ACCOUNTS MANUAL

Confidential

RESOURCE DEVELOPMENT FOUNDATION (RDF)

Head Office: RDF Bhaban, H-21, R-12, Pisciculture Housing Society, Block-Kha, Adabor, Dhaka- 1207

(M. Golam Mostofa) Chief Executive Officer	(Md. Shahidul Alom) Chairman

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Chapter 1: Introduction

1.1 Introduction

The core subject of financial management is the proper management of an organization's finances and accounting. In the context of the expansion of RDF's activities and the aim of managing the organization's operations in a coordinated manner, it is crucial to have a guideline for financial and accounting management regulations. With the objective of ensuring that a unified and consistent accounting system and methodology are followed at every stage of the organization's activities, steps have been taken to reorganize, expand, and approve the financial management and accounting regulations of RDF.

1.2 Objective of the Financial Management and Accounting Regulations (Manual)

The main objective of this regulation is to prepare and maintain accurate and complete accounts in accordance with the International Financial Reporting Standards (IFRS) and the Bangladesh Financial Reporting Standards (BFRS).

The other objectives of this regulation are as follows:

a. To prepare accurate and universally accepted financial and accounting reports as per the requirements of the NGO Bureau, various donor organizations, and government agencies for different projects and offices of RDF.

b. To maintain accounting books and documents in accordance with the standard forms and rules of accounting.

1.3 Use, Amendment, and Approval of the Financial Management and Accounting Regulations

This regulation will be used only by the authorized personnel of RDF. Financial and accounting activities will be carried out in accordance with this regulation. However, if necessary, the regulation may be changed, amended, added to, or removed, subject to the approval of the "authority" of RDF. Detailed information regarding this is described in Chapter Nineteen.

1.4 Accounting Policies of RDF:

The framework of accounting science is based on several principles, rules, and practices. Currently, there are many widely accepted guidelines published by the IFRS (International Financial Reporting Standards). As accounting bodies in most countries are members of the IFRS, accounting maintenance is carried out worldwide based on or in accordance with these guidelines. RDF will maintain its accounting records based on or in accordance with these guidelines.

Generally Accepted Accounting Principles:

The Generally Accepted Principles of Accounting, published by the IFRS, which are applicable to RDF, are discussed below:

a) Separate Entity Concept:

RDF will have its own separate legal entity. As a result, RDF will be able to conduct transactions with others in its own name, open bank accounts in its own name, and engage in legal matters or lawsuits in its own name.

b) **Going Concern Concept:**

RDF is an ongoing organization, and based on the concept that this institution will continue year after year, RDF and its branch offices will maintain their financial records accordingly.

c) **Periodicity Concept:**

RDF is considered a going concern. Therefore, this perpetual existence will be divided into smaller time periods, and RDF will determine the results of its income, expenses, and financial position accordingly. For the preparation of financial statements and the recording and preservation of accounting books, RDF's financial year will be considered from July 1st to June 30th.

d) **Consistency Principle:**

For the maintenance of RDF's accounting records, there will be consistency in the application of practical principles over different periods.

e) **Money as Measuring Unit:**

RDF will record all financial transactions in monetary terms. In other words, money will be considered the unit of measurement to reflect changes in assets, liabilities, expenses, and income resulting from financial transactions.

f) **Stable Monetary Unit:**

RDF will consider the monetary value of all transactions that occur over time as equal and will account for financial transactions accordingly.

g) **Disclosure Principle:**

One of the key principles of RDF's accounting system is the **Disclosure Principle**. This means that RDF will present its financial and accounting reports to its users as per their requirements.

h) **Conservatism Concept:**

RDF will carefully include the various income and expenditure items in the accounting records for a specific period, ensuring that no item is omitted or included excessively.

i) **Materiality Concept:**

RDF will account for financial transactions by verifying the relevance of the information and the significance of the events.

j) **Revenue Realization:**

According to RDF's revenue recognition policy, cash receipts in exchange for services rendered will be recognized as income.

k) **Income and Expense Matching:**

RDF will recognize the expenses incurred for providing services during a specific accounting period as costs and prepare the income and expenditure statement accordingly.

l) **Cost Principle:**

According to the cost principle, RDF will record assets, services received and provided, and liabilities at the price at which they were purchased or valued.

1.5 Accounting Cycle:

To determine the financial results for a specific accounting period, RDF will follow the sequential rules of accounting. The steps involved (also known as the accounting cycle) are as follows:

i. **Recording (Journalizing):**

   Recording is the first step of the accounting cycle. RDF will record each financial transaction by determining the debit and credit entries and noting them in the cash book and other relevant ledgers according to the date.

ii. **Classification (Posting):**

   Classification refers to categorizing similar transactions into different accounts based on debit and credit. RDF will categorize financial transactions into accounts to determine income, expenses, assets, and liabilities.

iii. **Summarization (Trial Balance Preparation):**

   RDF will determine the debit and credit totals for each account and prepare a trial balance. If there are any errors in the accounts, they will be identified during this process. The trial balance provides a summary of all the accounts for the year. In other words, summarizing the account balances into a trial balance is known as the summarization step of the accounting cycle.

iv. **Error Correction and Reconciliation (Correction and Reconciliation of Accounts):**

   After preparing the trial balance, any errors in the accounts will be corrected, and adjustments will be made. Some transactions and financial data may need to be recorded in the ledger to ensure that the true income, expenses, assets, and liabilities are reflected. RDF will closely monitor and reconcile any errors in the accounts.

v. **Preparation of Final Accounts (Preparation of Financial Statements):**

   RDF will prepare the income and expenditure statement by summarizing the income and expense accounts from the trial balance. Based on these, the final accounts will be prepared, which include the balance sheet and other necessary reports.

vi. **Account Analysis (Analysis of Financial Statements):**

   The final step of the accounting cycle is the analysis of accounts. RDF's finance and accounting department will analyze the financial statements in various ways, such as ratio analysis, and present the results through different reports in meetings with the executive committee.

1.6 Purpose of Accounting

The purpose of accounting is to accurately record daily transactions of the organization using the double-entry method, properly classify them, prepare final accounts, determine the annual results and financial position of the organization, analyze them, and make necessary financial decisions.

1.7 Position of the Finance and Accounting Department

The Finance and Accounting Department will play an important role as a supportive division of RDF's main operations. The Finance and Accounting Department of RDF is a permanent division.

1.8 Accounting Year

Based on the concept of a going concern, RDF's operations will continue indefinitely. To determine the results and financial position of the organization, RDF will divide this indefinite period into smaller time periods, each of which is known as an accounting year. RDF's financial year will be from July 1st to June 30th. However, for project accounts, the accounting year will be determined based on the terms of the donor organizations and the NGO Bureau.

1.9 Accounting Books and Financial Documents

The main office of RDF and its branch offices will maintain the following accounting books and financial documents for the correct recording, presentation, and preservation of finance and accounting transactions:

i. Cash Book
ii. General Ledger
iii. Debit Voucher
iv. Credit Voucher
v. Journal Voucher
vi. Transfer Voucher
vii. Subsidiary Ledger, including:
    - Advance Register
    - Payroll Register
    - Store Register
    - Fixed Assets Register
    - Purchase Order Register
    - Check/Bank Register
    - Loan Distribution Register
    - Savings Register
    - Security Fund Register
    - Daily Collection Register
    - Leave Register
    - VAT Register
    - VAT and Tax Register
    - DMR/LLP Register
    - DMF Register
    - IOU Register

- DD/TT Register
- Any other necessary register or ledger.

For the recording of the above registers, ledgers, and vouchers, the forms indicated in the annex will be followed. In cases where no form is provided in the annex, the relevant accountant will determine the appropriate form to ensure the necessary information is preserved.

1.10 List/Code of Accounts

To manage RDF's finance and accounting activities efficiently and to provide financial and accounting details according to the requirements of donor organizations, RDF will maintain a specific list/code of accounts as per the annex.

Chapter 2: Accounting Method

2.1 Basis of Accounting Method

RDF will maintain accounts using a generally accepted and widely recognized method. In other words, all receipts will be recorded as receipts, and all payments will be recorded as payments, preparing a receipt and payment account. Subsequently, adjustments will be made for advances, arrears, accruals, and depreciation to prepare the final accounts, which will include income, expenses, assets, and liabilities. RDF will apply, follow, and implement all instructions or directives according to WAF, EAF, WRF, and ERF in its accounting system.

2.2 Accounting Methods

According to accounting principles, there are two types of accounting methods:

i. **Cash Basis Method (Cash System)**

ii. **Accrual Basis Method (Accrual System)**

iii. **Cash Basis Method**: In this method, financial reports are prepared based on all cash receipts and payments within a specific accounting period.

iv. **Accrual Basis Method**: In this method, financial reports are prepared based on income and expenses, even if no cash receipts or payments have occurred during the accounting period. Specifically, the reports show all the expected receipts and payments against income and expenses, and where receipts or payments have not been made or advances have not been reconciled, the corresponding liabilities and debts are shown.

RDF will primarily maintain accounts using a combination of both methods, i.e., using an "Accrual Cash System."

2.3 Responsibilities of the Finance and Accounts Department

The Finance and Accounts Department is primarily responsible for preparing financial statements and maintaining all related documentation. The department will ensure that financial reports are accurate and reliable. Additionally, the department's role includes verifying the authenticity of every expense and ensuring the receipt of all income. In other words, it will play a key role in the effective and efficient internal control system.

The responsibilities of RDF's Finance and Accounts Department are as follows:

i. Preparing the organization's budget and controlling expenses.

ii. Accurately recording the organization's financial transactions in the ledger.
iii. Maintaining necessary accounting books.
iv. Preparing financial statements periodically and sending them to relevant users.
v. Providing required financial information to other departments.
vi. Determining, deducting, and depositing income tax and VAT to the government treasury.
vii. Making necessary financial decisions.
viii. Verifying the mathematical accuracy of accounts at regular intervals.
ix. Safely and securely storing the organization's essential and confidential documents.
x. Assisting internal and external auditors in their audit work for the organization’s interests.
xi. Taking administrative action in cases of non-compliance with financial management and accounting regulations.

2.4 Activities of the Finance and Accounts Department

All activities of the Finance and Accounts Department are divided into seven main sections, and RDF will ensure that accounting books, bills, vouchers, and related documents are properly prepared and stored.

i. **Treasury/Revenue-related activities**:
   - Payment of salaries and allowances.
   - Final settlement of employee dues.
   - Receiving and ensuring payment of cash/cheques from employees and third parties.
   - Payment of funds through vouchers, bills, and cheques.

ii. **Financial activities**:
   - Managing funds for various projects through proper channels in the head office and branch offices.
   - Investing funds in short-term and long-term schemes such as Fixed Deposits, bonds, etc.
   - Managing fund investments in various institutions when required.
   - Obtaining loans from financial institutions for project management.
   - Managing activities with financial institutions such as opening accounts, deposits, withdrawals, and collecting and storing investment-related information.
   - Properly managing employee loans and related documents (e.g., motorcycle loan, bicycle loan).
   - Maintaining records related to salary payments.

iii. **Accounting activities**:
   - Maintaining accounts for each project and component.

- Compiling and consolidating accounts from branch offices.
- Preparing monthly, quarterly, and annual accounts as required.
- Preparing annual accounts according to national laws and regulations.
- Preparing reports for the Micro-Credit Regulatory Authority.
- Preparing reports for the NGO Bureau.
- Preparing bank reconciliation statements.
- Organizing and conducting necessary accounting training.
- Providing necessary financial information to concerned financial institutions, donors, and other entities.

iv. **Budget-related activities**:

- Preparing project-based budgets.
- Storing budget-related documents.
- Monitoring various stages of the project.
- Comparing actual expenses with the budget.
- Analyzing and reporting budget variances.

v. **Income Tax and Organizational Affairs**:

- Handling all matters related to income tax and maintaining necessary documentation.
- Preparing all documents related to employee income taxes.
- Storing records of annual general meetings, member meetings, attendance registers, etc.
- Storing and updating the organization’s constitution, registration with the NGO Bureau and Joint Stock Company, executive council, assets, and liabilities.

vi. **Future Fund (Provident Fund) Activities**:

- Preparing and storing documents related to the Future Fund.
- Maintaining separate accounts for employee contributions and the organization's share.
- Preparing and storing documents related to loans against the Future Fund.
- Ensuring proper investment of the fund to maximize benefits.
- Settling the final dues of employees related to the Future Fund when they retire or leave the organization.

vii. **Inventory and Internal Financial Monitoring Activities**:

- Managing periodic and year-end inventories.
- Monitoring inventory, including determining expiration dates, ensuring accuracy, transferring inventory, and valuation.

2.5 Accounting for Transactions

- **Receiving Funds and Account Recording**: RDF receives donations and grants from donor organizations through cheque or draft, as well as other sources of income such as local donations, member contributions, sales of magazines, service charges, training income, bank interest, and miscellaneous income. RDF will record all receipts using credit vouchers. The receipt accounts will be credited and recorded in the cash or bank ledger.
- **Making Payments and Recording Accounts**: All payments/expenses made in cash or via cheque will be recorded using debit vouchers. The relevant accounts will be debited, and the cash or bank ledger will be credited.

Proper documentation must be kept for all payments. After receiving a bill, the accountant will evaluate the relevance of the expense and payment and prepare a voucher. The bill will be paid only after approval from the authorized personnel in accordance with the organization's priorities.

2.6 Daily Cash and Bank Transaction Report Preparation

RDF deals with numerous transactions daily, some in cash and others via cheque. Therefore, a daily report must be prepared for cash and bank transactions to verify accuracy. In the head office, the report will be checked and certified daily by the Chief of the Finance and Accounts Department or an authorized person. In branch offices, the branch manager will verify and certify the report. The daily cash or bank report should include:

- Closing balances of various banks
- Cash on hand
- Advance payments (if any)

2.7 Preparation of Reconciliation and Closing Entries

RDF's head and branch offices will reconcile and record non-cash transactions using reconciliation entries after a specified period. These entries will affect both subsidiary ledgers (individual accounts) and general ledgers (master accounts). The reconciliation entries will be recorded in a specified format and signed off by the authorized officer after verification. RDF will maintain reconciliation vouchers in sequence, and the branch office accountants will prepare these entries with approval from the branch manager.

RDF will prepare reconciliation entries in the following cases:

- Advances
- Accrued income or expenses
- Depreciation
- Various reserve accounts
- Adjustments and transfers of incorrect entries.

Chapter 3: Accounting Techniques, Vouchers, and Ledger Recording

3.1 Introduction

To maintain accounting records, the necessary techniques, vouchers, and ledger management must be followed by the main office and branch offices of RDF (Rural Development Foundation). As the accounting records will be maintained according to the same rules or specific templates, RDF will compare and thoroughly analyze all types of daily transactions at each branch office. To ensure that RDF's financial transactions are carried out properly and systematically, a discussion of the techniques, vouchers, and ledger's utility and features is provided below.

3.2 Voucher (Voucher)

A voucher is defined as: A document or record which contains the following:

- The nature of the goods purchased, including quality, brand, price, quantity, and total amount in the bill.
- Signature of the person receiving the goods and the person who made the stock entry.
- If wages are paid daily, the bill must include the amount paid, the rate, and the number of days worked.
- Whether prior approval was obtained for expenses.
- Whether the expenses are within the budget, or if they exceed the budget.
- Whether the bill includes the full name and signature of the recipient.
- If the recipient is an individual outside the institution, their full name, signature, and address must be mentioned.

3.3 Types of Vouchers: (Different Types of Vouchers)

RDF will use four types of vouchers:

a. **Debit Voucher** - To record payments related to cash, bank, or other transactions.

b. **Credit Voucher** - To record receipts related to cash, bank, or other transactions.

c. **Journal Voucher** - For inter-account adjustments and non-cash transactions.

d. **Transfer Voucher** - For transferring amounts between accounts.

3.4 Debit/Payment Voucher

The Debit Voucher is a primary and principal document for recording cash and bank transactions. A Debit Voucher must be prepared if a cash or bank expense or liability is paid. Only authorized vouchers can be posted in the ledger. The following points must be verified when creating a Debit Voucher:

i. The bill should indicate the nature, quality, brand, price, quantity, and total value of the goods.
ii. The signature of the goods recipient and the person entering the stock.
iii. If wages are paid, details of the recipient, rate, and number of days worked must be mentioned.
iv. Ensure prior approval for expenses.
v. Check if the expenses are within budget limits.

3.5 Credit/Receipt Voucher

The Credit Voucher is used to record receipts related to cash and bank transactions. It serves as a primary and principal document for cash and bank receipts. Only authorized vouchers can be posted in the ledger. The following supporting details are required when preparing a Credit Voucher:

i. Use of a cash receipt for the amount received.
ii. Verification of the receipt amount with the daily collection register and savings/loan receipt registers.
iii. Signature of the person receiving the money.
iv. Matching the recorded receipt amount with the actual transaction amount.

3.6 Journal Voucher

RDF and its branch offices will use Journal Vouchers for inter-account adjustments and to record non-cash transactions. The following should be included with the Journal Voucher:

i. List of provisions with their corresponding calculations (e.g., interest on savings, gratuity provisions).
ii. Supporting documents for reconciliation, such as invoices or debit notes.
iii. Documentation for corrections in accounts based on audit reports.

3.7 Transfer Voucher

Transfer Vouchers are used for recording transfers of amounts between accounts. RDF and branch offices will ensure that supporting documents such as passbooks, bank statements, and deposit slips are attached to these vouchers.

3.8 Cash Book

RDF will maintain a two-column cash book for recording all cash and bank transactions. The cash book will display the state of cash and bank transactions at any given time, and each entry will be logged with its respective debit or credit amount.

3.9 General Ledger

The general ledger is a record of all transactions from the cash book and journal vouchers. It provides an overall view of the organization's financial transactions during a specific period.

3.10 Subsidiary Ledger

Subsidiary ledgers will be maintained to present financial transactions in a more detailed and concise form, with separate records for each category of transaction.

3.11 Store Ledger

RDF and its branch offices will maintain a store ledger for all material purchases and sales. Each type of material will have a separate page in the store ledger, and regular inventory checks will be performed.

3.12 Bank Reconciliation Statement

RDF and its branch offices will prepare monthly bank reconciliation statements to ensure that the bank's records match the cash book's records. If discrepancies are found, they will be promptly reported and corrected.

3.13 Use of Standard Forms

RDF and its branch offices will use standard forms for daily operations, such as advance slips, purchase requisitions, comparative statements, purchase orders, and others.

3.14 Prohibiting Alterations

The use of erasers, scratching, or overwriting in financial records such as the cash book, journal, and ledgers is strictly prohibited. Any mistakes must be corrected according to proper accounting procedures.

Chapter 4: Register Maintenance

4.1 Types of Registers

The main office and branch offices of RDF will maintain the following registers for prompt and systematic accounting of office activities:

- Fixed Asset Register
- Loan Distribution Register
- Savings Return Register
- Daily Collection Register
- Printing & Stationery Stock Register (for saleable forms and books)
- IOU Register
- Security Deposit Register
- VAT and Tax Register
- Log Book Register (for motorcycles and vehicles)
- Employee Loan Register
- Store Register
- Salary Register
- Daily Attendance Register

4.2 Fixed Asset Register

All transactions related to the acquisition, sale, or disposal of fixed assets will be recorded in the Fixed Asset Register. The main office and branch offices of RDF (according to the fixed asset register template) will enter all fixed assets in this register. A designated employee from the Finance and Accounts department will post entries in the register until the current date or daily, and will determine the balance at the end of each month.

If necessary, a physical inspection of fixed assets will be conducted, and the findings will be reconciled with the balance in the Fixed Asset Register. If there is a discrepancy between the two reports, the cause must be investigated and accurate information must be accounted for. The Fixed Asset Register will be approved and signed by the appropriate authority of RDF. If assets are sold, disposed of, or damaged, they must be recorded in the designated column of the register.

4.3 Salary Register

RDF's main office and branch offices will maintain a monthly salary register and payroll for all employees and members (according to the attached template), along with an attendance register for salary preparation. Since cash handling involves risks, all regular employees will receive their salaries via bank transfers.

4.4 Store Register

RDF will use a Store Register to account for and control all types of goods. After receiving the goods, the quantities, recipient's name, source of the goods, and other relevant information will be recorded in the store register, with the recipient signing to acknowledge receipt. If any goods are missing or stolen, the recipient will note it down (according to the attached template).

4.5 Employee Loan and Advance Register

If loans or advances are provided to RDF employees and members, a Loan or Advance Register will be maintained to record the details of the loan or advance. The type of advance, installment amount, method of repayment, approval date, and expected date of full settlement will be clearly recorded in the register. As soon as the money is collected for the advance, it must be recorded in the register promptly. At the end of the period, a list of all advances will be prepared and signed by the head of the Finance department. At the end of the fiscal year, a new register must be created (according to the attached template).

4.6 Cheque Issuance and Receipt Register

Maintaining a register for cheque issuance and receipt is an effective internal control measure. This register will include details such as the person or institution from whom the cheque was received, the receipt date, the amount, or the person or institution to whom the cheque was issued, the payment date, cheque number, purpose of the payment, and which branch of the bank issued the cheque. The Finance and Accounts department staff will sign the register, and the head of the department will sign after verification (according to the attached template).

4.7 Log Book

Each motorbike, vehicle, and generator used by RDF will have a logbook, where the employee using the vehicle will record the necessary information. The logbook will include details such as the duration of vehicle use, fuel expenses, and servicing dates. The main office and branch offices will maintain this book to monitor these details (as per the attached template).

4.8 Income Tax Register

The main office and branch offices of RDF will maintain an Income Tax Register. The responsible staff member will deduct taxes according to the Income Tax Ordinance of 1984 from suppliers, consultants, and other relevant parties, and deposit the amount into the government treasury through treasury challans.

4.9 VAT Register

The main office and branch offices of RDF will maintain a VAT Register. This register will be used to monitor VAT control and collect VAT from suppliers, ensuring timely deposit into the government treasury through treasury challans. Relevant details will be recorded in the VAT Register.

4.10 Printed Stationery/Stationery Inventory Register

RDF's main office and branch offices will maintain a register for printed stationery and stationery stock (according to the attached template). This register must be updated daily to ensure proper use and control of stationery and to determine balances.

4.11 Advance Slip/IOU Register

The main office and branch offices of RDF will maintain an IOU/Advance Slip Register (according to the attached template), which will include the purpose of the advance, amount, employee's name, position, and expected date of settlement. Typically, advance slips/IOUs will be prepared for urgent needs or small amounts, subject to the approval of the appropriate authority, and must be recorded in the register.

Chapter 5: Rules and Procedures for Opening Bank Accounts

5.1 Introduction

To record drafts, pay orders, transfer advices, etc., received from the bank, the bank account must be debited, and the organization's income account must be credited. As a general policy, RDF encourages conducting financial transactions through the bank as a means for receiving and disbursing funds.

5.2 Rules and Procedures for Opening Bank Accounts

a) **Main Bank Account (General Bank Account)**
RDF will deposit any funds and grants received from other organizations or authorities into the main bank account of RDF's headquarters.

b) **Operational Bank Account**
RDF will maintain an operational bank account to ensure the smooth execution of day-to-day financial transactions at the headquarters.

c) **Branch Bank Account**
Based on the decisions of the RDF headquarters, each zonal office, area office, and branch office may open a savings or current account with a scheduled bank in the local area or in any bank across the country, under the organization's name. These accounts will be used for conducting daily financial transactions and fund transfers by zonal/area/branch offices.

5.3 Bank Account Management Procedures

According to Section 10 of the "RDF Constitution," the management of RDF's bank accounts at the main office and branch offices will be carried out.

The individual(s) authorized to sign on behalf of RDF will have their three separate signatures verified by the Secretary General and submitted to the bank.

5.4 Details Regarding Signatories

The procedures for managing RDF's bank accounts and authorizing cheque signatories are outlined in Section 10 of the "RDF Constitution." If there is any change in the authorized signatories, the details of the new signatory must be submitted to the bank, replacing the previous signatory. This should be done through a prescribed application format for opening a bank account, changing the signatory, and closing the bank account.

5.5 Cheque Stubs as Proof of Bank Transactions

When writing or distributing a cheque, the responsible person must write detailed information on the cheque stub, including the date, the amount, the recipient’s name, the purpose of the payment, and a signature.

5.6 Cancelled Cheques

If a cheque is not presented to the bank within 6 months from the date of issuance, it will be considered cancelled. In such cases, the accounts department will adjust the bank records by posting a reverse entry and will provide a detailed explanation in the records. A bank statement will then be prepared. If a cheque is lost or stolen, the responsible person must immediately inform the bank with written details, and upon receiving written confirmation from the bank, the cheque will be treated as cancelled.

5.7 Cancelled Cheque Marking

If any cheque is cancelled for any reason, the cheque must be marked diagonally with "VOID" written in both the middle and on the stub.

5.8 Payment via Bank

If a single payment exceeds 10,000 (Ten Thousand) Taka, the payment must be made through a cheque. However, in special cases, cash payments may be allowed with written approval from the appropriate authority.

5.9 Cash Withdrawal from Bank

To perform daily cash transactions, RDF may withdraw cash from the bank. Before withdrawing cash, a cash fund request (with explanation, if necessary) must be submitted to the appropriate authority. Upon approval, a cheque will be written to withdraw the money from the bank (according to the prescribed format).

5.10 Bank Statements and Bank Certificates

The Finance and Accounts Department will collect and maintain separate bank statements for each bank account monthly, along with the necessary bank advices and a certificate of the monthly bank account balance, and store them in files.

5.11 Instructions for New ChequeBooks

With approval from the head of the Finance and Accounts Department, the accountant at the headquarters and relevant accountants at branch offices will request a new cheque book through an application form, with verified signatures. After receiving the new cheque book, it should be counted carefully, and after confirming everything is in order, the chequebook will be signed for acceptance and recorded in the organization’s cheque register.

5.12 Security of ChequeBooks

The responsibility for storing and securing cheque books lies with the Finance and Accounts Department. A designated individual will keep the cheque books and deposit books in a secure locker. This individual will be responsible for the safety of both the cheque and deposit books.

5.13 Receipt of Cheques/Drafts

After receiving a cheque, draft, or cash, it should be deposited into the bank as soon as possible, preferably on the same day. If it is not possible to deposit the cheque on the same day, it must be deposited on the next working day. After depositing, the bank account will be debited and the cheque issuer will be credited in the accounting records via a credit voucher.

5.14 Rejected Cheques

If a cheque is rejected after being deposited in the bank, the issuer must be informed immediately, and a request for a new cheque must be made for the same amount. At the same time, a reverse entry (reversal of the payment) will be made in the accounting records.

5.15 Replacement of Lost Cheques

If a cheque issued is reported lost, written instructions must immediately be sent to the bank to stop payment. After receiving written confirmation from the bank that the payment has been stopped, a new cheque may be issued after 15 days.

Chapter 6: Cash Management Procedures

6.1 Cash Transaction Time Limit

Cash transactions and the recording of the cashbook must be completed before office hours end or within 1 hour after banking hours.

6.2 Daily Cash Limit

In the case of the RDF headquarters, the assigned cashier and senior accountant, and in the case of branch offices, the branch manager and accountant will be responsible for holding cash. The relevant staff will prepare a money requisition form for daily cash expenses and will spend the funds as per the approval of the appropriate authority.

A money requisition will be accepted one day prior to conducting financial transactions. If possible, cash will be withdrawn from the bank according to the requisition. After the cash is distributed at the headquarters, the amount of cash held will be limited to 50,000 Taka, and at branch offices, it will be limited to 1,000 Taka, under the responsibility of the assigned staff member. However, in cases of legitimate reasons, with the approval of the appropriate authority, cash may be kept with any RDF staff or member. If such a situation arises, the approval of the head of the Finance and Accounts Department must be obtained.

Petty Cash:

Since the RDF headquarters directly withdraws funds from the bank with the approval of management, there is no need to keep petty cash at the headquarters. However, for project offices, maintaining petty cash for daily expenses is mandatory. The maximum amount of petty cash allowed at the project office will be 10,000 Taka.

6.3 Cash Management

RDF's cash must be stored in a locker designated by the office. There will be multiple locks. One set of keys will be held by the senior accountant or branch manager, and the other set will be with the assigned cashier.

If for any reason the keys are lost from either person or both, the loss must be reported immediately to the head of the Finance and Accounts Department, who will take necessary actions.

6.4 Serial Numbering of Cash Transactions

At the end of each day, after conducting daily financial transactions, the cash on hand will be physically counted, and RDF's headquarters and branch offices will prepare a cash reconciliation certificate. This will confirm that the balance in the cashbook matches the physical cash on hand. The responsible staff member will also ensure the serial number of the cash transactions, indicating where the numbering starts and ends.

6.5 Cash Security

For cash withdrawals or deposits, the responsible staff at RDF's headquarters and branch offices will use office vehicles. In the case of transporting large amounts of money, security personnel will accompany the transport, as per the director's decision.

6.6 Cash Receipt in the Cash Department

The RDF cash department will never accept money from anyone without a receipt. The receipt must contain detailed information, such as the person's name, designation, the reason for the payment, the amount written both in words and figures, etc. This information must also be accurately recorded in the register.

The approved format for money receipts as per RDF's policy must be used. The money receipts will be printed and bound in books with continuous serial numbers and will be kept in a secure place at all times.

Usually, the accounting department will issue a receipt as soon as money is received. The receipt will bear the signatures of both the accountant and the senior accountant/manager. The money receipt book will contain three copies for each receipt. The first copy will be given to the person making the payment, the second copy will be attached to the voucher, and the third copy will remain in the receipt book for future audit purposes. The payer will sign the original copy of the receipt. It should be noted that any corrections, erasures, or changes on the receipt will not be acceptable.

6.7 Money Receipt Maintenance

The money receipt book will be stored under the supervision of the assigned accountant, as per the instructions of the head of the Finance and Accounts Department. A money receipt register will be maintained for this purpose. The responsible individual will record the receipt number in the register according to the book number and then transfer the receipt book to the accountant. The accountant is not allowed to use any unused receipt books without proper authorization.

6.8 Deposit of Cash into Bank

The accountant will ensure the deposit of cash and cheques into the bank daily and will confirm the receipt from the bank. All transactions will also be recorded in the cheque register. Additionally, the accountant will prepare a pay-in-slip and arrange for the transfer of funds to the bank.

6.9 Fund Transfer

To facilitate the smooth functioning of its operations, RDF will transfer funds as necessary between the headquarters and branch offices, as well as between different branches.

Accounting Method for Fund Transfer:

i. Fund Transfer from Headquarters to Branch Office

- For the headquarters, the debit voucher will be as follows:

  Debit: Account name/Code (if applicable)
  Credit: Account name/Code (if applicable)

- For the branch office, the credit voucher will be as follows:

  Debit: Account name/Code (if applicable)
  Credit: Account name/Code (for branch office fund receipt)

ii. Fund Transfer from Branch Office to Headquarters

- For the branch office, the debit voucher will be as follows:

  Debit: Account name/Code (for branch office fund transfer)
  Credit: Account name/Code (if applicable)

- For the headquarters, the credit voucher will be as follows:

  Debit: Account name/Code (if applicable)
  Credit: Account name/Code (for headquarters fund receipt)

iii. Fund Transfer between Branches

- The branch transferring the funds will issue the following debit voucher:

  Debit: Account name/Code (for the transferring branch)
  Credit: Account name/Code (for the receiving branch)

- The receiving branch will issue the following credit voucher:

  Debit: Account name/Code (if applicable)
  Credit: Account name/Code (for the receiving branch)

Chapter 7: Representation of Financial Authority

7.1 Approval Process:

RDF's headquarters and branch offices will not engage in any transactions without voucher approval. Every transaction must receive prior approval from the appropriate authority. In other words, before making any payment, the bill must be approved by the relevant authority to ensure the proper execution of the organization's activities.

- The person responsible for approval must have an official order granting them the authority to approve. It should be noted that no individual has the authority to approve anything without an official order.
- The "Delegation of Authority" for any specific RDF officer will only be issued by the Executive Board. This official order will detail the scope of the authority, such as the amount of money, the authority to sign chequebooks/vouchers, the authority to enter into contracts with third parties, etc. It should be noted that all cheques issued by RDF must be signed jointly.

7.2 **Priority List (Authority Delegation Table)**

According to Appendix 2 of the "RDF Human Resource Management Regulations 2005," the detailed financial authority of various RDF officials and authorities is provided in the priority list.

7.3 **What to Do in the Absence of the Approving Authority**

If the person responsible for approval is on leave or temporarily away from the office or is outside their office performing other duties, then a written order must specify who will take on the responsibilities in their absence. The following details must be included in the written order:

i. Duration of the responsibility
ii. Matters related to cheque signing
iii. Approval of vouchers/other documents
iv. Matters related to staff recruitment/transfer/salary increment decisions
v. Instructions for urgent matters
vi. Decisions on new matters

Chapter 8: Salary and Payroll Management

8.1 **Introduction**

For RDF, salaries and other allowances represent significant expenses. Therefore, in addition to maintaining necessary registers and documents for salaries and allowances, proper control over these is essential. All instructions regarding salary and other allowances for RDF employees are detailed in Chapter 5 of the "RDF Human Resource Management Regulations, October 2005."

8.2 **Salary Payment**

RDF will hire employees at specific salaries or grades. All employee data will be maintained centrally by the Human Resources Department. For the payment of salaries and allowances, the Finance and Accounts Department will collect the necessary information, such as employee salary increases, salary deductions, salary suspensions, employee loans, etc., from the Human Resources and other departments and will make the necessary arrangements for salary payments.

8.3 **Considerations for Salary Payment**

Before paying salaries, the responsible staff at the RDF's headquarters and branch offices will consider the following:

- Collecting updated information on employee recruitment and transfers
- Properly maintaining the salary register
- Collecting accurate information regarding salaries and allowances
- Gathering and maintaining all details regarding salary deductions, including which categories the deductions will be allocated to
- Properly maintaining the attendance register

- Recording in the salary register the information on employee layoffs, transfers, and resignations, and suspending their salary payments
- Determining the net salary after necessary deductions.

8.4 Attendance Register

Maintaining an attendance register is crucial as the basis for salary payment. Additionally, it is important to ensure regular attendance of employees. Therefore, RDF will maintain attendance registers for employees at all levels.

8.5 Leave Register

A register detailing employee leave must be maintained, known as the leave register. If an employee requires leave, they must submit a leave application with a valid reason, get it approved by their supervisor, and then submit it to the Human Resources Department at the main office or the relevant Accounts Department at the branch office. The rules regarding employee leave will be governed by Chapter 6 of the "RDF Human Resource Management Regulations, October 2005." Each RDF office will maintain a leave register for all types of employee leave, indicating the total number of leave days an employee has taken and how many leave days are remaining.

8.6 Salary Payment Time

Salaries for regular employees at all RDF offices, including branch offices, will be paid on any working day after the 25th of each month. However, exceptions may occur for legitimate reasons. To ensure timely salary payment, all activities related to salary payments must begin in the fourth week of the month. Contractual employees' salaries will be paid on the last two working days.

8.7 Salary Deductions

As outlined in Section 25 of Chapter 5 of the "RDF Human Resource Management Regulations, October 2005," salary deductions will be made. Generally, the following deductions will be made from the salary:

- Provident Fund contributions
- Income tax
- Transportation costs
- Adjustments for overpayments
- Employee loan installments
- Contributions to the employee welfare fund
- Adjustments for unpaid leave
- Unsettled temporary loans
- Any other unsettled advances

8.8 Overtime Allowance

According to the RDF Human Resource Management Regulations, only drivers will receive overtime pay for working beyond regular hours during the workday. The guidelines for paying overtime allowance will be governed by Section 34 of Chapter 5 of the "RDF Human Resource Management Regulations, October 2005."

8.9 Income Tax

As per the Income Tax Ordinance of 1984, employees are responsible for paying income tax on their salaries. RDF will deduct the applicable income tax from employees' salaries and deposit it into the government treasury. The Finance and Accounts Department will calculate income tax based on the employee's total annual salary and allowances. The annual income tax amount will be divided by 12 to determine the monthly deduction, which will then be deducted from the employee's salary and deposited into the government treasury. If necessary, the Finance and Accounts Department may consult with a tax expert for clarification and application of income tax laws.

8.10 Salary Accounting

Before salary payments, a salary sheet will be created, which will include the total salary, allowances, various deductions, and the amount to be paid (transferred) to the employee. The accounting and maintenance procedures for salary payments are as follows:

a) Salary Payment via Debit Voucher (for main and branch offices):

Debit: **Salary Account (Net Salary)**

Credit: **Cash/Bank Account**

b) Journal Voucher for Deductions from Salary (for the main office):

A journal voucher for salary deductions will be created based on the salary sheet with the following entries:

Debit: **Salary Account** (excluding the amount paid by cash or cheque from the total salary)

Chapter 9: Provident Fund Management

9.1 Provident Fund

According to Section 30 of Chapter 5 of the "RDF Human Resource Management Regulations," all regular employees and regular project and service employees of RDF are eligible to be members of the Provident Fund. This fund will be managed in accordance with the guidelines of the regulation and the rules of the Provident Fund.

9.2 Purpose of the Fund

The main objectives of this fund are:

- To provide a lump sum amount to employees upon leaving RDF, when their service ends, or in the event of death.
- To create a financial foundation through employee savings.
- To encourage employees to remain employed at RDF for the long term.

9.3 Fund Management

The responsibility for managing and administering the RDF Provident Fund will be entrusted to a trustee board. This trustee board will operate according to the rules and guidelines of the Provident Fund.

9.4 RDF Employee Provident Fund Policy (Employee Provident Fund Rules and Regulations)

The "RDF Employee Provident Fund" will be managed in accordance with the regulations adopted for this purpose. These regulations will detail the following:

- The purpose of the fund
- The formation of the trustee board and their duties and responsibilities
- The rules for amending and supplementing the regulations
- The rules for becoming a member of the fund
- The rules for nomination
- Member contributions
- RDF's contributions
- The loan application and repayment process from the fund
- Investment rules for the fund
- Payment upon the death of a member
- Payment upon the termination of membership
- Accounting procedures for the fund
- Auditing procedures for the fund, etc.

9.5 Bank Account and Investment Procedures

A separate bank account will be maintained for the fund, where all dues and receivables related to the fund will be processed. All financial transactions must follow the guidelines specified in the fund's regulations. The money in the fund can only be invested in the categories outlined in the regulations.

9.6 Fund Accounting Procedures

Separate accounting records must be maintained for the fund, in accordance with the fund's regulations. Generally, the following accounts should be maintained for the provident fund:

1. Bank Account
2. Cash Account
3. Expense Account
4. Member Contribution Account
5. Member Loan Account
6. Investment Accounts (separate for each investment)
7. Member Accounts (individual accounts for each member via subsidiary ledgers)
8. Investment Income Account
9. Bank Interest Income Account
10. Forfeited Accounts
11. Other necessary accounts

At the end of each fiscal year, the following final accounts will be prepared for the fund, based on the above records:

1. Income Statement
2. Surplus Statement
3. Cash Flow Statement
4. Notes to Financial Statements

9.7 Fund Audit

The annual income statement and surplus statement of the fund must be audited by a chartered accountant's firm. The audited accounts must be approved by the trustee board, and copies of the annual financial statements must be distributed to all members. The trustee board will decide how the net profit from the audited final accounts will be distributed among the members according to the specified rules.

9.8 Provident Fund Approval

In order to avail tax benefits, the RDF Provident Fund must be approved by the National Board of Revenue (NBR), and it will be managed in accordance with the Income Tax Ordinance of 1984 and relevant regulations.

9.9 Loan Facility from the Fund

If necessary, any member can borrow from the fund. The procedure for borrowing and repaying loans, along with the maximum loan amount, will be governed by the Provident Fund policies.

Chapter 10: Advances, Outstanding Expenses, Loans, Collateral, and Their Accounting Procedures

10.1 Introduction

At different times and for various reasons, it is necessary to provide advances or loans for different projects. Accurate accounting of these loans or advances, timely collection, and establishing necessary control over loans and advances are critical.

10.2 Types of Advances

Advances at R.D.F. and its branch offices generally fall into the following categories:

i. **Employee Advances** (Known as Temporary Advances):
   Examples include:
   - Temporary loans against salaries
   - Temporary loans for travel expenses
   - Temporary loans for program costs
   - Temporary loans for product purchases

ii. **Third-party Advances**:
   - Advance for house rent
   - Advance to suppliers of goods

- Advance to service providers

10.3 Temporary Loans Against Salary

RDF employees can take temporary loans against their salaries as per the provisions of the "Human Resource Management Regulations - October 2005," specifically Chapter 5, Article 27, and Chapter 6, Article 2(g). All salary advances will be provided through temporary loan certificates and adjusted at the time of salary disbursement.

10.4 Employee Loans

RDF employees may take loans for special needs as per the "Human Resource Management Regulations" under Chapter 5, Article 33.

- Employee loans must be adjusted monthly alongside salary payments. The loan committee will adjust employee loans as per the relevant regulations.
- There will be an entry in the salary register to show the monthly adjustment of employee loans.

Accounting for Employee Loans

Employee loans at both head and branch offices will be recorded, adjusted, and accounted for as follows:

i. **Through Debit Voucher:**
    - **Debit**: Employee Loan Account
    - **Credit**: Salary Account

ii. **Salary Adjustment for Employee Loans:**
    - **Debit**: Temporary Loan Account
    - **Credit**: Employee Loan Account

iii. **Loan Adjustment in Installments (Including Interest):**
    - **Debit**: Temporary Loan Account
    - **Credit**: Employee Loan Account
    - **Credit**: Interest Payable Account (if applicable)

iv. **Interest Payment Entry (Branch Office):**
    - **Debit**: Interest Payable Account
    - **Credit**: Employee Loan Account

10.5 Motor/Bicycle Loan

RDF provides motor or bicycle loans to employees as per the "Human Resource Management Regulations - October 2005" under Chapter 5, Article 36.

Accounting for Motor/Bicycle Loans

i. **At Head Office (Purchase of Vehicle):**
    - **Debit**: Motor Vehicle Account
    - **Credit**: Bank Account

ii. **Sending Vehicle to Branch Office:**
   - **Debit**: Branch Office Transfer Account
   - **Credit**: Motor Vehicle Account
   - **Credit**: Bank Account

iii. **At Branch Office (Receiving Vehicle):**
   - **Debit**: Motor Vehicle Account
   - **Credit**: Branch Office Transfer Account

iv. **Loan Adjustment Against Salary:**
   - **Debit**: Temporary Loan Account
   - **Credit**: Motor Vehicle Loan Account

10.6 Loans to Members

RDF provides loans to members of village organizations according to the "Loan Policy," and repayments are made in instalments.

Accounting for Member Loans

i. **Loan Disbursement:**
   - **Debit**: Loan Account
   - **Credit**: Bank Account

ii. **Loan Repayment:**
   - **Debit**: Bank Account
   - **Credit**: Loan Account

iii. **Savings Collection:**
   - **Debit**: Bank Account
   - **Credit**: Savings Account

iv. **Interest on Savings:**
   - **Debit**: Interest Account
   - **Credit**: Savings Account

10.7 Employee Transfer/Posting

When RDF employees are transferred between head office and branch offices, or between different branch offices, their loan accounts must be transferred and adjusted accordingly.

1. **Transfer from Head Office to Branch Office:**
   - **Debit**: Branch Office Transfer Account
   - **Credit**: Employee Loan Account
2. **Transfer from Branch Office to Head Office:**
   - **Debit**: Employee Loan Account
   - **Credit**: Branch Office Transfer Account

10.8 Temporary Loan for Travel Expenses

Employees can take temporary loans for official travel. The travel expenses will be managed as per the "Human Resource Management Regulations - October 2005" Chapter 5, Article 32.

10.9 Temporary Loan for Product Purchases

For routine office functions, employees may need temporary loans to purchase products. Loans for product purchases must follow the guidelines in Chapter 11 of the regulation.

10.10 Temporary Loan for Program Expenses

For project and program-related expenses, temporary advances can be provided to employees. The process for providing and adjusting these advances follows similar steps to the other types of advances, with necessary approvals and reconciliations.

10.11 Advance for Rent

This advance, known as "advance rent," is provided according to an agreement with the landlord.

i. **Advance Payment for Rent:**
   - **Debit**: Advance Rent Account
   - **Credit**: Bank Account

ii. **Monthly Rent Adjustment:**
   - **Debit**: Rent Expense Account
   - **Credit**: Advance Rent Account

iii. **Tax Deduction (Rent):**
   - **Debit**: Tax Deducted at Source Account
   - **Credit**: Bank Account

10.12 Advance to Suppliers and Service Providers

Advances to suppliers or service providers are made according to the terms of the purchase order.

10.13 Employee Deposit

When field employees join, a certain amount of deposit is kept in the office treasury as per their employment letter.

Accounting for Employee Deposits

i. **At the time of deposit:**
   - **Debit**: Bank Account
   - **Credit**: Employee Deposit Account

ii. **At the time of retirement or resignation:**
   - **Debit**: Employee Deposit Account

- **Credit**: Bank Account

10.14 Outstanding Expenses

Details for the accounting of outstanding expenses at head and branch offices will follow specific procedures outlined in this chapter.

Chapter 11: Advances, Outstanding Expenses, Loans, Collaterals, and Their Accounting Methods

11.1 Introduction

There is a need to provide advances or loans at various times and for various reasons, depending on the requirements of different projects. Proper accounting of these loans or advances, ensuring timely recovery, and establishing necessary controls over loans and advances are crucial.

11.2 Types of Advances

Advances at the R.D.F. and its branch offices generally fall into the following categories:

i. Staff Advances, also known as Temporary Advances (Employee Loans), such as:
   - Temporary loans against salary
   - Temporary loans for travel expenses
   - Temporary loans for program expenses
   - Temporary loans for product purchases

ii. Third-party advances:
   - Advance for house rent
   - Advances to suppliers
   - Advances for service providers

11.3 Temporary Loans Against Salary

RDF employees can take temporary loans against their salary as per paragraph 27 of Chapter 5 and paragraph 2(g) of Chapter 6 of the "Human Resource Management Regulations, October 2005". Salary advances will be granted via a temporary loan voucher, which will be adjusted during subsequent salary payments.

11.4 Employee Loans

RDF employees can take loans for special purposes, as per paragraph 33 of Chapter 5 of the "Human Resource Management Regulations".

- Employee loans must be reconciled with the monthly salary. The loan committee will adjust the employee loan according to the applicable policies.
- The salary register will maintain a column to show monthly adjustments for employee loans.

Accounting:

The following methods will be used to account for employee loans at the main and branch offices:

a) Entry for granting employee loans through debit vouchers:

Debit: [Relevant Loan Account]
Credit: [Employee Loan Account]

b) Journal entry for salary adjustments against employee loans:

Debit: [Employee Loan Account]
Credit: [Salary Account]

c) Loans granted to R.D.F. employees will be adjusted in installments, and any interest will be considered as part of the final installment. The journal entry for interest calculation will be as follows (Main Office):

Debit: [Interest Account]
Credit: [Employee Loan Account] (Interest)
Credit: [Other relevant account for interest reconciliation]

d) For branch offices, the journal entry for interest accounting will be similar.

11.5 Motor/Bicycle Loan

RDF employees can be provided with loans for motorbikes or bicycles according to their needs, as per paragraph 36 of Chapter 5 of the "Human Resource Management Regulations."

Accounting Process:

- Centralized purchase of motorbikes/bicycles will be made through the head office. Debit entries will be:

  Debit: [Motorcycle/Vehicle Account]
  Credit: [Cash/Bank Account]

- Journal entries for branch offices and salary adjustments will follow similar procedures.

11.6 Member Loans

RDF will provide loans to members of village organizations in accordance with the "Loan Policy". Loans will be provided to members, and repayments will be done in installments.

Accounting entries for these transactions will be:

a) When the loan is granted: Debit: [Loan Account] Credit: [Cash/Bank Account]

b) When repayment is made: Debit: [Cash/Bank Account] Credit: [Loan Account]

c) When savings are collected: Debit: [Cash/Bank Account] Credit: [Savings Account]

d) When savings are refunded: Debit: [Savings Account] Credit: [Cash/Bank Account]

11.7 Employee Transfer and Loan Adjustment

When an employee is transferred from the main office to a branch office or vice versa, loan adjustments will be necessary. The entries for such transfers will follow the procedure as outlined for both the sending and receiving offices.

11.8 Temporary Loan for Travel Expenses

RDF employees may take temporary loans for official travel expenses. The approval process for travel expenses follows the regulations laid out in Chapter 5, section 32 of the "Human Resource Management Regulations, October 2005."

The process for receiving and adjusting these loans includes:

- Submission of the travel approval request and confirmation by the accounting department.
- Upon completion of travel, the employee will submit their bills and receipts for final adjustments.

11.9 Temporary Loan for Product Purchases

RDF employees may receive temporary loans for product purchases necessary for office operations. These loans will generally be given for purchases up to 10,000 BDT.

The process for granting and adjusting these loans follows the guidelines provided in Chapter 11, section 1 of the rules.

11.10 Temporary Loan for Program Expenses

For RDF's various projects and programs, employees may receive advances for expenses. These advances must be reconciled and accounted for as per the established guidelines for temporary loans.

11.11 Advance Against Rent

This type of advance is commonly referred to as "Advance Rent." The procedure for granting, reconciling, and accounting for rent advances is as follows:

- A rental agreement will be signed between the organization and the landlord. The agreement will specify the rental amount, advance rent, and the method of adjustment.
- After signing the agreement, the advance rent will be paid to the landlord through a debit voucher.

11.12 Advances to Product Suppliers and Service Providers

Advances to suppliers and service providers must be provided in accordance with the terms specified in the purchase order or service agreement.

The entry for providing an advance will be:

Debit: [Supplier/Service Provider Advance Account]
Credit: [Cash/Bank Account]

11.13 Employee Deposits

R.D.F. requires field employees to deposit a certain amount as a security deposit upon joining. This deposit will be recorded in the "Employee Deposit" account.

Accounting Method:

- Upon receipt of the deposit:

  Debit: [Cash/Bank Account]
  Credit: [Employee Deposit Account]

- Upon the employee's resignation or retirement, the deposit will be refunded:

Debit: [Employee Deposit Account]
Credit: [Cash/Bank Account]

11.14 Outstanding Expenses

The main and branch offices of RDF will manage and account for outstanding expenses according to the organization's financial guidelines.

[The document continues with further financial details and examples of journal entries.]

Chapter 12: Fixed Assets and Depreciation Accounting

12.1 Introduction

Assets that can be used for more than one year are classified as fixed assets. According to R.D.F.'s established rules, any asset with a value greater than 1,000 BDT and a useful life exceeding one year is considered a fixed asset. However, for projects funded by donor agencies, the inclusion of fixed assets will be determined based on the terms of the agreement.

12.2 Safe Storage of Fixed Assets

The Administrative Department is responsible for taking necessary measures to ensure the safe storage of fixed assets at the R.D.F. main office. At the branch level, the local head will ensure the safe storage of fixed assets. However, the Administrative Department at the main office will monitor and take necessary actions periodically to ensure the safe storage of fixed assets at branch offices.

12.3 Acquisition of Fixed Assets

R.D.F. acquires fixed assets through the following three methods:

i. By purchase
ii. By donation
iii. By transfer

In the case of purchasing fixed assets, the steps and management procedures outlined in Chapter 11 will be followed. If fixed assets are acquired through donations, the necessary documents should be preserved and recorded in the fixed asset register. Since no payment is made for donated assets, their market value must be determined and accounted for.

12.4 Listing Fixed Assets

After acquiring fixed assets, the responsible employee must ensure that the assets are included in the fixed asset register. A sample of the fixed asset register is provided in the appendix. The fixed asset register is the primary record where all information related to fixed assets will be documented. The register must be kept up-to-date at all times.

12.5 Identification of Fixed Assets

To ensure proper control over fixed assets, each asset at the R.D.F. main and branch offices will be uniquely identified with a code. This identification number will be marked on the asset and recorded in the fixed asset register. The identification number will contain the following information:

i. Fixed asset code
ii. Asset class code:

- For furniture
- For motorcycles
- For bicycles
- For equipment
- For computers
- For vehicles

iii. The first two letters of the asset's location: For the head office: HO For the branch office: BO

iv. The first two letters of the asset's description (e.g., "Chair" or "Computer"): For a chair: CH For a computer: CO

v. The asset's serial number, such as 01, 02, 03, etc.

For example:

- The identification number for chair 30 at the head office will be: HO/AS/FURN/CHAIR/30
- The identification number for computer 6 at the branch office will be: BO/AS/COMP/COMPUTER/06

For projects, the project name/code will precede the number, e.g., for the "Gurut" project, the number will be: GURUT/AS/PROJ/CHAIR/30

12.6 Sale of Fixed Assets

If a fixed asset becomes unusable, is broken, is outdated, or is no longer needed by the organization, it will be sold through the following process:

- The Administrative Department will prepare a list of all unnecessary and saleable fixed assets and submit it to the CEO. After verification, the CEO will seek approval from the Chairperson/Executive Committee for the sale.
- The sale will be conducted through a comparative quotation process by the sale committee, with approval from the CEO.
- If the quantity and value of the fixed asset are minimal, it may be sold through negotiations with the highest bidder.
- Any fixed asset can only be sold through the main office. However, in exceptional cases, with written permission from the CEO, assets may be sold through other offices.
- All documents related to the sale of fixed assets will be properly maintained by the main office.

12.7 Fixed Asset Accounting

R.D.F. generally records fixed assets under the following three circumstances:

i. When the asset is purchased

ii. When the asset is sold or disposed of

iii. When depreciation is calculated

(a) When Acquiring Assets:

i. If the main office/branch office purchases assets through cash or cheque, the following entry must be made after creating a debit voucher and entering it into the cash book and general ledger:

- **Debit:** Fixed Assets Account (Permanent Asset Account)
- **Credit:** Cash Account / Bank Account

This transaction should also be recorded in the fixed asset register with relevant information about the asset.

ii. If the asset is purchased on credit, the following entry should be made:

- **Debit:** Fixed Assets Account (Permanent Asset Account)
- **Credit:** Payable Liabilities Account (Outstanding Payables)

The asset details should also be recorded in the fixed asset register.

iii. When payment is made for the asset purchased on credit, the following entry should be made:

- **Debit:** Payable Liabilities Account (Outstanding Payables)
- **Credit:** Cash Account / Bank Account

iv. If provision is made for the purchase of the fixed asset, the following entry should be made:

- **Debit:** Fixed Assets Account (Permanent Asset Account)
- **Credit:** Provision for Fixed Asset Purchase Account

v. When the provisioned fixed asset is purchased, the following entry should be made:

- **Debit:** Provision for Fixed Asset Purchase Account
- **Credit:** Cash Account / Bank Account

(b) When Selling or Disposing of Assets:

When an asset is sold or disposed of, the acquisition cost, accumulated depreciation, and sale price must first be determined. The required journal entries are shown below in two examples:

Example 1: Sale at a Loss:

- Purchase Price of Asset: 1,000 BDT
- Accumulated Depreciation: 600 BDT
- Sale Price: 200 BDT

To calculate the loss on sale:

- (Purchase Price - Accumulated Depreciation) = (1,000 - 600) = 400 BDT
- Loss on sale = (Book Value - Sale Price) = (400 - 200) = 200 BDT

i. The credit voucher for the amount received from the sale will be:

- **Debit:** Cash Account / Bank Account: 200 BDT
- **Credit:** Furniture Account: 200 BDT

ii. The journal voucher for the loss on sale and accumulated depreciation will be:

- **Debit:** Loss on Sale of Asset Account: 200 BDT
- **Debit:** Accumulated Depreciation Account: 600 BDT
- **Credit:** Furniture Account: 800 BDT

Example 2: Sale at a Gain:

If the asset is sold at a gain, for example, the asset is sold for 600 BDT:

- Sale Price: 600 BDT
- Book Value (Purchase Price - Accumulated Depreciation): 400 BDT

The gain on sale:

- Gain on Sale = (Sale Price - Book Value) = (600 - 400) = 200 BDT

i. The credit voucher for the amount received from the sale will be:

- **Debit:** Cash Account / Bank Account: 600 BDT
- **Credit:** Furniture Account: 600 BDT

ii. The journal voucher for the gain on sale and accumulated depreciation will be:

- **Debit:** Accumulated Depreciation Account: 600 BDT
- **Credit:** Gain on Sale of Asset Account: 200 BDT
- **Credit:** Furniture Account: 400 BDT

(c) Depreciation and Its Accounting

- RDF will use the Straight-Line Method (SLM) of depreciation. Under this method, the depreciation rate is applied to the cost of fixed assets on a specific date (usually the end of the year or month), and the annual depreciation is calculated. Monthly depreciation can be calculated by dividing the annual depreciation by 12. The calculated depreciation must be transferred to the accumulated depreciation account at the end of each year.

For example, assume on December 31, 2006, the total purchase cost of all computers is 100,000 BDT and the accumulated depreciation balance up to that date is 30,000 BDT. If the depreciation rate for computers is 15%, the depreciation for that year will be:

- (100,000 BDT * 15%) = 15,000 BDT

The accounting entry for depreciation will be:

- **Debit:** Depreciation Account
- **Credit:** Accumulated Depreciation Account
- According to RDF's policy, full-year depreciation is charged on an asset purchased during any part of the year.
- Depreciation rates for different assets will be applied based on the estimated useful life of each asset, as per the following schedule.

Sl. No.	Nature of Fixed Assets	Depreciation Rate
1	Land	N/A
2	Building	2.5%-4%
3	Furniture & Fixture	10%-20%

Sl. No.	Nature of Fixed Assets	Depreciation Rate
4	Motor Vehicles	20%
5	Equipment	20%
6	Computer	15%-33.30%
7	Telephone	15%
8	Spare Equipment	15%-33.30%
9	Bi-Cycle	20%

12.8 Physical Verification and Reporting of Fixed Assets

The main office and each branch office of RDF will conduct a physical count of all fixed assets at least once a year. The following procedure will be followed in this regard:

- An impartial physical counting committee will be formed.
- At the end of the year, each office head will present a list of all fixed assets under their office to the committee, according to the format provided in the annex.
- The counting committee will collect the lists and first cross-check them with the fixed asset register. If any discrepancies are found, they will immediately report it and prepare a final list by making necessary adjustments.
- The final list will be reviewed, and the committee will give their opinion on the status of the fixed assets in all offices.
- After the physical count, the counting committee will present the results and necessary comments to the Chief Executive Officer.

12.9 Damage, Loss, and Destruction of Fixed Assets and Remedial Actions

Each office official of RDF will take necessary measures to address the destruction, loss, or damage of any fixed asset under their control.

12.10 Rental/Leased Use of Fixed Assets

RDF may rent or lease fixed assets as needed. However, in such cases, prior approval from the Chief Executive Officer must be obtained, with necessary and reasonable justification.

12.11 Procedure for Transfer of Fixed Assets

To transfer a fixed asset from one office to another, a delivery note or advice must be sent with the asset. If there is any delay in sending the delivery note or if the note is lost, the receiving office or official will be responsible for collecting the note from the sending office. The receiving office will record the asset in the fixed asset register according to the delivery note.

i. When Fixed Assets are Transferred from the Main Office to a Branch Office:

- **Main Office Journal Voucher:**
    - **Transfer of Purchase Price:**
        - Debit: Fixed Asset Account (Main Office)
        - Credit: Fixed Asset Account (Branch Office)
    - **Transfer of Accumulated Depreciation:**

        - Debit: Accumulated Depreciation Account (Main Office)
        - Credit: Fixed Asset Account (Branch Office)
- **Branch Office Journal Voucher:**
    - **Receipt of Purchase Price:**
        - Debit: Fixed Asset Account (Branch Office)
        - Credit: Fixed Asset Account (Main Office)
    - **Receipt of Accumulated Depreciation:**
        - Debit: Fixed Asset Account (Branch Office)
        - Credit: Accumulated Depreciation Account (Main Office)

2. When Fixed Assets are Transferred from a Branch Office to the Main Office:

- **Branch Office Journal Voucher:**
    - **Transfer of Purchase Price:**
        - Debit: Fixed Asset Account (Branch Office)
        - Credit: Fixed Asset Account (Main Office)
    - **Transfer of Accumulated Depreciation:**
        - Debit: Accumulated Depreciation Account (Branch Office)
        - Credit: Fixed Asset Account (Main Office)
- **Main Office Journal Voucher:**
    - **Receipt of Purchase Price:**
        - Debit: Fixed Asset Account (Main Office)
        - Credit: Fixed Asset Account (Branch Office)
    - **Receipt of Accumulated Depreciation:**
        - Debit: Fixed Asset Account (Main Office)
        - Credit: Accumulated Depreciation Account (Branch Office)

3. When Fixed Assets are Transferred Between Branch Offices:

- **From the Transferring Branch Office:**
    - **Transfer of Purchase Price:**
        - Debit: Fixed Asset Account (Transferring Branch)
        - Credit: Fixed Asset Account (Receiving Branch)
    - **Transfer of Accumulated Depreciation:**
        - Debit: Accumulated Depreciation Account (Transferring Branch)
        - Credit: Fixed Asset Account (Receiving Branch)
- **From the Receiving Branch Office:**
    - **Receipt of Purchase Price:**
        - Debit: Fixed Asset Account (Receiving Branch)

        - Credit: Fixed Asset Account (Transferring Branch)
    - **Receipt of Accumulated Depreciation:**
        - Debit: Fixed Asset Account (Receiving Branch)
        - Credit: Accumulated Depreciation Account (Transferring Branch)

Chapter 13: Store Management and Accounting

13.1 Introduction

Various printed and stationery items used in RDF office operations are sent from the head office to branch, area, and regional offices. In addition, various forms and books are sent to branches for sale to the organization's members. The storage, control, and accounting of such items are the subject of this chapter.

13.2 Creation of Requisition Form

When the stock in the store reaches a minimum of 25%, the store officer will prepare a requisition form. This will include the quantity of previously stocked items and the quantity required for new stock. The requisition form will be signed by the accountant and the approving authority and then submitted to the purchaser.

13.3 Goods Receipt Note (GRN)

When goods are received in the store, the quality, quantity, and size should be checked. Then, the quantity of the goods will be matched with the cash memo, invoice, and purchase order, and the goods will be received through a Goods Receipt Note (GRN). After receiving the goods, the store officer will sign and verify the GRN by placing a store verification seal on the cash memo/bill. The first copy of the GRN, along with all related documents, will be submitted to the accounting department. The GRN will have three copies: the first copy will be with the bill, the second will be in the store, and the third will be kept in the register.

13.4 Store Register

The responsible staff will make entries in the store ledger according to the details of the daily receipt notes. A separate page must be used for each item in the store ledger. When supplies are made, the store officer will provide the materials according to the requisition with the approval of the responsible officer of the respective department.

13.5 Types of Items

The storage and control of three types of stock items, namely Printing and Stationery Stock (General), and Printing and Stationery Stock (Saleable Forms and Books), and their accounting are essential for RDF.

13.6 Printing and Stationery Stock (General)

Proper handling and accurate accounting of printing and stationery items are vital to ensure efficient use and cost control. Therefore, each branch will maintain a Printing and Stationery Stock Register (General) according to the annexed format.

13.7 Printing and Stationery Stock (Saleable Forms and Books)

Saleable forms and books will be sent from the head office to be sold by branch/area offices to the members or staff of rural organizations in exchange for money. A separate register will be maintained for controlling these printing and stationery items, following the annexed format. A separate page will be used for each item by the responsible employee.

13.8 Store Reporting

RDF's responsible employee will prepare a store report every month. The store report will be prepared using the First-In-First-Out (FIFO) method.

13.9 Annual Physical Verification Report

A three-member committee will verify the store inventory physically at least once a year. The committee will submit the store report to the administration department at the head office. If goods are stolen, damaged, broken, or expired, appropriate actions should be taken with the Chief Executive Officer's approval and necessary adjustments made. Additionally, the responsible employee will regularly match the actual stock with the quantities recorded in the store ledger.

13.10 Precautionary Measures

The mentioned stock registers at the head office and branches are important documents. Therefore, the responsible staff should use them carefully. When making entries in the register, care must be taken to avoid errors. If an error occurs, it should be corrected by striking through the incorrect entry, making the correct one, and initialing the change. Additionally, as much as possible, correction fluid, erasers, or vanishing ink should not be used.

13.11 Store Accounting Procedures

- **When goods are purchased by cash or cheque:**
  - Debit Voucher:
    - Debit: Store/Stationery Account
    - Credit: Cash/Bank Account
- **When goods are purchased on credit:**
  - Journal Voucher:
    - Debit: Store/Stationery Account
    - Credit: Creditor Account
- **For payment against received goods' bills:**
  - Debit Voucher:
    - Debit: Creditor Account
    - Credit: Cash/Bank Account
- **When goods are transferred from the store to a branch office:**
  - Journal Voucher:
    - Debit: Fixed Asset Account
    - Credit: Store/Stationery Account
- **When the branch office receives the goods:**

- Journal Voucher:
    - Debit: Store/Stationery Account
    - Credit: Fixed Asset Account

Chapter 14: Budget and Budgetary Control

14.1 Introduction

A budget is a plan for income and expenditure for the upcoming financial year. This is an essential matter for RDF. A budget is a possible plan for the provision and expenditure of funds to ensure the proper implementation of RDF's future operational procedures. In other words, there must always be an estimated cost or budget in comparison to actual expenses. The proposed budget accounts must be prepared according to the requirements of the donor agency and the approved accounts of RDF.

14.2 Budget Period/Timeframe

According to RDF's established procedure, a budget is prepared for the period from July to June of the following year, based on the actual accounts. However, the budget period/timeframe may be adjusted based on the organization's needs or the donor agency's requirements.

14.3 Pre-Budget Meeting

A pre-budget meeting will be held for the presentation of the proposed budget for RDF. The proposed budget will be amended during this meeting, and it will be approved in the annual meeting. The annual meeting is held within 15 months of the previous year's meeting. To facilitate this, each project must prepare a budget for the following year and submit it to the relevant project head at the central office before June 30th. The project head will submit the budget to the Finance and Accounts Department. The Finance and Accounts Department will prepare a consolidated budget based on all project budgets. This consolidated budget will be presented by the Chief Executive Officer at the pre-budget meeting.

14.4 Budget Approval Procedure

The budget approved at the pre-budget meeting will be presented by the Chief Executive Officer at the Annual General Meeting for final approval. Along with the budget presentation, a report on activities and financial details should also be presented.

14.5 Budget Control and Monitoring

Budget control refers to the measures taken to ensure the proper use of the budget and the control of budgeted income and expenditure. At the beginning of each fiscal year, the budget, specifying the categories, must be approved by the central office for the daily expenditure management of each branch office. Based on the budget, a comparative report of actual expenses against the budgeted costs for each line item should be prepared monthly. If the actual cost in any specific category exceeds or falls short of the approved budget by more than 10%, the reason for the variance must be explained in the comparative report.

14.6 Preparation and Approval of Supplementary Budget

If any line item of the budget incurs an expense exceeding 10% of the approved amount without prior approval, the approval of the Chief Executive Officer will be required.

Chapter 15: Preparation of Financial Statements

15.1 Introduction

The financial statements of RDF generally refer to the balance sheet, income-expenditure statement, receipts-payments account, cash flow statement, and notes to financial statements. RDF's financial statements will disclose and present all necessary information according to international accounting standards and International Financial Reporting Standards (IFRS). However, based on the needs of the organization or the donor agency's requirements, the financial statements will be prepared to disclose and present the necessary information accordingly.

At the end of each month, the Finance and Accounts Department will prepare RDF's monthly financial statements and other reports. The accounts for the previous month will be presented to the Chief Executive Officer by the third week of the following month. Similarly, at the end of the year, the annual financial statements and reports will be presented to the Chief Executive Officer and then to the Executive Council.

15.2 RDF's Financial Statements and Reports

RDF will prepare accounting reports on a monthly basis. To do so, each branch office will submit the accounts for the previous month to RDF's headquarters by the 5th of the following month. The Finance and Accounts Department at headquarters will prepare a consolidated account by the third week of the month, based on the reports received from the branch offices, and present it to the Chief Executive Officer and other project heads. The following items must be included in the monthly accounting report:

i. Trial Balance
ii. Balance Sheet
iii. Income-Expenditure Statement
iv. Cash Flow Statement
v. Receipts and Payments Account
vi. Inter-departmental Loan List
vii. Bank Reconciliation Statement / Bank Statement
viii. Comparative Budget Statement
ix. Provident Fund Deductions List, Employee Welfare Fund Deductions List with employee names
x. Cash Certificate
xi. Headquarters current account breakup
xii. Income Tax Deduction Statement
xiii. List of cash on hand by date
xiv. List of bank checks by date

xv. Journal Voucher List

xvi. Employee Loan List

In addition to the above, the following items will be included in the semi-annual and annual accounting reports:

i. Accounts Receivable List

ii. Accounts Payable List

iii. Advance List

iv. Store Report

v. Depreciation List for Fixed Assets in the annual accounts

vi. Motorcycle Installment Collection Statement

vii. Employee Deposit List

viii. Fixed and Temporary Asset Breakdown

ix. Other account breakups and explanations

Additionally, any other necessary items will be included in the accounting report as per the donor agencies and the Finance and Accounts Department's requirements.

It is worth mentioning that based on the agreements with various donor agencies, the Finance and Accounts Department at headquarters will prepare financial reports and, with the proper authorization, submit them to the donor agency within the specified timeframe.

15.3 Purpose of Preparing Financial Statements

RDF and its branch offices prepare financial statements for the following purposes:

- To verify the current financial condition of the organization and the financial outcomes for a specific period
- To disclose financial policies
- To assist management in future planning
- To provide information on the financial position to the government
- To implement the agreements with donor agencies
- To comply with government laws and regulations
- To symbolize the organization's financial and accounting transparency and accountability

15.4 Preparation of Trial Balance

RDF will close all accounts on a specified day and prepare the trial balance by placing the debit balances in the debit column and credit balances in the credit column. If there are no posting errors, the totals of the debit and credit columns will match.

RDF will prepare the trial balance before preparing other financial statements. Only after the debit and credit columns of the trial balance match properly will the preparation of other financial statements begin.

15.5 Receipts and Payments Account

The receipts and payments account is a summary of all cash transactions. To prepare this statement, the opening cash and bank balance are added to all cash receipts, and then all cash payments are deducted to calculate the closing cash and bank balance. If the closing cash and bank balance matches the actual cash on hand and bank balance, then the receipts and payments account will be considered accurate.

RDF will prepare the receipts and payments account on a monthly and annual basis.

15.6 Income-Expenditure Statement (Profit and Loss Statement)

The income-expenditure statement will help RDF determine whether the organization has more expenditure than income or vice versa. The headquarters and all branch offices will prepare this statement on a monthly and annual basis. The preparation rules for the income-expenditure statement are as follows:

- All profit-type receipts will be considered as income, and all profit-type payments will be treated as expenses during the specified period.
- All profit-type incomes and expenses will be selected from the trial balance or ledger and placed in the appropriate income-expenditure section.
- Depreciation on fixed assets will be shown as an expense in the income-expenditure statement.
- Any income or expense, whether or not money was exchanged, will be shown in the income-expenditure statement.
- The totals of both income and expense sides will be calculated. If the total income exceeds the total expense, it will be considered a surplus income; conversely, if the total expenses exceed the income, it will be considered an excess expenditure.
- Surplus income or excess expenditure must be reconciled with the capital fund in the balance sheet.
- Advances, outstanding amounts, and capital expenses should be shown directly in the balance sheet and not in the income-expenditure statement.

15.7 Preparation of Balance Sheet

The balance sheet is prepared to show the status of assets and liabilities on a specific day. RDF will prepare a balance sheet on a monthly and annual basis for the overall organization and all projects.

RDF's accounting department will prepare the balance sheet in the following manner:

- All capital-type account balances from the trial balance will be used to prepare the balance sheet.
- Surplus income or excess expenditure from the income-expenditure statement will be reconciled with the capital fund.
- All assets, liabilities, and debts will be arranged based on liquidity or permanence. The total assets and liabilities plus capital fund must be equal, as per the accounting equation (Assets = Liabilities + Capital).

If the trial balance matches, and the income-expenditure statement is prepared correctly, the total assets and liabilities in the balance sheet will be equal.

15.8 Cash Flow Statement

According to international accounting standards (IAS 1 and IAS 7), the cash flow statement is an essential part of financial statements. All cash transactions will be classified into three categories in the cash flow statement:

i. Cash flow from operating activities
ii. Cash flow from investing activities
iii. Cash flow from financing activities

RDF will prepare the cash flow statement on a monthly and annual basis.

15.9 Notes to Financial Statements

Notes to the financial statements (as per IAS) are an essential part of the financial statements. RDF will include the following items in the notes to the financial statements:

i. Legal status, purpose, and activities of the organization and its projects
ii. Basis of accounting and the organization's key accounting policies
iii. Necessary explanations and breakdowns of any account or section used in the income-expenditure statement, balance sheet, and cash flow statement

Chapter 16: Financial and Accounting Control of Branch Offices

16.1 Introduction

The branch offices of RDF are all offices other than the main office. Therefore, regional offices, area offices, training centers, various project offices, and any other offices will be considered as branch offices.

16.2 Responsibility of Accountants at Branch and Other Offices

The overall responsibility for accounting and financial management at RDF's branch offices, area offices, and regional offices lies primarily with the respective office managers. The responsibility for maintaining accounting records and managing these records lies with the respective office accountants. Employees from the Finance and Accounts department will monitor whether the financial and accounting processes are being conducted properly and will report to the head of the Finance and Accounts department. Additionally, the office accountants are responsible for preparing timely and accurate financial reports.

16.3 Management of Bank Accounts of Branch Offices

With written approval from the Chief Executive, branch offices can open necessary bank accounts with any scheduled bank in the country. The rules for managing the bank accounts of branch offices are as follows:

- Branch offices will have a three-member signatory panel, where the local head must be one of the signatories.
- Any payments over 10,000 BDT must be made through a cheque.
- Whenever issuing a cheque, the full details of the cheque must be filled out correctly and signed.
- The checkbook will be kept in a safe place by the authorized employee of the Finance and Accounts department.

- All bank transactions must be recorded immediately.
- A monthly bank statement must be collected for each bank account. If there is any difference between the cash-on-hand and bank balance, a bank reconciliation statement must be prepared. This statement will be created by the accountant and approved by the manager.
- For cash withdrawals from the bank, all other transactions must issue a crossed cheque. Signatories will sign the cheque and also sign on the top of the cheque's flap to enable identification in case of later queries.

16.4 Recording of Receipts

Branch offices typically receive funds from the main office, other sources, publication sales, bank interest, and other means.

For various receipts, RDF branch offices will issue money receipts in the **Pre-numbered** format, which must be from printed books. Each money receipt will have three copies: the first copy will be given to the payer, the second copy will be attached to the credit voucher, and the third copy will remain in the receipt book.

The branch office accountant will deposit the received funds into the bank, ideally on the same day or the next business day. The branch accountant will issue a credit voucher with the bank deposit receipt and money receipt attached, and upon approval by the local head, the transaction will be recorded in the cash book.

16.5 Payments by Cash or Cheque and Accounting

All payments made by cash or cheque will be recorded using a debit voucher and entered into the cash book and corresponding ledger. Any debit voucher must be accompanied by supporting documents, such as requisitions, comparative statements, purchase committee resolutions, work orders, invoices, bills, money receipts, and related certificates, and must be approved by the manager.

RDF will avoid making cash payments as much as possible. Therefore, no transaction exceeding 10,000 BDT will be made in cash under any circumstance. Only in special cases, where cash payments are unavoidable, and with the approval of the head of the Finance and Accounts department, transactions above 10,000 BDT may be made in cash.

After a debit voucher has been settled, a "cancelled" stamp must be used on the relevant documents to ensure they cannot be reused. If no rubber stamp is available, the word "Cancelled" must be written.

16.6 Reporting for Branch Offices

Each branch office of RDF must close their accounting books by the 2nd business day of the following month and prepare the necessary reports, obtain proper approvals, and send them to the Finance and Accounts department at the main office. The reporting process for branch offices will involve the following steps:

- **Closing of Books and Accounts:**
    - Close the cash book and determine the cash and bank balances.
    - Close the general ledger and balance all account heads.
    - Close all subsidiary and project ledgers and balance them.
    - Update all registers.

    - Collect the bank statement and verify the bank balance.
    - If needed, prepare a bank reconciliation statement.
- **Preparation of Financial Reports:**
    - Prepare the trial balance (Rewamil).
    - Prepare the monthly receipts and payments account.
    - Prepare the monthly income and expenditure statement.
    - Prepare a summary of journal vouchers (monthly journal voucher register).
    - Prepare the inter-office transaction balance and related explanation.
    - Analyze budget variances and provide necessary clarifications.
    - Prepare any additional reports as required by the donor agencies based on specific projects.

16.7 Salary Payment for Branch Offices

All salary-related activities for branch offices will be handled within the respective branch offices. The method of salary payment in branch offices will be similar to that of the main office. The branch accountant will prepare salary bills, salary sheets, bank transfer advice, and other related documents, and the branch manager will approve them.

16.8 Approval of Branch Manager's Personal Expenses

All bills related to the salaries and expenses of branch managers will be approved by their respective supervisors, although the funds for these expenses will be paid from the branch's budget.

16.9 Purchases for Branch Offices

Purchasing activities for branch offices will be carried out through the respective branch offices. Each branch office will have a purchase committee responsible for the purchase activities. The branch manager will approve purchase bills and purchase requisitions according to their financial authority. The purchase process and accounting procedure at the branch offices will be similar to those of the main office. Details of these processes are described in Chapter Eleven.

16.10 Other Financial and Accounting Activities for Branch Offices

In addition to the activities mentioned above, each branch office will carry out the following tasks:

- At the end of each year, branch offices will conduct physical counts of all stocks, fixed assets, and other assets and prepare the necessary reports to send to the main office.
- Following the instructions from the main office, the branch will prepare and send the annual budget to the main office. After budget approval, the budget variances will be reviewed monthly, and a report will be submitted to the main office.
- Any other required information, as per the instructions from the main office, will be sent by the branch office.

Chapter 17: Tax, VAT, and Other Compliance According to Government Regulations

17.1 Introduction

As per government regulations, withholding income tax and VAT at the source by the paying institution is mandatory in applicable cases. The withheld income tax and VAT must be deposited in the government treasury within the specified time. Failure to comply with these regulations may result in penalties, including additional fines, for the responsible institution.

17.2 Withholding Tax at Source (Source-based Tax Deduction)

Withholding tax at source refers to the tax deducted by the payer when making a payment to the taxpayer. For example, when RDF disburses salaries to employees, the tax deducted from the employee's salary will be considered a source-based tax deduction.

17.3 Applicable Cases for Income Tax Withholding

RDF employees responsible for tax deduction will withhold income tax at source in the following cases:

i. Withholding tax on employee salaries (Section 50).

ii. Withholding tax when making payments to contractors (Section 52, Rule 16) such as for goods supply, contracting, or service work.

iii. Withholding tax on professional and technical fees (Section 52A), for example in fields such as law, engineering, architecture, accounting, technical consulting, interior decoration, and advertising.

iv. Withholding tax on payments for certain services (Section 52AA), such as when paying for privately-owned security services.

v. Withholding tax on rent for houses or offices (Section 53A, Rule 17).

It is noted that the rates and categories of income tax withholding may change annually based on modifications to the income tax law.

17.4 Timing of Tax Payment at Source

RDF must deposit all taxes withheld at source, through an income tax challan, within one week from the date the tax is deducted or the date the challan is received, into the government treasury, Bangladesh Bank, or Sonali Bank, and credit it to the government's account.

It is important to note that for income tax deductions from the 'salary account,' RDF may, with the permission of the tax authority, deposit the withheld taxes quarterly, i.e., by the 15th of September, December, March, and June.

17.5 Considerations in Filling the Challan

When filling out the challan form, the responsible person must exercise particular care while writing the code number. Specifically, the last four digits of the 13-digit code number indicate the type of tax being paid: "0111" for income tax and "0311" for VAT.

The challan form consists of three copies:

- The first copy is for the government treasury.
- The second copy is for the relevant taxpayer, i.e., the one from whom RDF has withheld tax.

- The third copy will be retained by RDF.

17.6 Withholding VAT at Source (Source-based VAT Deduction)

According to the Value Added Tax (VAT) law, in specific cases such as suppliers and contractors, the VAT is deducted from the purchase price by the buyer at the time of goods or service transactions and is deposited in the government treasury through a challan. In such cases, RDF employees responsible for VAT deductions will deduct VAT from the purchase price during payment and remit the deducted VAT to the government treasury.

17.7 Applicable Cases for VAT Withholding

RDF employees will withhold VAT at source in the following cases:

- Printing press
- Construction companies
- Surveying agencies
- Furniture retail centers
- Consultancy and supervisory firms
- Audit and accounting firms
- Suppliers
- Security services
- Vehicle rental providers
- Architects, interior designers, or decorators
- Electricity distributors

17.8 Consequences of Failure to Withhold Tax or VAT

If RDF fails to withhold, collect, or pay tax or VAT on income received by the taxpayer, or if RDF fails to remit the withheld tax or VAT to the government after collecting it, the institution will be considered a defaulter for the withheld tax or VAT.

Additionally, failure to remit taxes and VAT on time is subject to penalties, fines, and interest as specified under the *Income Tax Ordinance, 1984* and the *VAT Act, 1991*. Therefore, RDF employees responsible for tax compliance must ensure the timely submission of taxes and VAT to the government treasury to avoid financial loss to the organization and to comply with the regulations.

Chapter 18: Internal Control

18.1 Introduction

Internal control is crucial for the proper management of an organization’s financial, administrative, and other functions. The overall system of planning adopted by the management to ensure the smooth conduct of all organizational activities is referred to as the internal control system.

18.2 Classification of Internal Control

To achieve the organization’s objectives, RDF has divided the internal control system into the following eight categories to efficiently manage financial operations and all other functions:

i. **Equitable Distribution of Tasks**: RDF will distribute the tasks equitably based on the employees' skills and capabilities.

ii. **Organizational Structure**: RDF will establish a strong organizational structure where activities will be conducted in alignment with the organization's goals and objectives.

iii. **Authority and Approval**: RDF's authority and approval system will be designed to align with the organization's goals and plans, ensuring that legal actions are taken when necessary.

iv. **Asset Protection**: RDF will establish appropriate controls and measures to ensure the security of the organization's assets and confirm ownership.

v. **Evaluation and Monitoring of Activities**: RDF's management will regularly evaluate, assess, and monitor financial and other activities to check progress and outcomes.

vi. **Control over Accounting Records**: RDF will maintain appropriate control over accounting records to ensure they accurately reflect the financial status of the organization. Proper control over accounting records helps protect the organization from errors and fraud.

vii. **Proper Recruitment System**: RDF will hire employees based on competence and qualifications, and the recruitment process will be properly documented.

viii. **Supervision and Inspection**: To strengthen internal control, RDF will regularly supervise and inspect the implemented systems. The responsibility for this will be assigned to a senior official in RDF.

18.3 Cost of Internal Control

Before implementing any control system, its costs must be compared with the benefits to be gained. The costs of the control system should never exceed its potential benefits or value. When considering the costs and benefits of the internal system, RDF will evaluate both financial and non-financial aspects.

18.4 Internal Prevention System

In general, the system for preventing errors or fraud at their source and in a timely manner, through the organization's internal processes, is known as the internal prevention system. RDF will organize its operations in such a way that actions performed by one person automatically become visible to others, ensuring that errors are detected and corrected.

18.5 Payment Management

Before making any payment, RDF will ensure that the corresponding bill, goods receipt report, purchase order, requisition, etc., are properly verified. Payments will be made with approval from the appropriate authority as per the "RDF Human Resources Management Regulation October-2005" schedule.

No payment will be made without prior approval from the authorized personnel according to the "RDF Human Resources Management Regulation October-2005" schedule. After approval, all bills, purchase orders, goods receipt reports, etc., will be marked with the official seal. Additionally, all relevant documentation will be attached to the payment voucher.

For all types of payments, RDF will ensure that payments are recorded in the cashbook and ledger accounts, and the following checks will be carried out:

i. Is the payment in accordance with the budget?

ii. Is the expenditure for the organization's legitimate needs?

iii. Was the payment made to the appropriate person?

iv. Was the voucher created correctly when entering the payment into the cashbook?

v. Are proper supporting documents available for the expense?

vi. Have these documents been approved by the appropriate authority?

vii. Above all, ensure that the payment voucher is correctly prepared and has been approved by the relevant authority.

Additionally, the following documents will be attached with the payment voucher by the person preparing it:

- Cash memo
- Delivery note
- Indent
- Purchase order
- Bill
- Performance certificate
- Written decision of the purchase committee, including the meeting minutes and authorized signatories
- Other documents.

For travel-related expenses or reimbursements, the following will be considered:

i. Bills must be submitted in the specified form.

ii. Travel must have been approved by the appropriate authority.

iii. Attach tickets for air/bus/train/launch travel.

iv. Travel allowances and other related benefits will be provided according to established rules.

v. Advances for travel must be reconciled within 7 working days after the travel. No new advance will be granted until the previous one is settled.

Chapter 19: Financial Document Retention and Manual Maintenance

19.1 Financial Document Retention

The financial documents of RDF refer to the accounting books and all related supporting documents, such as cash memos, bills, vouchers, ledgers, subsidiary ledgers, bank statements, and other registers.

In addition to these, agreements with donors, organizations, and other parties, checkbooks, bank deposit books, financial and audit reports, etc., are also included as financial documents.

RDF's Accounts Department will ensure that all the above-mentioned financial documents are securely stored. The Accounts Department will retain financial documents for at least five

(5) years. In the sixth year, the documents will be destroyed through burning or other means with the special approval of the relevant committee. This means that every year, financial documents from five years ago will be discarded.

However, in the case of legal matters, RDF will retain the financial documents until the case is resolved. In the case of donor organizations, the documents will be retained according to the contract period or special instructions.

19.2 Changes and Enhancements in Financial Management and Accounting Regulations

This manual will serve as a guide for RDF's accounting activities and financial controls. The instructions in this manual are not fixed. Any changes, revisions, or additions to this manual can be made as necessary based on time and requirements. Changes or enhancements to this manual can be made in the following cases:

- If a current law is changed or a new law is enacted by the government, there may be a need to amend this manual accordingly.
- If any executive director of RDF requests and the executive committee deems it necessary to revise or change specific sections of the financial regulations.
- The executive committee will formally review this manual every year, and if any changes are required, they will be made.

19.3 Procedure for Changes and Enhancements to Financial Management and Accounting Regulations

The financial regulations of RDF, approved by the executive committee, serve as a guideline that must be followed for RDF's overall accounting activities and financial management. No changes or enhancements can be made to these regulations without the approval of the executive committee.

Any changes to this manual can currently be made via office notes, which must be appended to the existing manual.

Chapter 20: Audit System

20.1 Introduction

It is the responsibility of the Accounts Department to prepare and preserve all the financial documents and records of the institution, as well as to prepare financial reports in a systematic manner. The management committee will verify the accuracy of accounting work through an external firm. Thus, through the audit system, the institution can simultaneously verify the accuracy and efficiency of its operations, and obtain specific advice and recommendations for improving accounting practices.

Financial transaction examinations, validation, re-auditing, analysis, and detailing are part of the audit system. All these activities must follow international accounting standards and local laws, considering the institution's accounting policies, procedures, guidelines, declarations, office orders, manuals, contracts, and government regulations.

20.2 Objectives of the Audit

The primary objective of the audit is to determine the accuracy of the institution's financial statements and whether the transactions and financial condition reflect a true and fair view. Additionally, the audit system aims to achieve the following objectives:

- Confirm the accuracy and validation of the accounts.
- Detect errors or discrepancies.

- Identify fraud or misconduct.
- Prevent errors and fraud.

20.3 Types of Audits

There are various types of audits. The institution will conduct audits as necessary. For RDF, the following audits are required:

20.4 External Audit

The audit conducted by an external audit firm is called an external audit. This audit is mandatory for every institution. The scope of external audits is governed by the country's prevailing laws and international accounting standards.

The external auditor will express an opinion in the audit report confirming whether the financial report is presented correctly and completely, and whether the accounting is error-free, impartial, and free of misleading reporting.

External auditors must be appropriately qualified. According to the *Public Accounts Ordinance, 1972*, they must be a licensed chartered accountant to provide auditing services.

To build trust and credibility in RDF's financial reports, and to ensure continuity, transparency, and accountability in accounting, external and independent auditors will audit the financial reports.

20.5 Internal Audit

Internal audit is recognized as a separate evaluation system for safeguarding financial records and providing constructive services related to financial and management activities. Initially, internal audits were focused on accounting records and financial transactions, but over time, the scope and field of internal audits have expanded in line with the institution's overall operations. Thus, managers will conduct internal audits to analyze, evaluate, and improve their daily operations. Internal audits are not mandatory for institutions, but managers use internal audits as a helpful tool to verify the accuracy of their work and ensure accountability in accounting.

Internal audits for RDF's central accounts and various ongoing projects will be conducted by members appointed by the Central Committee. In addition, the internal auditor, under the direct supervision of the Executive Director, will audit each branch at least twice a year. The Executive Director will review the reports provided by the internal auditor and take necessary actions. If required, the matter will be presented to the Central Committee or a quarterly meeting for decision-making.

Objectives of Internal Audit

i. Verify the accuracy and correctness of recorded financial transactions and monthly/quarterly/annual financial reports.

ii. Evaluate whether the institution's administrative, financial, and other policies are being correctly implemented.

iii. Examine errors, irregularities, fraud, embezzlement, etc., and immediately inform senior authorities if any are found.

iv. Check whether the internal control system is being properly followed and report to senior authorities.

v. Examine whether the institution's budgetary control system is effectively implemented and inform senior authorities.

vi. Ensure that each program's activities are in line with its annual objectives.

vii. Play an important role in compliance with national regulations.

viii. Assist senior authorities in making proper decisions.

Scope of Internal Auditor

The scope of the internal auditor is broad. In general, the internal auditor will provide an opinion on the financial statements of RDF through an examination of the following:

i. Whether the institution's financial activities are in compliance with its policies.

ii. Whether the preparation of accounts follows the Bangladesh Accounting Standards and institutional policies.

iii. Whether financial transactions are correctly recorded.

iv. Verify supporting documents such as cash memos, check slips, approvals, budgets, etc., and check whether they align with the institution's activities.

v. Ensure that expenses in projects are consistent with the project's budget.

vi. Verify whether transactions are recorded under the correct accounts.

vii. Check the mathematical accuracy of transactions recorded in the books.

viii. Verify whether the institution's accounts are correctly prepared.

ix. Ensure the correct recording and maintenance of the institution's assets.

x. Ensure that fixed assets and inventory match the actual physical reports and records.

xi. Verify the institution's cash management reflects its policies.

xii. Ensure bank accounts are managed according to institutional policies.

xiii. Prepare a comparative analysis of budget and actual expenses and identify reasons for any discrepancies.

xiv. Verify whether loans under revolving credit activities are being granted, collected, and accounted for according to institutional policies.

xv. Confirm the receipt of deposits through proper receipts and bank deposits.

xvi. Verify advances, inter-loans, creditors, debtors, bank reconciliations, store reconciliations, etc.

Additionally, depending on the nature of the programs, the internal auditor will set their audit strategies and scope.

Audit Plan

The internal audit department of RDF will prepare an audit plan for one year and submit it to the Executive Director. The audit will be conducted based on the plan approved by the Executive Director. When preparing the audit plan, the auditor will consider:

i. Risky projects

ii. Large projects

iii. New programs

iv. Authority's feedback

Notification of Audit Plan

The relevant auditor must inform the concerned manager in writing at least 15 days before starting the audit activities. However, if the authorities decide otherwise, prior notification may not be necessary.

The auditor will prepare a report after completing the audit, which will include the following information:

i. Identification of weaknesses and their implications.
ii. Effective solutions for corrections.
iii. Feedback from the authorities.

The RDF auditor will follow up on each report. Based on this audit report, the appropriate authorities will take necessary actions to strengthen the institution's future activities.

20.6 Management Audit

Management audits are conducted to check if all daily operations are being conducted correctly and constructively according to the institution's structure. Through management audits, it is ensured that the institution's objectives, plans, and all organizational components are properly utilized.

Benefits of Management Audit

Through management audits, RDF will achieve the following benefits:

i. Assist the manager in planning based on reality.
ii. Ensure the efficiency and effectiveness of all components involved in the operation.
iii. Improve internal and external communication.
iv. Evaluate the performance of key officers.
v. Ensure the appropriate delegation of duties and powers according to the institution's priority structure.

Management Audit Procedure

RDF can conduct management audits in two ways: by external audit firms or by forming an audit team consisting of internal personnel. The internal team generally consists of members from the management committee, board of directors, chief accountant, or chief internal auditor. However, this structure must be approved by the CEO.

RDF will conduct management audits alongside internal audits to verify the accuracy of accounting, financial report preparation, and the accuracy of accounts. While management audits are not mandatory for all institutions, the management committee will conduct these audits every two or three years to improve efficiency.

20.7 Progress Audit

As part of evaluation audits, qualified and independent individuals conduct progress audits to verify whether specific objectives or goals have been achieved. This audit evaluates the effectiveness and cost-efficiency of funds allocated for particular purposes. The progress audit evaluates the performance and cost-efficiency of grants or resources and provides necessary directions for correction if discrepancies are found.

Progress audits are not mandatory for institutions. However, RDF will use various criteria to ensure the proper use of resources, and the progress audit will help confirm whether these criteria are met, and correct any mistakes in determining the criteria.

Chapter 21: Other Accounting Systems

21.1 Inter-Project Transactions

For the interest of the program, RDF will provide loans from one project to another. However, this must be approved in advance according to Clause 12 of the Human Resource Management Regulations' Priority Index, and arrangements must be made for the repayment of the loan as a priority immediately after the receipt of funds. Appropriate accounting must be maintained for inter-project transactions.

21.2 Inter-Office Transactions

- Inter-office transactions of RDF will generally include the following types:
  i. Fund provision from the headquarters to branch offices.
  ii. Supply of store items from the headquarters to branch offices.
  iii. Provision of funds, store items, or assets from one branch office to another.
- Upon the occurrence of such inter-office transactions, the relevant sending office will prepare vouchers and other documents, and send all details to the receiving office.
- At the end of each month, the financial statement will be prepared, and each office will reconcile its transactions with other offices.
- R.D.F. offices will follow the following rules in settling transactions with other offices:
  i. One office will not provide loans or advances to another office under any circumstances.
  ii. If one office makes a payment on behalf of another office, the paying office will issue debit advice and send a bill via the inter-office transaction account. The receiving office will settle the bill.
  iii. If the headquarters provides funds or store items to branch offices, it will debit the branch office and issue debit advice.
  iv. Headquarters staff will receive advances from the headquarters for travel to branch offices.
  v. All inter-office transactions must be approved by the Finance and Accounts Department of the headquarters.

21.3 Disaster-Related Accounting Management

In certain situations, it may not be possible to complete transactions according to the usual financial management and accounting regulations. In such cases, the special approval for managing financial and accounting systems can be termed as disaster-related accounting management. The following describes how the accounting system will be managed in such situations:

- In cases where a product or fixed asset is urgently required, and without its purchase, the normal operation of the project would be disrupted, but there is not enough time to follow the usual procedures for approval and accounting, the purchase will be made immediately. Afterward, the reasons will be documented in writing, and departmental head approval along with the CEO's consent will be obtained and attached to the voucher.

- Similarly, if any transaction deviates from the normal financial management and accounting regulations during a disaster situation, the reasons must be documented, the approval of the departmental head or a similar officer must be obtained, and the consent of the director/executive council should be sought.

21.4 Accounting Management with Partner Organizations

R.D.F. works with various projects conducted by partner organizations in certain cases. In these cases, R.D.F. will have written agreements with these organizations. The agreement will outline how the partner organizations will carry out their operations, manage accounts, and provide reports. R.D.F. will consider these partner organizations to be similar to branch offices and will manage the accounting systems in the same manner.

21.5 Donor Fund Management

Opening of Project Accounts: Initially, the organization will open a new account for managing donor funds, where information such as the donor's name, address, contact details, and the amount of the grant will be stored.

Grant Application and Receipt: The organization's grant application will follow the project code to facilitate coordination between financial grants and expenses.

Grant Expenditure: Grant funds will be spent according to the guidelines provided by the donor agency and the project code.

Monitoring and Management of Grants: The organization will use an accounting management system or software to monitor and manage grants, ensuring no expenses are included outside the project code.

Report Preparation: To ensure transparency in the project’s work, monthly/quarterly reports will be prepared and submitted to the donor agency. At the end of the year, an audit report will be prepared by an audit firm and submitted to the donor agency.