

AccountAble™

Better Book-Keeping-II

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In 'AccountAble # 49: Better Book-keeping-1', we discussed vouchers and receipt books. Here we continue the discussion with cash books and ledgers.

Captivating Cash Books

Before we go deeper into cash books, one simple question: Why do you need a cash book for the office?

Well, that's because the office cash belongs to office. And we need to keep track of how much has been spent. Also the cash book starts the chain of book-keeping.

The Daily Cash Book

But why do you maintain the cash book on a daily¹ basis? Why can't you simply have an account in the ledger called 'Cash in hand'?

Firstly cash can be very tempting to most people. Secondly, once cash is lost, it is difficult to identify or recover.

To help people overcome this temptation, special controls were designed. We needed to know how much cash we should have at any point of time. Then we could compare this with the actual balance. If the

¹ Actually minute to minute basis

two tallied, then you could be sure that the cashier was not getting tempted.

Cash control is central to the entire control mechanism in any organisation. Controls over cash depend on how often you use cash. For example, banks handle a lot of cash. So they have double / triple layers of cash control.

What about NGOs? Most payments are made in cash. But do NGOs have good controls over cash? Some do and some don't.

Let's see how we can make our cash books and cash control stronger.

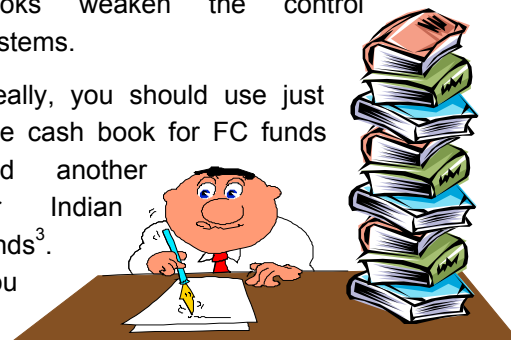
Reduce number of cash books

NGOs receiving foreign funds are required to keep a separate cash book for FC funds. As a result, many NGOs maintain separate cash books², one for each agency or project.

Is this a good practice? No. Multiple cash books weaken the control systems.

Ideally, you should use just one cash book for FC funds and another for Indian funds³.

You



can keep separate ledgers for each agency / project.

The next question that arises is how do you make entries (which will be posted to several ledgers) in one cash book. For this, each entry should be marked with the

² Number of cash books (for FCRA holding NGOs) ranges from 2 cash books up to 72 cash books. 7-8 cash books are quite common.

³ If an NGO has offices at several locations, then they will need a separate cash book for each location.

ledger where it would be posted. We call this the dual cash book system. An example is given below:

Payments			
Account	Date	Particulars	Amount
	4.4.98	Salaries (Diakonia) Salary to teachers for March '98	8,600
	4.4.98	Salaries (Sida) Salary to Sida project staff per details	14,200
	6.4.98	Travel (Oxfam) Visit to Ahmedabad by Sri Venkat for meeting	1,230
	10.4.98	Sapling purchase (SIDA) Mango saplings	780

However, if you are running an IGP directly⁴, then you should keep a separate cash book for that also⁵. Income Generation Programs are profit-making ventures, therefore, Income Tax people ask separate cash book for this.

Many Agencies⁶ now encourage the dual cash book system. For other agencies, discuss it with them before implementing dual cash book system. For more details on dual cash book system please refer AccountAble # 3: Cash Books.

Ink up the totals and balances

When you write a cash book, mistakes are always possible. Accountants, therefore, often total up the cash book in pencil. But how long should these totals remain in pencil?

If you are writing your cash book regularly and also tally your physical cash at least once a month, you should ink up the totals, including carry forward figures and brought forward figures. These should be inked up by 7th of the following month both on the receipts side as also the payments side each month.

No blank lines or pages in cash book

It is normal practise to leave one blank line between each entry in the cash book. This

⁴ Products are sold / purchased by you

⁵ Required under Income Tax Act

⁶ Such as CRY, Diakonia, Oxfam America, Sida

is done so that each entry is separated clearly. There is no objection to this. But should you leave more than one blank line between entries in the cash book?

The answer is 'no'. If more than one line is left blank in the cash book, entries can be inserted afterwards. Similarly if blank pages are left in the middle of the cash book, the cash book can be altered. A good cash book would, therefore, look like this:

Receipts			Payments		
Date	Particulars	Amount	Date	Particulars	Amount
4.4.98	Balance b/f	5,680	4.4.98	Sri Venkat Imprest: (FCRA - main)	1,000
				Cash given as rolling imprest	
			10.4.98	Sapling purchase (SIDA) Mango saplings purchased by Sri Venkat from rolling imprest	780
				Total spent	1,780
				Cash in hand c/f	3,900
	Total	5,680		Total	5,680

Maintain a rough cash book

Most cashiers keep a diary or note-book where they note payments and receipts immediately. Account head etc. is not given.

This helps them keep track of cash in hand. The formal cash book is normally written up later, after the vouchers have been prepared. This diary or note book is called a rough⁷ cash book. This should be pre-

CASH ACCOUNT					
OF		Page 70			
Date	Particulars	Receipts	Payments	Balance	
12/1	TeKama Bank		215		
18/1	Chankya Hotel		2,000		
18/1	Chankidar		2,500		
18/1	Marin Store		750		3,000 Talled
19/1	Cash withdrawal	12,000			
19/1	Pebol		800		
19/1	Taxi-2 days		1,300		
20/1	Painter		2,500		
20/1	Paper-Att		625		
20/1	Gift		300		
20/1	Pebol		500		1,800 Talled
21/1	Cash Withdrawal	10,000			

served for future reference.

Some people make a note of payments on loose pages. These get lost or are torn up afterwards. This is a bad practise and should be avoided.

Care for your Cash

Keep it in a cash box

Don't let the office cash get mixed up with other cash. Keep it in a cash box (small one will do). If not, keep it in an *almirah* in the office.



And do keep all the office cash together in one place. Auditors find it very annoying when bits and pieces of cash keep surfacing from this room and that room.

Can you keep FC cash and Non-FC cash together in the same box? The answer is 'yes'. Just ensure that the total cash in the box tallies with the total of balances in the FC cash book and General cash book.

The mobile cash box

Smaller offices cannot afford full time cash-iers. Mostly, the Chief Functionary ends up keeping the office cash in his / her pocket. What to do in such a case?



Make a voucher debiting the chief functionary every time office cash is given to him or her. Later, you can pass a journal voucher when they report expenses. This will ensure that the cash book shows the actual cash in hand at any time.

Reduce cash payments

Reducing the number of cash payments helps reduce many problems. You don't have to go to bank very often or carry large cash balances. Chances of mistakes and pilferage also come down.

Payments to your auditors, consultants, travel agents etc. should mostly be made by an account payee cheque. Try and encourage other people around you to accept cheque payments. This includes staff members and regular suppliers. In many cases, telephone and electricity bills can also be paid by cheque.

Plan your cash flow

Avoid withdrawing and keeping huge amounts of cash in your office. You should work out the cash flow required each week or each month and plan your cash withdrawals. The ideal amount of cash withdrawals also depends upon the volume of per day expenditure, availability of signatories and the distance between your office and bank.



Insure your cash

However, if you still need to keep a lot of cash at office, think about insurance. Such an insurance policy is called 'Cash in Safe Insurance'.

Remember that you can also have another policy to cover the risk of carrying cash from bank to your office and from main office to field office. This policy is called 'Cash in Transit Insurance'.

The annual premium of these policies is very nominal. The premium is calculated on the basis of distance of your bank from office and from office to field office as well as amount of withdrawals and amount kept in your office.

For more information on premiums and cover, you can contact any branch office of insurance companies⁸ or agents.

Tally the cash periodically

Cash balance in your cash book and physical cash lying in your cash box are like two identical twins. They should always be the

⁷ 'Kutchi Cash Book' in Hindi speaking areas

⁸ This insurance is provided by general insurance companies (New India, Oriental, United India etc.) and not by LIC

same. To ensure this, tally the cash periodically, say every week or every day.

And if you run out of fingers to count your cash, try the method followed by Min tribe...

Instead of counting by 10s as most people do, the people of the Min tribe, in Western Papua-New Guinea, count by 27s. Where do they get the number 27?

By counting not only on their fingers, but on various other body parts. They begin counting on the little finger of their left hand, then when they run out of fingers, they count the left wrist, forearm, elbow, bicep, shoulder, side of the neck, ear and eye – that's 13. The bridge of the nose makes 14. Then the right eye, ear, side of the neck, shoulder, bicep, elbow, forearm, wrist and five fingers make a total of 27⁹!



Legendary Ledgers

Ledgers give you a clear picture of the funds spent under each head every month and the overall picture in one year.

Separate Ledgers

While you can keep a common cash book as discussed earlier, a separate ledger would be needed for each agency. Each ledger will be labelled with the Agency / project name. You can post entries¹⁰ into these ledgers directly from the General Cash Book or the FCRA cash book.

Such ledgers are called sub-ledgers. These help you keep separate accounts for each agency without loss of control over cash. In the sub-ledgers you can open ledger accounts according to the budget heads of the relevant agency. This will help you prepare financial reports for the agency.

⁹ Source: The world of Ripley's Believe it or not., Black Dog & Leventhal Publishers, New York

¹⁰ Related to a particular agency or project

Ledger Accounts, which are not related to any specific agency, are kept in the General Ledger or the main FCRA ledger.

Ink up the totals and balances

Spend some time at least once in a month to properly ink up all the ledger balances. All ledger balances should be inked up by the 7th of next month.

No blank lines in ledger

Avoid leaving blank line in between ledger entries. If you leave a line for totals, cross out the blank space with a wavy line, as shown below.

Date	Particulars	CBF	Debit
4.4.98	Paid to Ms. Ramawati for March '98		435
4.4.98	Paid Mr. Venkat for March '98		246
7.4.98	Local conveyance to Ms. Maya		34
15.4.98	Hire of rickshaw		110
20.4.98	Office to station for guest		38
			863
3.5.98	Paid to Ms. Ramawati for April '98		220
6.5.98	Paid Mr. Venkat for April '98		285
10.5.98	Local conveyance for stationery		24
			529

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