

# AccountAble™

Better Book-Keeping-III

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In AccountAble 69, we discussed cash book and ledger. These form the backbone of any book-keeping system. However, there are other important records also. These include salary register, stock register, fixed assets register etc. These help to make the internal controls stronger.

This circular discusses some of the other records. Also, we discuss some annual or periodic exercises, which help keep our books in shape.



## Other Records

Most common of the other records are listed below:

### Salary Register

Do you need a salary register or can you pay through vouchers / pay-slips? The answer depends on the number of employees you have.

If you have only 2-3 employees, you don't need a register. But if you have 5-6 employees or more, then it would be good to keep a salary register. In some states, it might be necessary<sup>1</sup> under local regulations as well.

<sup>1</sup> Sometimes called an acquittance roll

More information about salary registers is given in AccountAble 43: 'Salary Records'.

### Fixed Assets Register

This register keeps track of the fixed assets that you own. What is a fixed asset? Any valuable<sup>2</sup> thing that you own and can use for more than one year. Consumables such as stationery are not treated as fixed assets.

In some NGOs, fixed assets are charged off to project expenses. This is a wrong accounting treatment. Money paid for fixed assets should be reported to the donor as 'utilised', not as 'spent'. Secondly, such assets can be capitalized as shown below:

Income & Expenditure Account			
Expenditure		Income	
Project exp.	90,000	Grants received	91,000
Less: Assets capitalised	8,000	Less: grant for capital items t/f to Fixed Assets Reserve	8,000

The fixed assets will appear as below in the Balance Sheet:

Balance Sheet			
Liabilities		Assets	
Fixed Assets Reserve	8,000	Fixed Assets	8,000

Organizations do not need a fixed assets register when they are formed. As they grow and start adding assets, they should start a register. It is better to start early, when you buy the first motorcycle or set of chairs. Recreating a register in the tenth year can be very frustrating.

The register is essential for all large organisations. It is also very useful if you

<sup>2</sup> These are capitalized in the balance sheet. Definition of 'valuable' often depends on the size of the organization.

have multiple offices or decentralized operations.

For format and other helpful hints on this, please see AccountAble 13: Fixed Assets Register.

### Log Book

Most people expect you to keep a log book for the office vehicles. The log book helps keep track of how the vehicle is being used. You can also monitor fuel consumption, servicing etc. through the log book. The log book can also be used as evidence if you are wrongly implicated in a hit-and-run case!

Most NGOs are not able to keep a log book because the tachometer cable keeps breaking down. In such a case, you can try and note down estimated distances, without giving the meter-reading.

Pre-printed log books are available in the market. A separate log book should be used for each vehicle.

### Stock Register

A stock register shows goods received, issued and the balance in hand. It is mainly used for fast-moving items such as medicines, food grains etc. You should not enter fixed assets in the stock register.

Stock registers are used by NGOs mainly for three types of activities:

1. For materials used in IGP<sup>3</sup> – this could be raw material, finished items etc.
2. For material distributed to people as relief or as part of some development program.
3. For stationery or other office consumables.

One should keep a stock register only for items that add up to a large value over the year. Some people also include small but valuable items in the register, to control wastage and pilferage.

A simple stock register should contain at least the following information: date of pur-

chase/ issue, ref./ bill number, quantity of items purchased, issued to (branch office/ person), issued quantity, signature of receiver, balance stock, and initials by stock-in-charge. Like fixed asset register, stock register should also have separate page for each item.

A simple example of stock register is

Stock of Bleaching Powder (100 gms packing)

Open a separate account for each type of item

Date	Particulars	Bill / date	Received	Issued	Balance	Initials
1.4.98	Opening Stock				40	
4.4.98	Ralia Ram & Sons	234/4.4	200		240	
7.4.98	For Machera office			150	90	
15.4.98	For Tamang office			50	40	
3.5.98	Ralia Ram & sons	325/2.5	200		240	

shown below:

### Minutes Book

Normally every society or trust is expected to maintain two minutes books. One should record minutes (discussion and decisions taken) of the governing body meetings and the other should record minutes of the general body meeting. Generally the Secretary is supposed to write the minutes.

What should be recorded in the minutes books? This depends on your memorandum and articles / bylaws. Normally this includes decisions such as opening a bank account, purchasing immovable property, investments of endowment funds in approved Bonds, appointment of new president/ secretary/ treasurer/ members, change in objectives, etc..

For each of these decisions, people record the discussion in brief, followed by the decision. The decision is called the 'resolution'.

The minutes book also contains the date, place and agenda of each meeting held by governing body. Names of the persons attended the meeting are also given, along with their signatures.

Minutes books are generally kept in bound registers or note-books. You can also get pre-printed registers for this. Loose-leaf minutes books should be avoided, as these can be easily altered.

<sup>3</sup> Income Generating project

## Once in a While

Apart from the daily routine of writing books, there are important tasks to be done periodically. These are discussed below:

### Bring forward opening balances

When you start the new accounting year, you should bring forward the closing balances of previous year. Closing balance of cash book on 31.3.01 is taken as the opening balance on 1.4.01 (only one side of cash book shown below):

Receipts		Cash Book	
Date	Narration	Amt.	Da
1.4.01	Opening Balance	2,645	

Similarly, opening balances have to be brought to other ledger accounts. These balances would be taken from the Balance Sheet of 31-3-01. All the balances in this Balance Sheet should be taken to a ledger account for 2001-02:

### Account of Building

Date	Narration	Dr.	Cr.	Bal
1.4.01	Opening balance b/f from previous year	195,000		195,000

### Prepare Subject Index in Ledger

Most ledgers in the market have index pages also. These are tabbed with alphabets. These are used for listing all the accounts and their page numbers. Accounts starting with the same alphabet should be listed together.

You should make the index when you start a ledger. As you add new accounts, keep updating the index also.

### Reconcile your Bank Account

If you issue cheques against bills, then your pass-book balance and the ledger bank balance will probably differ. Do a

Conveyance	22	CD
Contingency	39	EF
Depreciation	54	GH
Car maintenance	18	IJ
		KL
		MN

bank reconciliation each month to identify break-up of the difference.

Even if you use your bank account mainly to draw cash, you should compare the pass book balance with ledger balance every month. This is a safeguard against mistakes by the bank.

For more details on Bank Reconciliation refer to Accountable # 10

### Make a Trial Balance

Trial balance helps identify mistakes in book-keeping. It is a must if you maintain accounts manually.

You should prepare a trial balance once in three months or six months. Also, do not send out a report to a donor Agency without first tallying your Trial Balance.

For more details on trial balance please refer AccountAble 56 : 'Making a Trial Balance' and AccountAble 57 : 'Tallying a Trial balance'.

### Draft your final accounts

You have to prepare these at least once a year. These consist of Income & Expenditure Account and the Balance Sheet. NGOs should also prepare a Receipts & Payment Account.

### Get your accounts audited

Your final accounts should be audited at least once a year by independent auditors. Normally this means a firm of chartered accountants, appointed as auditors by your Governing Body or General Body.

The auditors will go through your accounts. After the audit is completed, they will issue a 'True and Fair view' report. They may also give other special purpose reports, such as in form FC-3 (for FCRA) or form 10B (for income tax).

Audit reports are discussed in more detail in AccountAble 39: NGO auditors.

### Close your books

After the final accounts have been audited, you should pass closing entries.

Balances of revenue accounts are transferred to Income & Expenditure. Balances

of other accounts are carried over to next year. An example is shown below:

Date	Narration	Dr.	Cr.	Bal
30.3.02	Paid to Srimal	500		1,800
31.3.02	Bal. T/f to Income & Exp. A/c		1,800	0

The Income & Expenditure is also opened as an account in the books. The closing balance of the Income & Expenditure is shown in Balance Sheet. It is then carried forward to next year.

Closing balances of all assets and liabilities will become opening balances in the next year.

Date	Narration	Dr.	Cr.	Ba
26.8.01	Addition	80,000		275,00
31.3.02	Bal. C/f to next year		275,000	

### Physical Verification of Assets

Preparing a fixed assets register is useful only when you verify the assets periodically. This improves control over the assets and is normally an important audit requirement.

How often should you do this? It actually depends on your situation. Assets which are small and can be easily lost should be verified each year. Similarly, If you have many field offices, physical verification should be annual. You can also plan in such a way that all assets get verified at least once over a period of three years.

Physical verification is discussed in more detail in AccountAble 13: Fixed Assets Register.

### Take care of the old records

You need to keep old accounting records for around 10 years. During this period, you may not need them even once. How do you ensure that these will not be destroyed by damp, fungus, mice, silverfish and other bookworms?

1. Book-binders normally add a little *Blue Vitriol* (CuSO<sub>4</sub>) to their glue. This will discourage mice and other insects from attacking your voucher files.
2. Tie up records for each year in separate bundles. Label these with name of organisation and year.
3. Keep the bundles in a tin trunk. Add some mothballs all around.
4. Take out all the records at least once a year<sup>4</sup>. Put them out in fresh air and sun for a day.

### And finally...*moksha*

What to do with the records after 10 years are over? Traditionally, old records are burned under supervision rather than sold as scrap.

If you are environmentally conscious, you may consider using them as fuel. Understandably, recycling is not advisable, particularly for old vouchers and cash

memos.  
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<sup>4</sup> 31<sup>st</sup> March is easy to remember. But 30<sup>th</sup> September (after the monsoons) makes more sense.