

# AccountAble™

Receipts

Issue # 45; Oct '98

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## What is a Receipt

It is difficult to say what a Receipt is. From birth till the time we are twenty-one, we live in a-World-without-Receipts (the more fortunate may meet a Receipt once or twice in teenage days). On reaching adult-hood, we are gradually introduced to the beauty, charisma, power and glory of the Receipt. Some of us fall in love with a Receipt, marry One and become respectable Accountants. Others, who lack the human touch necessary for an Accountant, may take up Audit as a profession.

A generally acceptable definition of a Receipt goes thus: 'A Receipt is a self-protection device, for use in life-threatening situations with Accountants and Auditors.'

## When do you need a Receipt

In case of NGOs, a Receipt must be issued whenever cash is received. Sometimes, people ask for a Receipt even when a crossed account payee cheque is received. Legally speaking, both these Receipts can be issued on the letterhead of the NGO. However, for accounting control in an NGO, it is essential to have a printed Receipt. This Receipt can be

used both for cheque as also cash transactions.

## Un-Receiptable situations

Most specialists agree that it may not be necessary to ask for a Receipt in the following six situations:

1. Paying Rs.5 to a rickshaw in Calcutta;
2. For buying one tender coconut in Madurai;
3. From a pick-pocket in Bombay VT;
4. During a fund-raising drive by Mr. Man Singh in Chambal valley;
5. From a TTE for an out-of-turn berth allotment in Patna
6. For *chai-pani* to a Government representative in Delhi

## Format for a Receipt

There are three types of Receipts that are popular:

### Carbon Copy

Main advantage with the carbon type Receipt is that you can retain an exact copy of the Receipt given to the donor. This means your record can show full details including address of the donor etc. Secondly, you do not have to write the same particulars twice. However, you have

Book Copy

Carbon Paper

Original

**Lok Jagran Manch**  
Village & Post Machhera, Andhra Pradesh, Phone: 01814-22785  
Registered under Societies Registration Act, 1860

**Money Receipt**  
(not valid unless countersigned by Secretary or Treasurer)

Numbering done at Printing Press

No.: **1050** Date: **12/4/98**

Received with thanks from Mr. **Accountaid India**  
of (address) **55-B, Purnet C, Sidhartha Extension,**  
Village / City **New Delhi - 14** Phone **6833029**

a sum of Rupees **Six hundred only**

by ~~cash~~ cheque / draft no. **920458** drawn on (bank) **Citibank, N.D.**  
dated **12/4/98** on account of **donation**

Rs. **600/-**  
(Subject to encashment of cheque)

For Lok Jagran Manch  
**Accountant**      **Treasurer/Secretary**

Revenue stamp not required on receipts for donation [Indian Stamp Act, 1899: Sch. I, cl. 53 (b)]

to use a carbon – some people find this a nuisance.

## Stub Type

In stub type Receipt, a person first fills up the larger section and then the stub.

In practise, some people hand over the main Receipt to the donor and fill up the stub later. This causes a problem –

<p style="text-align: center;"><b>Lok Jagran Manch</b> Village &amp; Post Mathura, Aroha Pradesh Money Receipt (not valid unless countersigned by Secretary or Treasurer)</p> <p>No. <b>1050</b> Date _____</p> <p>Received with thanks from Mr./Ms./_____ of (address) _____ Village / City _____ Phone _____ a sum of Rupees _____</p> <p>by cash / cheque / draft no. _____ drawn on (bank) _____ dated _____ on account of _____</p> <p>Rs. _____ (Subject to encashment of cheque)</p> <p>Accountant Treasurer/Secretary</p>	<p style="text-align: center;"><b>Lok Jagran Manch</b> Village &amp; Post Mathura, Aroha Pradesh, Phone 01814-22180 Registered under Societies Registration Act, 1980 <b>Money Receipt</b> (not valid unless countersigned by Secretary or Treasurer)</p> <p style="text-align: center;"><b>1050</b> Date _____</p> <p>Received with thanks from Mr./Ms./_____ of (address) _____ Village / City _____ Phone _____ a sum of Rupees _____ by cash / cheque / draft no. _____ drawn on (bank) _____ dated _____ on account of _____</p> <p style="text-align: center;">For Lok Jagran Manch</p> <p>Rs. _____ (Subject to encashment of cheque)</p> <p>Accountant Treasurer/Secretary</p> <p style="font-size: small;">Revenue stamp not required on receipts for donation (Indian Stamp Act, 1989: Sub. I, cl. 53 (ii))</p>
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sometimes they forget how much was the Receipt for. This problem occurs frequently in door-to-door fund raising.

## Clay Tablet Receipts

People who have been born in the last 3-4000 years may not have used these Receipts. These were very popular in Sumer (now in Iraq) before the Egyptians invented paper.

An Accounting Manual dating back to 2853 BC goes somewhat like this:

1. The Potter shall mould a Receipt from fresh Euphrates clay for each transaction.
2. The blank Receipt shall be taken to the Scribe while the clay is sufficiently wet.
3. The Scribe shall fill in all the details specified in Rule 3(1), as provided by the Cashier. The Scribe shall use a uniform cuneiform script for this purpose.
4. The Cashier shall then check the Receipt for accuracy, affix his seal and send the Receipt to the Accountant.
5. The Accountant shall affix his seal before taking it to the Master for signatures.
6. The Accountant shall then ensure that the Receipt is baked under Sun for three hours and scanned for



microfilming (This is doubtful. Archaeologists have not found any evidence that micro-filming equipment existed in Sumerian times. - ed.).

7. The Receipt shall thereafter be handed over to the Customer.
8. No Receipt shall be issued on any rainy day.
9. Copies of all Receipts issued in a month shall be sent to Central Audit on microfilm by the 7<sup>th</sup> day of the next month.

## A suitable Receipt...

A good quality Receipt should show the donor's full name, full address, phone number (if donor has a phone). Some people also note the donor's profession as this helps in future fund-raising drives. The purpose of the donation should be shown. The mode of donation (cash or cheque) should be noted. The amount should be noted in words and figures (numbers).

## For Credit Programs and Loans

The same Receipts can be used for collecting repayment of loans, payment against sale of training material or other Receipts. In all cases, it is a good practise to note down the above details. In case of repayment of an IGP loan from a beneficiary, note down the parent's/ spouse's name also. This will help ensure that the posting is made to correct loan account.

These Receipts should also be used whenever you borrow money on loan. Once again you need to note the person's full address, profession and phone number. Remember that your total outstanding loan from one person should not exceed Rs.20,000. If it does exceed, then you should take the money by account payee cheque only. In any case, it is a good practise to borrow and repay money by cheque only. Cash loans are often fictitious.

## Plain Paper Receipts

In some cases, Receipts can be taken on plain paper. For example, if an individual

sells her scooter, she may give a Receipt on plain paper. Such a Receipt should have the seller's name and address.

### Bi-lingual design

Instead of printing the Receipt simply in English, you can also print bi-lingual Receipts. This can be understood both by the local people as also the auditors/ tax officials.

## Save Your Receipt from Deceit

Receipts sometimes fall in wrong hands, with undesirable results. Following precautions will help you keep your Receipts safe and secure:

### Use one Receipt book at a time

People sometimes start separate Receipt books for different purposes. These are used simultaneously (at the same time). For example, they will use one Receipt book for issuing Receipts to donor agencies, another for collecting donations from individuals and a third one for borrowing money. What could be the reason for this weird practise?

In some cases, this happens due to ignorance or a misplaced zeal to create accounting compartments. In others it is done during a fund-raising drive when books are issued to several persons. Sometimes, it is also done by accountants to manipulate accounts.

### Resolution for printing

Is there a procedure for printing Receipts? Yes, printing of Receipt books should be authorised by a resolution of the Governing Body. The resolution could be like this:

“Resolved that the Treasurer be and is hereby authorised to print twenty Receipts books, each containing one hundred receipts in duplicate, pre-numbered from 1 to 2,000. The format for the Receipt would be per the design placed before the Board and initialled by Secretary for identification.”

### Who can issue a Receipt

By default the treasurer is authorised to issue Receipts. In many NGOs the treasurer is not available on a daily basis. In such cases, the Secretary or Chief Functionary can be authorised.

### Power flows from the barrel of a Receipt ...

India Education Society was formed in 1918 in Mumbai. The only condition of life-membership was a one-time donation of Rs.25,000. The Society also had title to a lot of waste-land.

In the 60 years that followed, the city grew around the Society. The waste land became prime property, valued at thousands of crores. At the same time, real value of the required Rs.25,000 became negligible.

Rameswar Singh discovered this loophole in 1978. He along with three gun-men, barged into the Society's office one winter evening and 'deposited' eight bank drafts of Rs.25,000 each. He took proper receipts for this from the cashier. And thus automatically acquired control of the Society. Or so he thought.

During the long court-battle that followed, it was found that only the treasurer was authorised to issue Receipts. The Receipts were therefore not valid. India Education Society won their case because of this. Of course, the Society's reputation in the local community also helped.

*True story. Names changed to protect privacy*

In small or medium NGOs, the authority to issue Receipts should not be delegated totally to accountant. The accounts department's role can be to prepare the Receipt and sign it. The Receipt, in order to be valid, should be counter-signed by an Authorised Official. In larger NGOs and Agencies, this rule is not practical. Here a senior Accounts person or Finance Officer can be authorised to counter-sign Receipts.

This rule can also be printed on the Receipt itself: 'Not valid unless countersigned' by Treasurer or Secretary'.

### Receipt Books Control

Once the Receipts are printed and received from the printers, these should be entered in a Receipt Book Register.

Instead of opening a separate Receipt

Receipt Book Register						
Book Number	Receipts Numbered	Date recd.	Date issued	Issued to	Used book returned on	Unused Receipts
1	1-100	24.2.97	25.2.97	Rajkawal	31.7.97	nil
2	101-200	24.2.97	31.7.97	Rajkawal	28.9.97	167-200
3	201-300	24.2.97	30.12.97	Mesay		
4	301-400	24.2.97				
5	401-500	24.2.97				
2	167-200	28.9.97	1.10.97	Mesay	30.12.97	nil

Book Register, you can set aside a few pages for this in the Administration Register. The Administration Register is used for keeping track of other items as well. For example, you can keep record of expensive stationery items or insurance policies in this register.

### 11<sup>th</sup> Commandment: Thou shalt use pre-numbered Receipts...

All Receipts should have a number. This helps in giving cross-reference. It also helps in ensuring that all Receipts are accounted for. How should this numbering be done?

Some people do this numbering by hand. This is wrong. Receipts should be pre-

numbered. This means that the printer should do the numbering before sending you the Receipts.

### Cancelling a Receipt

Sometimes you have to cancel a Receipt. This may be because there was a mistake or the Donor changed their mind. In such case, take back the original Receipt and staple it to its book copy. Cross out both diagonally, saying 'Cancelled'.

### Other Issues

#### Voucher for a Receipt

Some people prepare a covering voucher for each Receipt. This increases the paperwork somewhat. But this also helps provide

additional information regarding a receipt. Such information may include purpose of receipt, account-head, nature and period of project etc.



#### Revenue Stamps

Put a revenue stamp (Re. 1) if the Receipt is more than Rs.500. Revenue stamps are not required on Receipts for donations. But these may be required on the Receipt for a grant.

#### A last bit of advice...

When visiting an Accountant for an important payment, take a good-looking Receipt along!

### QuestionAble

How can I keep old Receipts safely?



Tear out the book copy and staple it to the covering voucher made for the Receipt. File the voucher normally with others. This is simpler than storing the bound Receipt books.

'AccountAble' covers a different topic related to NGO accounting each month. Interpretation of law in this circular is of a general nature. Please consult your advisors before taking any important steps.

AccountAid India also offers 'QuestionAble' (a complimentary service for NGOs) – answers to practical questions on this and related topics.

Your comments and suggestions can be sent to AccountAid India, 55-B, Pocket C, Siddharth Extension, New Delhi-110 014; Phone: 011-2634 3128; Ph./Fax: 011-2634 6041; e-mail: [accountaid@vsnl.com](mailto:accountaid@vsnl.com); [accountaid@gmail.com](mailto:accountaid@gmail.com)

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