

AccountAble™

136. Bills and Cash Memos

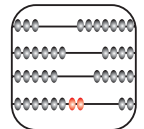
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AccountAid

Understanding Bills and Cash Memos

The word 'bill' may mean many different things: ranging from a bird's beak to a bill presented in parliament. In accounting, it may mean a 'bill of exchange', such as a promissory note or *hundi*. In the present context, it simply means 'a statement of money owed for goods or services supplied'. Therefore, when you get goods or services on credit, you get a bill. You have to pay this sooner or later, depending on the terms. When you pay a bill, you can ask for a formal receipt from the vendor. Alternatively, ask the shopkeeper to acknowledge receipt of payment on the bill itself. An 'invoice' is also the same as a 'bill'.

On the other hand, when you buy goods against cash, the shopkeeper will give you a cash memo. This is like a memorandum record, showing that you purchased something, for which you have already paid cash. Some shopkeepers will also mark a cash memo as 'paid' when you pay at the counter.

Checking and Processing

CASH MEMOS

A cash memo has already been paid by the time it reaches you. Mostly it will come to you as a claim from one of the co-workers. There are several things that you need to do as an accountant.

You should check whether the items purchased are clearly shown, along with rates and quantities. You should also check the calculation, by multiply-

The word *bill* has been used to mean a 'note of charges' since at least 1404 CE. It comes from the Anglo-Latin *billa*, which means a 'list'. *Billa* is probably a variant of Latin *bull* which meant a 'document, seal' (as in 'papal bull', an order from the Pope).

Quantity	Description	Rate	Amount
46	1000 Copy Paper - A3 Bond		1100 = 0

ing the quantity by rates. Then you should check the totals also. Tick off the figures as you check them.

You should also see that the purchase has been approved by someone. Usually this will be the program in-charge, or the Chief Functionary. If the items were to be received in office, then someone should have checked and signed for receiving these. In some cases, a voucher is prepared before approval—in others, the cash memo is approved first, and then a voucher is prepared.

When all these aspects are clear, you can sign your own approval for payment. After payment, make sure that the cash memo is marked as 'PAID'. In many NGOs, the name of the project is also rubber-stamped on to the cash memo and voucher.

BILLS AND INVOICES

Bills and invoices are also processed in the same way. In most cases, these are paid immediately on processing. In such a case, the expense account is debited straight away, and the bank or cash account is credited.

PAYMENT ON DUE DATE

In some cases, the payment is made at a later date. If you are following cash basis, then the bill will be simply held for the time being, with no entry being passed. The expense will be debited and cash or bank credited, when the bill is actually paid.

However, if you are following accrual basis of accounting, then the procedure is different. The amount is debited to expense and credited to the supplier's account when the bill is approved. Later when the payment is made, another voucher is prepared. Through this voucher, the supplier's account is debited and cash or bank is credited.

This means that two vouchers have to be prepared for each payment. However, this is useful in keeping track of how much business does a supplier get from you. This method is also used when you make partial payments to a supplier, instead of settling the payment bill-by-bill.

IS THIS CASH MEMO GENUINE?

Sometimes problems arise with a cash memo or a bill. Some shop-keepers keep two bill books to avoid VAT¹. Sometimes, they also have several different firms running from the same shop front. In some cases, the address given on the cash memo may be the shop-keeper's residence or some other doubtful address. All these can create doubts regarding the genuineness of a bill or cash memo.

This problem can be solved by guiding your co-workers regarding this. They should always ask the shop-keeper for a *pucca* bill. They should not try to save a little bit of money when the shop-keeper mentions tax. These days, on most of the goods, tax is already included in the final price. And even if you have to pay a little extra, it is better for the peace of your mind.

In some cases, the shop is a roadside stall or very small. They may not have a printed cash



memo. In such cases, they can simply write the items and value on a piece of paper, put a rubber stamp and sign it. If they don't have a rubber stamp, then they can write the name and address of the shop by hand.

It is best that all this is done by the shop-keeper himself or herself. Your colleagues should not write in his or her place, as this creates doubts. Only where the shop-keeper is illiterate, should you allow the workers to write in their place. In such a case, the shop-keeper will usually simply write their name or put their thumb-impression at the end.

In an audit, someone may ask you questions about the paper slips etc. This is a natural part of audit. You should provide clear answers, explaining the local trade practices.

In some cases, an NGO becomes too involved in this process. Sometimes, an auditor's questioning may make the NGO think about getting more 'genuine' cash memos. They may try to get the cash memos printed or a rubber stamp made for a local shop-keeper. This approach should be absolutely avoided, as this may throw doubt even on genuine transactions.

¹ Value Added Tax. Similar to Sales Tax

REFUSAL TO GIVE A CASH MEMO

In every state, a shopkeeper must issue a cash memo or receipt whenever the sale is more than a particular value. This amount varies from one state to another. For instance, in Orissa, the limit is Rs.20. This is a requirement under the state laws governing sales tax or VAT. In case of a problem, you can also write to the local Commercial Tax Officer.

Bill Register

A Bill Register is like a Dak Register. Every bill that is received in the office is first entered in this register. Bills or cash memos that have already been paid in cash are not entered here. All other bills received for payment are entered.

This Register helps to keep control over payment of bills. Firstly, by looking at the register, you can find out which bills are pending for payment. Secondly, you can also ensure that a bill does not get paid twice. Thirdly, if any supplier calls up to check about a payment, you can quickly tell him or her that their bill was paid on such and such date. From this register, you can also find out the account or project where a particular bill has been booked.

This register is not required for smaller NGOs, which have few credit transactions. Medium-sized NGOs will find it useful. For large NGOs, it is an essential control. The register usually has the following columns – you can add or delete columns according to your needs.

Serial	Date Received	Bill Number, Date	Party/ Supplier	Bill Particulars	Bill Amount	Passed for (Rs.)	Voucher No./ Date	Project	Cheque details
A	B	C	D	E	F	G	H	I	J



Column A is for keeping serial control over the bills. Column B shows the date on which a bill was received in your office.

The number and date of the bill is entered in column C. After this, the name of the supplier is written in D. In the next column, you can write the particulars of the bill in brief. This usually refers to the nature of service or material – for example, stationery, telephone, xerox, printing, etc. Write the value of the bill in column F.

After this, the bill will be sent for verification and processing. Once the bill is cleared, fill up column G with the amount for which bill has been approved². After this, the voucher is made. Note the number and date of voucher in column H. Also note the name of the project in which the bill will be accounted in column I.

Finally, if you are making the payment by cheque, note the cheque details in column J. If you are paying cash, note the date of payment and cash book folio number in this column instead of cheque number.

² Sometimes, the Accounts Officer may pass the bill for a reduced amount

Serial	Date Received	Bill Number, Date	Party/ Supplier	Bill Particulars	Bill Amount	Passed for (Rs.)	Voucher No./ Date	Project	Cheque details
A	B	C	D	E	F	G	H	I	J
22	22-Apr-07	229 / 21-4-07	Sushrut Medical Store	Medicine for camp	1,945	1,945	FC-48 / 23-4-07	Oxfam	212367 / 23-4-07
23	22-Apr-07	1048 / 16-4-07	Vani Printers	Health Cards	1,800	1,800	FC-51 / 23-4-07	Oxfam	212368 / 28-4-07
24	24-Apr-07	24-4-07	Resham Xerox	Xerox	876	850	IC-12 / 28-4-07	CRY	Cash 28-4-07
25	28-Apr-07	A-48 / 20-4-07	Alex Travels	Taxi Bill	1,400				

Sample page from a Bill Register

Only one Bill register should be maintained at one NGO. If you keep separate registers for each project, it will increase your workload, and also lead to loss of control. The register should be maintained datewise – according to date of receipt. Do not open

a separate page for each supplier or project.

Also, it is best to maintain this register manually, by drawing columns in an ordinary register. Using Excel spreadsheet is not advisable, as it can be altered easily.

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अकाउण्टेबल हिन्दी में 'लखो-यागे' के नाम से उपलब्ध है

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