurement committee**

Procurement committee will consist of representatives from the program and finance departments, the Executive Director/Associate Director, and the key users and budget holders. The suppliers will be selected for the authorized supplier list for standard and repeat purchases. They can also review individual purchases, choosing the best option from the quotes supplied to them.

**Finance Manager / Accountant / Book-keeper**

The finance team needs to be represented on the procurement committee. They process purchase requests and Local Purchase Orders (for making credit purchases), and payment requests after the approval by the Executive Director. They write the cheques or issue the
cash, record the transactions in the books of account and ensure that all the paperwork is properly filed.

**Paperwork required**

There should be paperwork associated with procurement, which needs to be kept and properly filed so that it can be easily retrieved for audit purposes.

**Source Documents**

- Purchase requisition from the project/office
- Proposals/budget copy (e.g. If allotted under the project budgets)
- Bid analysis for identifying the best vendor/supplier (prepared by the finance and program Team)
- Quotations and pro/forma invoices or records
- Three quotations for all the asset purchases worth Rs.25,000 and above
- Two quotations for assets purchases above Rs.15,000

**Standard documents to be maintained**

- Purchase Orders
- Goods Received Notes
- Original invoices
- Payment Voucher
- Purchase decision record (or equivalent)

**Other documents needed for reference**

- Budgets
- Grant agreements
- List of authorized suppliers
- Minutes of Governing Body procurement Committee meetings
Chapter 10

Reporting and Monitoring

10.1 Reporting

Reporting is a process through which JVS presents its current financial status. Reporting is important because it enables not only those in authority but also the public at large to know whether or not activities which had been planned have been carried out, whether there have been any deviations and whether there are high standards of efficiency and accountability or not.

There are several ways of reporting depending on the different types of organization and the sort of information they need. The following reporting protocol will be practiced in JVS:

1. Reporting to the General and Governing Body and Donors
2. Reporting to the Executive Director
3. Reporting to the Government, Reporting to the public at large e.g. by publishing an annual report hosting in web sites etc.

10.2 Reporting to the governing body and donors

The following will be the common reports submitted to the Board:-

a. Financial Management Information System
c. Annual Financial Report
d. Legal Compliance Status Report
e. Projects Status Report
f. Approved Budget and Expenditure Comparison Report
g. Investment Status Report
h. Donor Agency Status Report
i. Management letter from statutory auditors

a) Financial management information system

JVS will employ certain tools to monitor the improvements made and future plans for further improvement of the JVS Financial Management. A close monitoring will be done to review and further simplify and ensuring compliance of all the necessary activities. This will be prepared and reported periodically.

b) Half yearly financial report

Board of JVS will meet at least every half yearly during the fiscal year. In such half yearly meeting the following reports will be prepared and presented by JVS for the review of the Board :-

i. Receipts & Payments Account
ii. Income & Expenditure Account  
iii. Balance Sheet  
iv. Legal Compliance Status Report  
v. Project Status Report  
vi. Budget Comparison Report  
vii. Investment Status Report

c) Annual Financial Report

As per the legal requirement, JVS will present its audited financial statement in the Board meeting after the end on the fiscal year and adopt the same before filing it with the appropriate Government Authorities.

The Board will review the following reports:

i. Audited Financial Statement including  
   ii. Receipts & Payments Account  
   iii. Income & Expenditure Account  
   iv. Balance Sheet  
   v. Utilization Status Report for the purpose of Income Tax (85%)  
   vi. Legal Compliance Status Report  
   vii. Annual Budget Comparison Report  
   viii. Project Status Report  
   ix. Investment Status Report

d) Legal compliance status report

This will be a report that informs the Board whether JVS has complied with the necessary laws e.g. filling the Income Tax Returns, reporting to the Ministry of Home Affairs under FCRA etc.

If there is any action against JVS by the Government it will be reported to the Board. Information will not be purposely concealed from them. If there is any violation of the law, then it will have serious implications and will cause immense damage to JVS.

e) Project status report (Project placement planning)

In case JVS operates many programs simultaneously, it will be important for the Chief Functionary as well as Board to understand the status of the stage of completion of each program. This report, therefore, gives clear details about each program at any particular point of time.

Reconciliation between agency balances will be carried out through a proper system. Further, a report on administrative expenditure in each project or program will be submitted.
f) **Approved budget & expenditure comparison report**

A budget is a financial plan and hence it needs to be compared with the actual financial statement periodically (monthly, quarterly, half yearly or annually). A Budget Comparison Report is a tool to assist in the above process, in order to monitor systematically.

**g) Investment status report**

JVS will make different types of investments. Funds will be invested in a creative manner and then be measured in terms of capital appreciation, safety, liquidity and rate of return, thereby, improving the resources of JVS effectively and efficiently.

**h) Donor agency status report**

Donor agencies prescribe different types of reports. It will be for the Board to ensure that the reports prescribed by the donor agencies are complied with.

JVS will develop a calendar for reporting to donors and incorporate the same with the financial calendar in practice. Quarterly monitoring will be maintained in order to ensure a regular review of the activities of JVS. It will enable JVS to take the necessary corrective activity for any deviation from the actual plan before it is too late.

**i) Management letter from statutory auditors**

The statutory auditors will provide a management letter with advice and give recommendation for improving the financial practices of the organization. The Board of JVS will ensure that the recommendations are discussed and a specific time plan be drawn for implementation.

A recommendation closure document will be prepared as to number of recommendations implemented, which is also intimated to the statutory auditors and the Financial Advisor.

**Report to donor agency**

Report to the donor agencies will be as per the needs of the donor as subscribed in the project contract/agreement. After the completion of the project is over, within a period of 3 to 6 months the Completion Report will be sent to the Donor Agency along with the completion narrative report for the same.

**For finalizing the completion report the following documents will be taken into account:**

a) Audited Statement of Accounts for the whole program period or Utilization certificate for the completed program.

b) Completion Report of the program by the Legal Holder.
10.2.1 Reporting to the executive director

While it will be the Board, which frames the policies, it is the Executive Director who will implement such policies and takes care of the day-to-day affairs of JVS. Therefore, these reports will be required for the Executive Director more frequently than they are required by the Board:

Reporting and monitoring at JVS will have two important functions, which will be complementary to each other for the effective functioning of the finance department.

Reporting function enables the management to obtain certain key information required to ensure that the financial system is working smoothly and is intact.

Monitoring function will facilitate taking note of any deviation from what has been planned or budgeted and enables corrective action before it is too late.

The following reports will be submitted to the Executive Director to ensure reporting and monitoring function effective.

i) Monthly Financial Report
   a. Receipt & Payment Account
   b. Income & Expenditure Account
   c. Balance Sheet

ii) Budget Comparison Report

iii) Investment Status Report

iv) Donor Agency Status Report

v) Bank Reconciliation Statement

It will be the responsibility of the Senior Finance Officer to prepare, certify and present the report. The above reports will be submitted on or before the 15th day of the following month.

a) Budget Comparison Statement

This statement will reflect the budgeted income and expenditure (department/region wise) as against the actual for the month and the deviation, if any. It will be an important tool for the management to ensure that the income and expenditure are adhered to the budget planned and approved. This will be made on the basis of cost centers and expenses heads as approved by the GB, which is reconciled with the total approved budget and actual expenses incurred.

b) Utilization percentage of expenses for the purpose of Income Tax

JVS will spend at least 85% of its income during the year towards its various objectives. If the same is not spent by JVS it will take recourse to other possibilities of obtaining exemptions by accumulating the income to be spent in the next or in the succeeding years. However, it is to track the above information on a monthly basis so that towards the end of the year JVS does not face a situation of non-compliance of the Tax Laws.
c) **Schedules to balance sheet**

This will be the summary of transactions, which have taken place during that financial year in that particular fund. JVS will prepare Schedules to Balance Sheet on monthly basis, half yearly basis and Annual Basis. This will give us an idea of how transaction in a particular fund has affected the balance of that fund appearing in Balance Sheet in a particular period.

**d) Ledgers**

Ledgers are the details of the transactions of each account head giving full details of all the transactions with their related effect over the balance of that particular account head. The printout of ledgers will be taken from the tailor made software program of JVS Accounting System on periodical basis (monthly, quarterly, half yearly, annually).

**10.2.3 Reporting to the Government, Reporting to the public at large e.g. by publishing an Annual report hosting in web sites etc.**

JVS will prepare a separate set of financial statements for submission to FCRA Department of the Ministry of Home Affairs as follows:

a. Receipts and Payments Account  
b. Income and Expenditure Account  
c. Balance Sheet  
d. Form FC 6  
e. Separate list of all inward remittance (donor List)  
f. Separate list for all outward fund remittance/ transfer to other organizations.

JVS will also prepare another set of financial statements including the foreign contributions and local contributions as follows:

a) Receipts and Payments Account  
b) Income and Expenditure Account  
c) Balance Sheet

The consolidated financial statements will be used for the following purposes:

- Submission to the Income Tax Department  
- For filing returns to the Registrar of the Society  
- For obtaining various Income Tax Exemption U/S 80 G, 10 (23) © etc.

**10.3 Monitoring**

There will be various levels of monitoring depending on the relationship of the people connected to JVS e.g. The Board will be the first level of monitoring authority being the legal body which will be accountable and fully responsible for all the good deeds and misdeeds of JVS. Similarly, the Government, both at the State and Central levels, monitors the activities of JVS through various laws which cover JVS e.g. FCRA, taxation etc.
Chapter 11

Investment of Funds

Introduction

JVS will deal with funds received for carrying out their various objective and goals. They received funds for various purposes:

a) For operating expenses
b) For specific or designated funds e.g. Training and Orientation, Rehabilitation etc.
c) Corpus Funds
d) Fund towards the various projects, programs etc.

11.1. Planning to put to use the financial resources

JVS will make an annual and/or half yearly and/or quarterly plan to put to use the existing financial resources in the most effective and efficient possible ways. Interest earned from these resources will be re-allocated to the respective funds at the end of every quarter based on their proportionate average monthly balances.

For this purpose JVS will draw an investment plan keeping reference to the Section 11(5) of the Income Tax Act based on the following factors

a) Nature of funds available for investment in short term deposits and long term deposits
b) Time plan for implementation of the projects for which funds are received

JVS will make sure of the following aspects

i) Ensure conformity and stability by developing a healthy economy
ii) Avoid financial crisis
iii) Avoid high in-dependency and insecurity

11.2 Investment policy

The JVS Investment Policy will be framed on the guidelines of the following example:

The investments will be with the Nationalized Banks and the reputed Foreign Banks only, JVS will ensure that the investment is done only after necessary advice and opinion from the outsourced experts Investments of funds will be carefully studied and then invested as regards to the safety and high returns from the banks.

Time frame for investments

The terms of investments will be indicated as follows:

Long term - 2 to 6 years
Medium term - 1 to 2 years
Short term - 3 months to 1 year

11.3. Investment reports

The finance department will prepare investment reports (Fund wise and Bank wise) on a monthly basis and present the same to the Executive Director along with the monthly management report.

The format will include the following information besides having the name of the Fund for which the amount is available for investment:

1. Serial No.
2. Bank’s Name
3. FD Number
4. Date of Deposit
5. Date of Maturity
6. Rate of Interest
7. Period
8. Amount Deposited
9. Interest
10. Amount on Maturity

An annual investment report will be prepared and the same will be presented to the Governing Body after periodic audit.
Chapter 12

Legal Compliance

12.1 Foreign Contribution (Regulation) Act, 1976

JVS is governed by the provisions of the FCRA 1976. This is an important legislation, which can have far reaching repercussions on JVS if the provisions are not strictly adhered to. Among other provisions, this Act requires JVS to comply with the following

12.1.1. Registration under the Act

JVS is duly registered under the FCRA. Registration no. is 136760090 dated 13 March 2002

12.1.2. Maintenance of bank accounts

This Act requires that JVS maintain only one bank account specified in the Certificate of Registration for Receipt and Utilization of foreign contributions JVS maintains the above bank account with the Union Bank of India, bearing account 304002010040777.

12.1.3. Disbursement to the project holders

While making disbursements to the project holders JVS will ensure the followings:

a) The Recipients/project holders are duly registered with the Ministry of Home Affairs under FCRA
b) The Recipients/project holders agree to encash the disbursement in approved bank account for receiving the foreign contributions
c) The recipients/project holders agree to provide such returns to JVS as may be required
d) The objectives for which the recipient is receiving funds from JVS are not different from the objectives of JVS itself.
e) The partners comply with all the legal and statutory compliance with different department of the government. And the same is indicated to JVS timely.
f) A project agreement is signed between JVS and the Project Holder.

The above terms and conditions are agreed upon by JVS and the project holders in a duly documented contract agreement named Letter of Offer/ remittance etc

12.1.4. Reporting to Ministry of Home Affairs through annual report in Form FC-6

- The Annual Report in the form prescribed by the Government viz Form no.FC-6 will be prepared for the fiscal year ending 31st March of each year and will be filed with the Ministry of Home Affairs on or before 31st of December after the end of every fiscal year.
- Change of name of the Organization, address, its registration, its nature, its aims and objectives will be informed to the Ministry of Home Affairs within 15 to 30 days of the change taking place
- Change of designated bank account needs prior permission of the Ministry of Home Affairs.
- If at any point of time, 50% or more of the office bearers are changed at a time, the organization will not accept foreign contribution till the permission is granted by the Ministry for the above change. In the meanwhile if the organization wants to accept foreign contribution, it will do so after obtaining prior permission.

The annual report stated above will contain the following:

- Form FC-6 prescribed by the Government signed by the Chief Functionary and Certified by the Auditor.
- The Audited Receipts and Payments Account
- The Audited Income and Expenditure Account
- Audited Balance sheet.

12.1.5. Respond to any of the queries from the Ministry of Home Affairs

It is after submitting a timely report to the Ministry of Home Affairs, it is possible that JVS will receive some communication requiring certain explanations and clarifications. In the event of any receipt of such communications, the Head of the Department of Finance will immediately take note of the issues, promptly respond and after the approval of the Executive Director, file the same with the Ministry of Home Affairs before the due dates.

12.2 Income Tax Act 1961

JVS is a charitable and non-profitable organization having exemption from the Income Tax Act, 1961. JVS will file an annual return on or before 30th September of the calendar year for the fiscal year of March of each year.

12.2.1 Annual Return to the Income Tax Department

The following documents will be filed along with the return of income

a) Form ITR V provided by the Income Tax Department
b) Audited Financial Statements
   - Receipts and Payments Account
   - Income & Expenditure Account
   - Balance Sheet
c) Audit Report in form 10B certified by the Auditor
d) Certificate of Income & utilization u/s 11
e) Copy of certificate of registration under section 12A
f) Latest Governing Body Members List
g) Copy of PAN card
h) Form 10 in the case of accumulation of fund for the utilization in upcoming years
   The Finance department will be alert in order to do the filing to the Income Tax Department on date otherwise, non-filing of the Income Tax returns attracts penalty at the rate (defined by IT dept.) per day for the period of delay.
12.2.2 Tax deducted at source (TDS)

The Income Tax Act requires JVS to deduct tax at source on taxable salaries paid to the staff.

a. Such Tax deducted at source will be paid to the Central Government within 7 days after the deduction of Tax in Challan ITNS 281
b. Quarterly Returns will be filed to the concerned department on or before 15th of the succeeding month.
c. Annual Return for tax deduction from salaries will be filed in form no.24 on or before 31st May.
d. JVS will issue a certificate to all concerned staff for deduction/non-deduction of tax in Form no.16 within one month from the closure of the financial year.

12.2.3 Tax Deduction at source on payment other than salaries

Payments made other than salaries which are taxable and include payments like payments to contractors, professional etc. TDS will be also deducted on these payments as per the applicability under the income tax rules.

Form 16 A will be issued to those from the TDS is deducted on their payment within one month from the closure of the fiscal year or as per the request from the parties.

Rate of Tax

Rate of tax will be as per the rules under the Act.

12.2.4 Annual returns

The annual return in Form no.26 will be filed on or before 30th of June, for the fiscal year ending 31st March of each year in the case of TDS deducted on the payments made to contractors, professional, technical services and rent payments.

12.2.5 Issue of TDS certificates

JVS will issue the TDS Certificates to its employees/contractors/Sub-contractors/Professionals/Other parties etc. for deduction of tax at source in Form 16/16A, as prescribed by the Income Tax Act, 1961.

12.2.6 Notice from the income tax department

Any notice received from the Income Tax Department regarding the income tax hearing by the income tax officer, income tax appeals, income tax appellate tribunal or high court or any other tax authority will be taken seriously.

The Head of Finance Department will take charge of any such notice on issue and contact the Auditor or Tax consultant and attend to the issues till the appropriate completion and end results. As any violation or non-response to the Income Tax Department will entail great risk to JVS.
12.2.7 Societies act

JVS being registered under the Societies Registration Act XXI of 1860, under Society Registration No.963/1997-98, and renewed with No. 2220/2012-13 is governed by the provisions of the above Act.

12.2.8 Annual return

JVS will furnish all the details for annual return to the Registrar of the Societies as per the norms set for the submission on or before the due date.

12.2.9 Intimation of changes in members/office bearers

This will be the responsibility of the Executive Director’s / Secretary’s office and not Head of Finance.

12.2.10 Maintenance of minutes book

This will be the responsibility of the Executive Director’s/ Secretary’s office and not Head of Finance

12.2.11 System for Tracking Legal Compliance

The Finance Department will introduce and maintain a register to record the various notices received from the government Departments like Income Tax, FCRA and Societies, Provident Fund etc. wherein details for compliance will also be complied by the Finance Department for efficient work and tracking.
Chapter -13

Audit

13.1. Definition of an audit

An Audit at JVS will be a systematic review of the financial transactions. It will involve an examination of the validity of supporting documents and the certification of:

a) The Financial Statements
b) The various reports for legal compliance such as FC-6 for FCRA, Audit Report in Form 10 & 10B under the Income Tax Act etc.
c) The auditor will presents a report to the management in order to help them to improve the accounting standards and practices.

13.2 The purpose of an audit

An audit will safeguard the accountability standards of JVS and will certify the authentic financial status of JVS and will point out, if there are any deficiencies, malpractice or frauds. It will thus build confidence in the minds of the people connected with JVS whether they are Board Members, beneficiaries or the public. It will also be a means for legal compliance.

13.3 Definition of an auditor

An auditor is a person who is qualified as a CHARTERED ACCOUNTANT within the meaning of the CHARTERED ACCOUNTANTS Act 1949. Only a person who is approved by the Institute of CHARTERED ACCOUNTANTS of India as a practicing auditor can certify the financial statement of JVS.

A person who is qualified but not approved by the Institute of CHARTERED ACCOUNTANTS to practice cannot be a practicing auditor.

Any certification to the Government or funding agencies has to be obtained only from a qualified and practicing auditor. If it is certified by anyone else it cannot be an audited statement.

13.4 Responsibilities of Auditor towards JVS

JVS will ask for the certification of the following from the auditor:

- Certified Financial statements
- Receipts & Payment accounts for the financial year ending
- Income expenditure Account the financial year ending
- Balance sheet as at the end of the year
- Auditors Report
- Management letter
13.5 Preparation for audit

The auditor will be appointed by the General Body as provided in the constitution of JVS every year to audit the accounts of JVS. The auditor will be provided with a specific scope of work and the same shall be agreed upon and documented.

13.6 Time plan

A proper time plan will be discussed and agreed by the management with the auditor so that the audit work is completed in the most effective manner.

13.7 Books, records and statements

JVS is to submit the appropriate books, records and report for audit.

Among other things, the following must be submitted for audit:

a) Books of accounts updated and closed
b) Vouchers and other supporting documents
c) Tallied Trial Balance
d) Tallied Financial Statements - Receipts and Payments Accounts; Income & Expenditure Account; Balance Sheet
e) Bank Reconciliation Statement
f) Cheque register
g) Budget copies of the different projects
h) Various Grant letter from donors
i) Any other supplementary documents required for audit

13.8 Certificates

JVS will also provide the following certificates:

- Certificate for cash in hand at the end of the financial year i.e..31st March
- Certificate for investments like fixed deposit held at the end of the financial year with complete details
- Certificate for closing stock, if any, at the end of the financial year with complete details
- A banker’s certificate at the end of the financial year confirming the cash at bank
- A certificate that the fixed assets of JVS have been physically verified and any discrepancies have been dealt with by JVS

13.9 Issue of management letter

After completion of audit of a particular audit period, Auditors issue a letter to the management of JVS highlighting main area of focus in which attention of the management is required. In this report, any pending work, non-compliance or any other suggestion by the auditors to the management is given.
13.10 Audit report

The auditor will provide JVS the following reports:

- A quarterly, six monthly report as required by JVS
- An Annual Report as of 31st March of every year
- The Audit Report shall consist of the following: Financial reports including Balance Sheet, Income & Expenditure and Receipts & Payment Account

13.11 Review of the audit report/management letter/secretariat comments

The Finance Department will review the Audit Report and prepare such replies/comments to be placed before the F&P/Governing Body.

13.12 Meetings and the auditor

A. Annual General Meeting / Governing Body meeting

JVS will invite the auditor to attend these meetings, present the audit report and clarify any queries raised by the members. This practice will instill confidence in the minds of people connected with JVS

B. Half yearly board meetings

It will conduct frequent meetings of the Board, at least on a half yearly basis where half yearly financial statements will be presented. The auditor will be requested to attend as many meetings as necessary

Above practices will be employed at JVS so that:

- The audit work will be completed in the least time with the highest quality.
- The required returns will be filed with the Government and its agencies within required time limits.

13.13 Possession of original documents

JVS will retain in safe custody all original documents including the following:

- Memorandum of association and bye-laws
- Certificate of Registration of Society etc.
- Certificate of exemption u/s 80G of the Income Tax Act department along with the statement of income
- Assessment orders issued by the Income Tax Department on completion of assessment
- Certificate of Registration under FCRA
- FC-6 certificate along with the acknowledgement of having filed it with the Ministry of Home affairs
• In the case of different deposits (rent, telephone etc.) or cheque books/pass books of the CC, that will be kept in the safe.

13.14 Change of an auditor

The procedure to be followed for change of an auditor is as follows:

a) Identify a new auditor with experience of Foreign Contribution Regulation Act (FCRA), 1976
b) Pass a resolution at the General Body Meeting / Governing Body Meeting or such other meetings of the appropriate body to appoint a new auditor
c) Issue an appointment letter with a clear scope of work and the previous auditor’s name and address and obtain the acceptance of the new auditor.
d) Inform the previous auditor for the sake of courtesy though it is not obligatory
e) It is the responsibility of the newly appointed auditor to inform the previous auditor
# Chapter 14

Financial Calendar of JVS

<table>
<thead>
<tr>
<th>SL.NO.</th>
<th>NATURE OF DEADLINE</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Filing of Annual Return to the Registrar of Societies</td>
<td>July</td>
</tr>
<tr>
<td>2</td>
<td>Annual Budget 1st Draft</td>
<td>20&lt;sup&gt;th&lt;/sup&gt; February</td>
</tr>
<tr>
<td>3</td>
<td>Annual Budget 2&lt;sup&gt;nd&lt;/sup&gt; Draft</td>
<td>15&lt;sup&gt;th&lt;/sup&gt; March</td>
</tr>
<tr>
<td>4</td>
<td>Annual closure of Project Disbursements</td>
<td>25&lt;sup&gt;th&lt;/sup&gt; March</td>
</tr>
<tr>
<td>5</td>
<td>Annual Budget final draft</td>
<td>05&lt;sup&gt;th&lt;/sup&gt; April</td>
</tr>
<tr>
<td>6</td>
<td>Annual Closure of Accounts</td>
<td>31&lt;sup&gt;st&lt;/sup&gt; March</td>
</tr>
<tr>
<td>7</td>
<td>Issue of TDS Certificates to Staff/Contractor/Professional/Rent</td>
<td>30&lt;sup&gt;th&lt;/sup&gt; April</td>
</tr>
<tr>
<td>8</td>
<td>Annual Audit</td>
<td>By 30&lt;sup&gt;th&lt;/sup&gt; May</td>
</tr>
<tr>
<td>9</td>
<td>Finalization of Audit with ED</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; June</td>
</tr>
<tr>
<td>10</td>
<td>Filing of Annual Returns – TDS on salaries</td>
<td>31&lt;sup&gt;st&lt;/sup&gt; May</td>
</tr>
<tr>
<td>11</td>
<td>Annual Return for TDS for contractors/professionals/Rent</td>
<td>30&lt;sup&gt;th&lt;/sup&gt; June</td>
</tr>
<tr>
<td>12</td>
<td>Filing of FC-3 with MHA</td>
<td>31&lt;sup&gt;st&lt;/sup&gt; July</td>
</tr>
<tr>
<td>13</td>
<td>Half yearly closing of accounts</td>
<td>30&lt;sup&gt;th&lt;/sup&gt; September</td>
</tr>
<tr>
<td>14</td>
<td>Filing of Income Tax Return</td>
<td>31&lt;sup&gt;st&lt;/sup&gt; October</td>
</tr>
</tbody>
</table>
Annexures: Forms and Formats

Annex: 01- Advance Requisition Form

**Advance Requisition Form**

This form is to be used to request cash
Advance for JVS office/Programmes/Activities and other related
Purposes including travel.

**JAN VIKAS SAMITI**

<table>
<thead>
<tr>
<th>Employee Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Designation</td>
</tr>
<tr>
<td>Program</td>
</tr>
<tr>
<td>Contact Info.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advance Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose: Please give a brief outline of the proposed activity.</td>
</tr>
<tr>
<td>Details of anticipated expenses</td>
</tr>
<tr>
<td>Particulars</td>
</tr>
<tr>
<td>--------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
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<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of advance required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of settlement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approval and Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended By</td>
</tr>
<tr>
<td>Programme in-charge</td>
</tr>
<tr>
<td>Date</td>
</tr>
<tr>
<td>Cash/ Cheque No.</td>
</tr>
<tr>
<td>Remarks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Submission of the form</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Submit the duly filled form forwarded by the respective programme in-charge to the finance responsible person who will forward it to the director for the Approval.</td>
</tr>
<tr>
<td>2. The form needs to be submitted to the finance department prior to five working days of the date of advance required.</td>
</tr>
<tr>
<td>3. Advance will be given on the previous day of the advance required date.</td>
</tr>
<tr>
<td>4. Fresh advance will not be sanctioned if any previous advance is due for settlement by the applicant.</td>
</tr>
</tbody>
</table>
Annex: 02- Bills Submission Statement

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Description/Particulars of bills attached</th>
<th>Amount (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total (INR):**

**Amount (In Words):**

**Short Narration of Activity/Event/Visit etc.:**

**Advance Settlement details:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance taken</td>
<td>Balance amount received</td>
</tr>
<tr>
<td>Bills Submitted</td>
<td>Extra spent reimbursed</td>
</tr>
<tr>
<td>Balance (INR)</td>
<td>Balance (INR)</td>
</tr>
</tbody>
</table>

Signature Finance & Accounts Dept.

**Supplementary Evidence/Documents to be attached:**

1. Visit Plan/Schedule
2. Short narrative report
3. In case of unforeseen expenditure, copy of correspondences regarding the approval of the same
4. Other relevant supporting documents if any.
Annex: 03- Logbook for the Travel and Conveyance

![MOTOR VEHICLE LOG BOOK]

**VEHICLE DETAILS**
- **Reg. Number:**
- **Name:**
- **Vehicle Model:**
- **Designation:**
- **Programme:**

**PLACES OF TRAVEL**
- **DATE:**
- **FROM:**
- **TO:**
- **PURPOSE OF TRAVEL:**
- **ODOMETER DETAILS:**
- **OFFICE USE:**
- **PERSONAL USE:**
- **TOTAL KILOMETER TRAVELLED:**

<table>
<thead>
<tr>
<th>DATE</th>
<th>PLACES OF TRAVEL</th>
<th>PURPOSE OF TRAVEL</th>
<th>ODONOMETER DETAILS</th>
<th>OFFICE USE</th>
<th>PERSONAL USE</th>
<th>TOTAL KILOMETER TRAVELLED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>STARTING</td>
<td>ENDING</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

**SUMMARY**

**REPAIR DETAILS**
- **DATE:**
- **KILOMETER:**
- **AMOUNT:**
- **DESCRIPTION:**

<table>
<thead>
<tr>
<th>DATE</th>
<th>KILOMETER</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
</table>

**FUEL DETAILS**
- **DATE:**
- **KILOMETER:**
- **AMOUNT:**
- **LITERS:**

<table>
<thead>
<tr>
<th>DATE</th>
<th>KILOMETER</th>
<th>AMOUNT</th>
<th>LITERS</th>
</tr>
</thead>
</table>

**TOTAL**

**TOTAL CLAIM**
- **Rs.:**

**TOTAL APPROVED**
- **Rs.:**

**Submitted by**
- **Name:**
- **Date:**

**Verified by**
- **Name:**
- **Date:**

**Approved By**
- **Name:**
- **Date:**

JAN VIKAS SAMITI

Christnagar Post
Varanasi, Uttar Pradesh,
India, 221003, Ph: 0542 2626-137

MOTOR VEHICLE LOG BOOK

FUEL EXPENSES CLAIM FOR THE

<table>
<thead>
<tr>
<th>Month:</th>
<th>Year:</th>
</tr>
</thead>
</table>

OFFICE USE

PERSONAL

TOTAL CLAIM

TOTAL APPROVED
**Annex: 04 Comparative Bid Analysis Format**

**JAN VIKAS SAMITI, CHRISTNAGAR POST, VARANASI, U.P., INDIA**

**COMPARITIVE BID ANALYSIS**

<table>
<thead>
<tr>
<th>Details of Quotation</th>
<th>Vendor 1</th>
<th>Vendor 2</th>
<th>Vendor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Cost in base currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Adjustments/Discount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality / Specifications</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Method of delivery</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Delivery/Transport cost</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bdt. Delivery Date</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After Sales Service</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Warranty and period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terms of Payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other criteria/charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

**Notes/Remarks:**

**Recommended Supplier:**

**Reason for Decision:**

**Prepared by:**

**Authorised by:**

Name | Name
--- | ---
Position | Signature
Date | Date