

# **The Palestinian Non-Governmental Organizations' Network**

***Building Up Financial & Administrative Best  
Practices***

***Policies and Financial Procedures Manual***

***July 2005***



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## **1. Introduction**

This financial policies and procedures manual outlines the status and accomplishments to date in the "Building up of Financial and Administrative Best Practices" project contracted between the Palestinian Non-Governmental Organizations' Network (PNGO Network) and EL Wafa & Co. - Accountants & Consultants "The Project", signed in April 6, 2005 in order to support non-governmental organizations.

This manual is intended to set accounting and financial guidelines to be applied in recording and classification to develop an integrated accounting and financial administration planning system in order to build up capabilities and strengthen financial systems related to non-governmental organizations activities to achieve a highly effective financial administration.

This manual is a standardized manual that can be adjusted to suit each NGO the specific needs.

## **2. Using the Manual**

The primary objective of this manual is to provide the organization and top management with detailed administrative policies and procedures. This manual will be used as reference. Employees and management can refer to the related section or part of the manual for guidance when needed.

This manual consists of chapters. Each chapter addresses the general requirements and general policies as well as detailed procedures and activities and person held entrusted to implement these activities that deals with one type of activities

This manual comprises:-

- **Accounting system.**
- **Financial reporting.**
- **External audit.**
- **Cash on hand and at banks.**
- **Revenues and grants management.**
- **Procurements.**
- **Tenders.**
- **Fixed Assets.**
- **Payroll.**

### **3. Accounting System**

#### **1- General**

##### **1-1. Objective**

This section aims to set the accounting basis that should be applied to record and classify financial transactions in accounting records to ensure the following:-

- Accredited accounting policies and principles used by the organization to record and classify financial transactions are in compliance with international accounting standards and those related to not for profit organizations.
- Financial transactions are recorded and classified to provide internal and external financial data.
- Financial transactions are recorded and classified in order to reinforce the internal control system and maintain the segregation of duties and responsibilities within the organization.

##### **1-2. Implementation**

These accounting policies should be implemented in recording and classifying financial transactions. The manual can be adjusted to suit the NGO's specific needs.

##### **1-3. Authorities and Responsibilities**

- Any change to be done on this manual should be recommended by the organization's general manager and adopted by board of directors.
- General Manager and financial manager/accountant are held responsible for the implementation of these policies.

##### **1-4. Description**

- Accredited accounting standards used by the organization are the international accounting standards. Statements of financial accounting standards issued by the Financial Accounting Standard Board (FASB) and those issued by the American Institute of Certified

Public Accountant (AICPA) related to non-governmental organization should also be implemented.

- These standards assist the preparation of financial statements that satisfy management's needs and present the financial position for internal and external use.

## **2- Major Accounting Policies**

### **2-1. Objective**

This section aims to define accounting policies and standards that should be applied by the organization while recording accounting transactions and preparing financial reports. These accounting policies and standards should be in compliance with those issued by FASB and AICPA.

### **2-2. Implementation**

This manual is to be implemented in recording financial transactions and preparing financial reports.

### **2-3. Basis of Accounting (Revenues and expenses realization)**

The organization follows the accrual basis of accounting. Under this basis, revenues are recognized when they occur and expenses are recognized when incurred regardless when cash or its equivalent is received or paid.

The following accounting policies are used when recording financial transactions and preparing periodic financial reports.

- **Accounts Classification:**  
Net assets account is classified according to donors' restrictions, either as unrestricted, temporarily or permanently restricted. Temporarily restricted net assets are restricted until stipulated time restriction ends or purpose restriction is accomplished. However, permanently restricted net assets are received with donor stipulation that limits their use. On the other hand the organization uses unrestricted net assets without being exposed to any donors' restrictions.



- **Cash and Cash Equivalents:**  
Cash includes cash on hand and at financial institutions that the organization deposits or withdraws without being restricted such as current account. Cash equivalents are short term and highly liquid investments that meet the following criterion:
  - Can be immediately transferred to cash.
  - Value is not affected by of interest rate fluctuations due to investments short-term maturity.
- **Fixed assets:**  
Fixed assets are stated at cost on the date of acquisition or at market value when received as a donation. Depreciation is computed on a straight-line method during the assets useful life.  
Test of recoverability is held periodically to recognize any impairment loss.

Following are the depreciation rates that should be used by the organization:

<b>Fixed Assets Category</b>	<b>Annual Depreciation Rate</b>
Buildings	5%
Office furniture	15%
Office equipment	20%
Computers (hardware & software)	30%
Leasehold improvements	15%
Vehicles	20%
Books	15%

- **Foreign Currencies:**  
The organization's functional currency is the United States Dollar (USD). Transactions that are denominated in currencies other than USD are converted to USD using exchange rates in effect at the time of each transaction.

Monetary assets and liabilities, which are denominated in other currencies, are translated to USD using exchange rates prevailing at the statements of financial position date. Gains and losses arising from the translation are reflected in the statement of activities.

- Promises to Give:  
Promises to give cash and other assets can be conditional or unconditional. Unconditional promises to give are reported at the fair value at the date the donation is received. Unconditional promises to give that are expected to be received in the coming years are reported at fair value. Conditional promise to give is a promise to give that depends on the occurrence of specified future event to bind the promisor. These promises are not recorded in financial statements unless the purpose restriction is accomplished as such restrictions are out of the organizations control.
  
- Contributed Services:  
Contributed services, when recognized, are recognized as both revenue and expenses at fair value at the date contribution is received. However, contributed services should be recognized only when the services:
  - ✓ Would typically be purchased if not provided by donation.
  - ✓ Create or enhance non-financial assets.
  - ✓ Require specialized skills provided by individuals possessing those skills.
  
- Donated Equipment and Supplies:  
Donated equipment and supplies are reported at fair value at date they were received. They are recorded as restricted donations if the donor imposed time restrictions then reclassified as unrestricted donation by the passage of time. However, if is recorded as unrestricted if no restrictions were imposed.
  
- Donated Equipment and Goods:  
Other donated assets should be reported in financial statements at fair value at the date they were received.

#### 2-4. Recording Expenses

Expenses are recorded on the accrual basis of accounting as they are incurred.

Expenses are classified based on activities as follows:-

- Project expenses: represent operating expense incurred to provide the main services of the organization.
- General and administrative expenses: represent expenses not related to specific activity but on the overall level for continuation purposes.
- Fund raising expenses: expenses related to raise funds, donations and contributions.

## 2-5. Recording Revenues

- Revenues are recorded on the accrual basis of accounting or/and
- Donation revenues are recorded according to existence of time purpose restrictions imposed.
- Any donation is presumed to be unrestricted unless evidence exists that donor-imposed restrictions exist.

## 3- Accounting Documents

Accounting vouchers used to document financial transactions in accounting system follow:-

<u>Voucher</u>	<u>Purpose</u>
Receipt Voucher	- To record all cash receipts, cheques and bank transfers.
Payment Voucher	- To record cash payments done through cheques.
Petty Cash Voucher	- To record cash payments from petty cash fund.
Journal Voucher	- To record non cash transactions (in which payment or receipt voucher is not used) such as payables and receivables.
Purchase Order	- To order purchases or services from suppliers.
Purchase Receipt Voucher	- To record purchase receipt.

- The organization should use the above mentioned vouchers except for petty cash vouchers. If manual records were used, serially numbered, multiple copies vouchers books should be printed.
- These vouchers should be used by authorized persons.
- Vouchers should not include any mistake or changes. If any a new voucher should be issued.
- Canceled vouchers should be kept in a way to prevent re-using it.
- Receipt, payment and journal vouchers are mainly used in a correlated way for accounting purpose. They are filed in an accurate and easy way to refer to in future.

#### **4- Accounting Records**

Financial transactions are recorded using the following accounting records.

- General Journal.
- General and subsidiary ledgers.
- Petty cash record.
- Bank record.
- Bank reconciliation form.
- Fixed asset register.
- Employees' attendance sheet.

These records should be available in the accounting system used in the whether a manual or computerized system is used.

Vouchers and accounting records are used by authorized persons and maintained for two years, then archived for eight years before disposing. Segregation of duties is ensured through segregating authorization, record keeping and custody.

#### **5- Accounting Entries**

- Accountant records accounting entries on a daily basis.
- Accounting entries are posted to the accounting system without being changed.
- Any recording error is corrected through adjusting or reversing entry.
- Accounting entries are classified in accordance with approved chart of accounts.

#### **6- Chart of Accounts**

A unitary chart of accounts is used without being changed unless the accountant or the financial manager approves it.

#### **7- Recording and Classifying Accounts**

Net assets are divided into three categories:-

- **Unrestricted-** include unrestricted donations, net revenues from services provided, unrestricted income from investment, etc. Resources are presumed to be unrestricted, unless evidence exists that donor-imposed restrictions exist.
- **Temporarily restricted-** include resources used or invested for certain purpose or during a specified period.
- **Permanently restricted-** include resources with restrictions imposed on its use or investments with permanent restrictions imposed on income earned.

## **4. Financial Reporting**

### **1- General**

#### 1-1. Objective

The objective of financial reporting is to ensure that:

- Financial reports are prepared in accordance with accounting policies and principles approved by the organization to meet management's needs.
- Financial reports are prepared in accordance with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) applicable to not-for-profit organizations.
- Financial reports are properly prepared to meet managements and other parties' needs on a timely, reliable and relevant basis.
- Financial reports should enable the reader to gain an understanding of the organization's activities, achievements, financial transactions during the reporting period and its financial position the reporting date.
- Financial reports are reviewed and approved by the appropriate management level.
- Documents related to financial reporting are physically safeguarded.

#### 1-2. Implementation

This policy is to be implemented in all organizations activities to prepare periodic financial annual reports.

### **2- Chart of Accounts**

Financial transactions are recorded using an apparent chart of accounts including accurate description of accounts to avoid misclassification upon recording. Any change should be adopted by management.

Attached is a proposed chart of accounts to be customized to meet organizations needs.

### **3- Monthly, Quarterly and Semi-annually Financial Reporting**

- Financial manager or accountant is responsible to prepare monthly, quarterly and semi-annually financial reports.
- Monthly financial reports should be ready no later than the 10<sup>th</sup> of the following month. Quarterly and semi-annually reports should be ready no later than the 15<sup>th</sup> of the first month of next quarter or half year. The above mentioned reports should include at least the following:
  - Trial balance.
  - Statement of financial position.
  - Statement of activities.
  - Statement of cash flows.
  - Statement of functional expense.
  - Monthly cash report.
  - Bank reconciliation for each bank account.
  - Payroll report.
  - Accounts receivable and payable listing.
  - Performance evaluation report.
  - Projects financial reports.
- Attached are forms of the previously listed reports.
- These reports should be reviewed and approved by the general manager.
- The organization should adopt a clear policy to distribute reports to ensure that relevant reports are received by related employees within the organization.
- Small size organizations that cannot prepare all financial reports should at least prepare the above first four mentioned report.

#### **3-1. Monthly and quarterly project financial reports**

- Monthly project financial report includes the following:-
  - A list of project expenses including a comparison between actual and budgeted expenses and percentage of completion.
  - Cash receipts and disbursements report including beginning month balance, cash receipts, cash disbursements during the month, and the ending month balance.
  - Reconciling the end of period project balance with the bank balance related to the project.
  - These reports are reviewed and approved by the general and project managers.
  - Small size organizations managing limited number of projects can only prepare quarterly reports.

## 4- Year-end Reporting

### 4-1. Financial reports

- The organization determines its fiscal year comprising of twelve months. It is preferable to use calendar year.
- Annual financial reports are prepared by financial manager or accountant.

### 4-2. Annual financial statements

- Financial statements should be prepared in accordance with Statement of Financial Accounting Standard (SFAS) No. 117 issued by Financial Accounting Standard Board (FASB) applicable to not-for-profit organizations during one month of the end of fiscal year.
- Financial statements comprise:
  - Statement of financial position.
  - Statement of activities.
  - Statement of cash flow.
  - Notes to financial statements.
  - Statements of functional expenses.
  - Trial balance.
- Financial statements should be audited by a qualified reliable and expert external auditing firm complying with International Standards on Auditing (ISA) and according to auditing evidence applicable by American Institutes of Certified Public Accountants (AICPA).
- Audited financial statements should be issued during two months after the end of fiscal year.
- Audited financial statements approved by the general manager, financial committee, audit committee and board of directors should be reviewed before presenting them to the general assembly for approval.
- Financial and administrative reports and statements include:
  - Annual performance evaluation report.
  - Projects' annual financial reports.
  - Expenses monthly analysis.
  - Cash counts certificates at year-end.
  - A list of accounts receivable and payable and there due date.
  - Bank balances.
  - Bank reconciliations.
  - Accrued and prepaid expenses.
  - Fixed assets additions, disposals, and depreciation schedules.

- Fixed assets physical count report.
- Payroll monthly analysis report.
  
- General Manager or accountant should approve annual financial reports.
- Annual financial reports should be available to the external auditor.
- Reports should be distributed to concerned parties.

**Required Financial Reports:**

Required financial reports are as follows:

No.	Report	Period	Prepared by	Reviewed by	Notes
1	Annual budget	Annually	Budget committee in organization	General Director	Annual budgeting is explained and budget form is attached in budgeting section of this manual.
2	Bank reconciliation	Monthly	Accountant	Financial manger	Bank reconciliation is explained and bank reconciliation form is attached in cash and banks section of this manual.
3	Cash budget	Monthly	Financial manager	Administrative manager	Cash budgeting is explained and form is attached in budgeting section of this manual.
4	Trial balance	Monthly	Financial manager	Administrative manager	This report is generated by accounting system and available any time.
5	Statement of financial position	Monthly	Financial manager	Administrative manager	This report is generated by accounting system and available any time.



<b>No.</b>	<b>Report</b>	<b>Period</b>	<b>Prepared by</b>	<b>Reviewed by</b>	<b>Notes</b>
6	Statement of activities	Monthly	Financial manager	Administrative manager	This report is produced by accounting system and available any time.
7	Statement of cash flows	Monthly	Financial manager	Administrative manager	This report is produced by accounting system and available any time.
8	Cash count	Monthly	Concerned accountant	Financial manager	
9	Projects under construction reports	Monthly	Financial manager in coordination with project manager	Administrative manager	
10	Cash movement report	Monthly	Accountant	Financial and administrative manager	

**Chart of Accounts Form**

Following is an example of chart of accounts that can be used by the organization. Additional accounts can be added to meet organization's needs.

<b>Code</b>	<b>Name</b>	<b>Level</b>	<b>Parent Account</b>	<b>Type</b>
10000	<b>Cash on Hand</b>	1		Current Assets
10100	Petty cash	2	Cash in hands	Current Assets
10101	Petty cash-Ramallah	3	Petty cash	Current Assets
10104	Petty cash-Gaza	3	Petty cash	Current Assets
10200	Cash on hand-NIS	2	Cash in hands	Current Assets
10300	Cash on hand-\$	2	Cash in hands	Current Assets
10400	Cash on hand-JD	2	Cash in hands	Current Assets
11000	<b>Cash at Banks</b>	1		Current Assets
11010	Arab Bank-NIS	2	Cash at banks	Current Assets
11020	Arab Bank-USD	2	Cash at banks	Current Assets
11030	Arab Bank-JD	2	Cash at banks	Current Assets
11040	Arab Bank-Euro	2	Cash at banks	Current Assets
12000	<b>Contributions Receivable</b>	1		Current Assets
12001	Contributions receivable- A	2	Contributions Receivable	Current Assets
12002	Contributions receivable- B	2	Contributions Receivable	Current Assets
12003	Contributions receivable- C	2	Contributions Receivable	Current Assets
13000	<b>Other Current Assets</b>	1		Current Assets
13100	Prepaid expenses	2	Other current assets	Current Assets
13200	Down payments to vendors	2	Other current assets	Current Assets
13300	Employees loans and advances	2	Other current assets	Current Assets
13301	<i>Employee A</i>	3	Employees loans and advances	Current Assets
13302	<i>Employee B</i>	3	Employees loans and advances	Current Assets
13307	<i>Employee G</i>	3	Employees loans and advances	Current Assets
14000	<b>Fixed Assets</b>	1		Fixed assets
14050	Office furniture	2	Fixed assets	Fixed assets
14100	Office equipment	2	Fixed assets	Fixed assets
14150	Machinery	2	Fixed assets	Fixed assets
14200	Vehicles	2	Fixed assets	Fixed assets
14250	Land	2	Fixed assets	Fixed assets
14300	Building	2	Fixed assets	Fixed assets
14600	Accumulated depreciation-furniture	2	Fixed assets	Fixed assets
14650	Accumulated depreciation-equipment	2	Fixed assets	Fixed assets
14700	Accumulated depreciation-machinery	2	Fixed assets	Fixed assets
14750	Accumulated depreciation-vehicles	2	Fixed assets	Fixed assets
14800	Accumulated depreciation-building	2	Fixed assets	Fixed assets
16000	<b>Current Liabilities</b>	1		Current liabilities
16100	Accounts payable	2	Current liabilities	Current liabilities
16101	<i>A</i>	3	Accounts payable	Current liabilities
16102	<i>B</i>	3	Accounts payable	Current liabilities
16103	<i>C</i>	3	Accounts payable	Current liabilities
16104	<i>D</i>	3	Accounts payable	Current liabilities
16105	<i>E</i>	3	Accounts payable	Current liabilities
16106	<i>F</i>	3	Accounts payable	Current liabilities
17000	<b>Other Current Liabilities</b>	1		Current liabilities
17100	Accrued expenses	2	Other current liabilities	Current liabilities
17110	<i>Accrued professional fees</i>	3	Accrued expenses	Current liabilities
17120	<i>Accrued salaries</i>	3	Accrued expenses	Current liabilities

## *Building Up Financial & Administrative Best Practices*

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*Continue Chart of Accounts....*

<b>Code</b>	<b>Name</b>	<b>Level</b>	<b>Parent Account</b>	<b>Type</b>
Code	<i>Name</i>	Level	Parent Account	Type
17130	<i>Accrued utilities</i>	3	Accrued expenses	Current liabilities
17140	<i>Accrued rent</i>	3	Accrued expenses	Current liabilities
17150	<i>Accrued project expenses</i>	3	Accrued expenses	Current liabilities
17200	<i>Unearned revenues</i>	2	Other current liabilities	Current liabilities
17300	<i>Employees unpaid vacations</i>	2	Other current liabilities	Current liabilities
19000	<b>Long Term Liabilities</b>	1		Long term liabilities
19100	<i>End of service benefits</i>	2	Long term liabilities	Long term liabilities
20000	<b>Net Assets</b>	1		Net Assets
20100	<i>Unrestricted net assets</i>	2	Net Assets	Net Assets
20200	<i>Temporarily restricted net assets</i>	2	Net Assets	Net Assets
30000	<b>Revenues</b>	1		Revenues
31000	<i>Donors' contributions</i>	2	Revenues	Revenues
31100	<i>Core program donors</i>	3	Donors' contributions	Revenues
31101	<i>Revenues from A</i>	4	Core program donors	Revenues
31102	<i>Revenues from B</i>	4	Core program donors	Revenues
31103	<i>Revenues from C</i>	4	Core program donors	Revenues
31200	<i>Other donors</i>	3	Donors' contributions	Revenues
31207	<i>X</i>	4	Other donors	Revenues
31208	<i>Y</i>	4	Other donors	Revenues
31209	<i>Z</i>	4	Other donors	Revenues
32000	<i>Local and other income</i>	2	Revenues	Revenues
32050	<i>Consulting income</i>	3	Local and other income	Revenues
32100	<i>Local donations</i>	3	Local and other income	Revenues
32150	<i>Sale of publications</i>	3	Local and other income	Revenues
32200	<i>Rent of hall</i>	3	Local and other income	Revenues
32250	<i>Bank interests</i>	3	Local and other income	Revenues
32300	<i>Miscellaneous income</i>	3	Local and other income	Revenues
40000	<b>Expenses</b>	1		Expenses
41000	<b>Project expenses</b>	2	Expenses	Expenses
41110	<i>Construction materials</i>	3	Project expenses	Expenses
41120	<i>Labor</i>	3	Project expenses	Expenses
41130	<i>Excavation</i>	3	Project expenses	Expenses
41140	<i>Salaries and related benefits</i>	3	Project expenses	Expenses
41141	<i>Salaries</i>	4	Salaries and related benefits	Expenses
41142	<i>Health insurance</i>	4	Salaries and related benefits	Expenses
41143	<i>National insurance</i>	4	Salaries and related benefits	Expenses
41144	<i>Severance pay expense</i>	4	Salaries and related benefits	Expenses
41145	<i>Overtime work</i>	4	Salaries and related benefits	Expenses
41146	<i>Provident fund</i>	4	Salaries and related benefits	Expenses
41147	<i>Other allowances</i>	4	Salaries and related benefits	Expenses
41160	<i>Travel and transportation</i>	3	Project expenses	Expenses
41161	<i>Local transport</i>	4	Travel and transportation	Expenses
41162	<i>Per diem</i>	4	Travel and transportation	Expenses
41163	<i>Lodging</i>	4	Travel and transportation	Expenses
41164	<i>Air fares</i>	4	Travel and transportation	Expenses
41170	<i>Equipment maintenance</i>	3	Project expenses	Expenses
41180	<i>Building maintenance</i>	3	Project expenses	Expenses
41190	<i>Utilities</i>	3	Project expenses	Expenses
41191	<i>Telephone</i>	4	Utilities	Expenses
41192	<i>Water</i>	4	Utilities	Expenses
41193	<i>Electricity</i>	4	Utilities	Expenses
41194	<i>Heating</i>	4	Utilities	Expenses

*Continue Chart of Accounts....*

<b>Code</b>	<b>Name</b>	<b>Level</b>	<b>Parent Account</b>	<b>Type</b>
41195	<i>E-mail and internet</i>	4	Utilities	Expenses
41100	Professional fees	3	Project expenses	Expenses
41101	<i>Accounting and auditing</i>	4	Professional fees	Expenses
41102	<i>Legal</i>	4	Professional fees	Expenses
41103	<i>Other</i>	4	Professional fees	Expenses
41120	Stationery and office supplies	3	Project expenses	Expenses
41130	Photocopying and Xeroxing	3	Project expenses	Expenses
42000	<b>Indirect expenses and overheads</b>		Indirect expenses and overheads	Expenses
42010	Depreciation	3	Indirect expenses and overheads	Expenses
42020	Cleaning	3	Indirect expenses and overheads	Expenses
42030	Bank charges	3	Indirect expenses and overheads	Expenses
42040	Miscellaneous expenses	3	Indirect expenses and overheads	Expenses
42050	Subscriptions	3	Indirect expenses and overheads	Expenses
42060	Hospitality	3	Indirect expenses and overheads	Expenses
50000	<b>Other expenses</b>	1		Expenses
50100	Currency differentials	2	Other expenses	Expenses

**Organization's Name**  
**Cash movement for the month of..... Year.....**

	<b>Amount</b>	<b>Total</b>
Cash balance beginning of month (1/xx/xxxx)		xx
<b><u>Receipts</u></b>		
1.	xx	
2.	xx	
3.	xx	
4.	xx	
5.	xx	
Total receipts		xx
<b><u>Disbursements</u></b>		
1.	(xx)	
2.	(xx)	
3.	(xx)	
4.	(xx)	
5.	(xx)	
		(xx)
Cash balance, end of month (31/xx/xxxx)		xx

<b>Financial manager approval</b>	<b>Accountant name and signature</b>
<b>Date</b>	<b>Date</b>

## 5- Closing Accounts

### 5-1. General ledger closing

- The accountant should close the financial records on a monthly basis no later than first week of next month.
- A monthly review of accrued expenses should be performed to ensure that recorded amounts are accurate and reasonable. This review includes interests, employees' benefits and professional services.
- A similar monthly review should be performed on prepayments such as insurance, rent, annual maintenance, and communication networks and periodicals.
- Account analysis during the month is recommended to contracts reduce month-end peak workload.
- Recorded amounts should be compared with subsequent transactions and/or predicted amounts.
- Estimating allowance for doubtful accounts and written off accounts should be done periodically.
- It is not necessary for small size organizations or those with small prepayments and accruals to follow these procedures monthly. Annual reporting will be enough.

### 5-2. Year-end adjustments

- The accountant or financial manager should approve all posted accounting adjustments and reclassifications. General Manager should approve unusual adjustments and routine ones above USD 5,000.
- Accounting adjustments and reclassifications should be properly supported and documented.
- Accounting adjustments and reclassifications should be reflected in the quarterly and year-end reporting packages prior to their release to management and auditors.

### 5-3. Backup of accounting data

- Accounting data should be daily backed up from the computer system hard drive. All backup are to be safe-kept in a location away from the accounting computers and supporting documents.
- Backed up data should be kept as follows:-
  - Daily copies: Data pertaining the first and second days is kept, and then the first day copy is replaced by the third day one.

- Monthly copies: Monthly copies are kept until the quarterly closing of books. Then quarterly copies are kept instead of monthly copy.
- Semi-annual and annual copies: These copies are kept for at least 10 years in a location away from the organization. Renting a safe box in bank is preferable for this purpose.
- After the issuance of the final audited financial statements for the year, a complete set of accounting reports should be printed and filed in a special file. These accounting reports should include at least the following:
  - Statement of financial position.
  - Statement of activities.
  - Trial balance.
  - Projects' financial reports.
  - Ledger for each account.
  - List of accounting transactions during the year.
  - List of adjusting entries at year-end.

**Organization's Name**  
**Statement of Financial Position**  
**As At:.....**  
**(Currency.....)**

	<u>Note</u>	<u>2xx2</u>	<u>2xx1</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash on hand and at bank	x	xx	xx
Accounts receivable from donors	x	xx	xx
Prepaid expenses	x	xx	xx
Other current assets	x	xx	xx
<b>Total current assets</b>		<b>xx</b>	<b>xx</b>
<b>Fixed assets</b>			
Bank deposits-long term	x	xx	xx
Other fixed assets	x	xx	xx
<b>Total fixed assets</b>		<b>xx</b>	<b>xx</b>
<b>Total assets</b>		<b>xx</b>	<b>xx</b>
<b><u>Liabilities and net assets</u></b>			
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Due to banks	x	xx	xx
Accounts payable	x	xx	xx
Accrued expense	x	xx	xx
Cash margins	x	xx	xx
Other current liabilities	x	xx	xx
<b>Total current assets</b>		<b>xx</b>	<b>xx</b>
<b>Long term liabilities:</b>			
Long term loans		xx	xx
Other long term liabilities		xx	xx
<b>Total long term liabilities</b>		<b>xx</b>	<b>xx</b>
<b>Total liabilities</b>		<b>xx</b>	<b>xx</b>
<b>Net assets</b>			
Unrestricted		xx	xx
Temporarily restricted		xx	xx
<b>Total net assets</b>		<b>xx</b>	<b>xx</b>
<b>Total liabilities and net assets</b>		<b>xx</b>	<b>xx</b>

*The accompanying notes from an integral part of these financial statements*



**Organization's Name**  
**Statement of Activities**  
**For the period ended.....**  
**(Currency.....)**

	<u>Note</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Donations and contributions	xx	xx	xx	xx
Other		xx	xx	xx
Net assets released from restrictions		xx	xx	xx
<b>Total revenues</b>		<b>xx</b>	<b>xx</b>	<b>xx</b>
<b><u>Expenses</u></b>				
Programs	xx	xx	xx	xx
Depreciation		xx	xx	xx
<b>Total expenses</b>		<b>xx</b>	<b>xx</b>	<b>xx</b>
Change in net assets		xx	xx	xx
Net asset beginning of year		xx	xx	xx
<b>Net assets - end of year</b>		<b>xx</b>	<b>xx</b>	<b>xx</b>

*The accompanying notes from an integral part of these financial statements*

**Organization's Name**  
**Statement of Cash Flow**  
**For the period ended.....**  
**(Currency.....)**

	<u>2xx2</u>	<u>2xx1</u>
<b>Cash flows from operating activities</b>		
Change in net assets	xx	xx
<b>Adjustments to reconcile change in net assets to net cash flows from operating activities:</b>		
(Increase) decrease in accounts receivable from donors	xx	xx
(Increase) decrease in prepaid expense	xx	xx
(Increase) decrease in other accounts receivable	xx	xx
Increase (decrease) in accounts payable	xx	xx
Increase (decrease) in accrued expense	xx	xx
Increase (decrease) in cash margins	xx	xx
Increase (decrease) in other current assets	xx	xx
<b>Net cash flows from (used in) operating activities</b>	<u>xx</u>	<u>xx</u>
<b>Cash flows form investing activities</b>		
(Increase) decrease in long term bank deposits	xx	xx
(Increase) decrease in long term asset	xx	xx
<b>Net cash flows from (used in) investing activities</b>	<u>xx</u>	<u>xx</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in due to banks	xx	xx
<b>Net cash flows from (used in) financing activities</b>	<u>xx</u>	<u>xx</u>
<b>Increase (decrease) in cash on hand and at banks</b>	xx	xx
<b>Cash on hand and at banks, beginning of year</b>	<u>xx</u>	<u>xx</u>
<b>Cash on hand and at banks, end of year</b>	<u>xx</u>	<u>xx</u>

*The accompanying notes from an integral part of these financial statements*

**Organization's Name**  
**Statement of Cash Flow**  
**For the period ended.....**

**Note Number (1) Accounting Policies:**

**a. Basis of Accounting**

Financial statements are prepared and presented in accordance with international accounting standards. Contribution revenues are presented in accordance with the "AICPA Not-For-Profit Organizations Audit and Accounting Guide".

**b. General**

Net assets are reported as unrestricted, temporarily restricted or permanently restricted according to donor's stipulations. Temporarily restricted net assets are restricted either for a specified period of time or until a determined purpose is accomplished. Permanently restricted net assets have permanent restrictions imposed on its use. Unrestricted net asset are used without any donor's restrictions being imposed on.

**c. Grants**

Unconditional promises to give cash and other assets are reported at the fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the contribution is received. Unconditional promise to give is a promise that depends only on passage of time or demand by the promise for performance. Conditional promise to give is a promise to give that depends on the occurrence of specified future and uncertain event to bind the promissory.

The contributions are reported as either temporarily or permanently restricted net assets if they are received with donor's stipulation that limits the use of the donated assets. When the donor's restrictions expire, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities. Donor - restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the financial statements. The organization does not have any temporarily or permanently restricted assets.

**d. Fixed assets and depreciation**

Fixed assets are stated at cost on the date of acquisition or, in the case of gifts, at fair market value at the date of donation. Depreciation is computed on a straight-line method based on the estimated useful life. Following are the depreciation rates used:-

	<u>%</u>
Office equipment	15
Office furniture	9
Computers software	20

**e. Foreign Currencies**

The organization's functional currency is the United States Dollar (USD). Transactions that are expressed or denominated in currencies other than USD are converted to USD using exchange rates in effect at the time of each transaction.

Monetary assets and liabilities, which are denominated in other currencies, are translated to USD using exchange rates prevailing at the statement of financial position date. Gains and losses arising from the translation are reflected in the statement of activities.

Foreign currency exchange rates against USD at December 31, 2004 and 2003 were as follows:

	<u>USD</u>	
	<u>2004</u>	<u>2003</u>
One Jordanian Dinar	1.41	1.40
One Israeli Shekel	0.22	0.23

**Note (X)**

**Expenses Breakdown:**

<u>Expense</u>	<u>Project (1)</u>	<u>Project (2)</u>	<u>Project (3)</u>	<u>General &amp; Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and related expenses	xx	xx	xx	xx	xx	xx
Travel and transportation	xx	xx	xx	xx	xx	xx
Depreciation	xx	xx	xx	xx	xx	xx
Rent	xx	xx	xx	xx	xx	xx

**Organization's Name**  
**Combined Projects Expenses**  
**For the period from.....to.....**

	<b>Budget</b>	<b>Expense</b>	<b>Remaining Balance</b>
Employees			
Office expenses			
Training expenses			
Professional expenses			
Depreciation			
Other expenses			

**Organization's Name**  
**Projects Expenses**  
**For the period from July 1, 2001 to July 31, 2001**

	<b>Budget</b>	<b>Expense</b>	<b>Reaming Balance</b>
Employees	4000	3800	200
Office expense	790	820	(30)
Training expenses	2400	2000	400
Professional expenses	6780	6000	780
Depreciation	3400	3600	(200)

**Organization's Name**  
**Projects Expenses**  
**Project name.....For the period from.....to.....**

	<b>Budget</b>	<b>Budget for each Period</b>	<b>Period Expense</b>	<b>Expense over/ under budget</b>	<b>Expenses to Date</b>	<b>Remaining Balance</b>
Employees	2000	1000	800	200	800	1200
Office expenses	4000	2000	2000	-	-	2000
Workshop expenses	8600	4300	4500	(200)	4500	4100
Professional expenses	2800	1400	1200	200	1200	1600
Depreciation	1000	500	500	-	500	500
Other expenses	1000	500	480	20	480	520

**Organization's Name**  
**Projects Expenses**  
**Project name.....For the period from.....to.....**

	<b>Budget</b>	<b>Budget for each Period</b>	<b>Period Expense</b>	<b>Expense over/ under budget</b>	<b>Expenses to Date</b>	<b>Remaining Balance</b>
Employees						
Office expenses						
Workshop expenses						
Professional expenses						
Depreciation						
Other expenses						



**Organization's Name**  
**Projects Expenses**  
**Project name.....For the period from.....to.....**

	Project		General & administrative expenses	Fund arising expenses	Total
	Project 1	Project 2			
Employees	3000	4000	1000	1000	9000
Office expenses	2000	120	400	600	3120
Workshops expenses	1300	2700	600	860	5460
Training expenses	1400	850	500	650	3400
Professional expenses	1700	900	3400	7800	13800
Depreciation	1000	1320	2800	400	5520
Other expenses	100	120	780	600	1600

**Organization's Name**  
**Monthly Report for Projects under Implementation**  
**As at xx/xx/xxx2**  
**(Currency:.....)**

Number	Project's Name	Project's Budget	Total Expenses for completed parts	Remaining	Completion percentage
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
<b>Total</b>			<b>xx</b>	<b>xx</b>	<b>xx</b>

\_\_\_\_\_  
Approval

\_\_\_\_\_  
Name and Signature

## 5. External Audit

### Objective of audit:-

The objective of auditing is to express an independent professional opinion on whether the financial statements of the organization present fairly, in all material respects, the financial position as at the statement of position date and the results of operations and its cash flows and change in net assets for the specified period.

The auditor examines, on a test basis the organization's accounts in accordance with International Standards on Auditing (ISA) to express an opinion whether these accounts present fairly the financial position and results of operations in conformity with International Accounting Standards (IAS).

A certified public accountant is assigned to audit the following statements:-

- Statement of financial position.
- Statement of activities.
- Statement of cash flows.
- Notes to financial statements.

The board of directors designates the audit firm in conjunction with the audit committee's recommendation through invitation of offers from competent, experienced and donor-approved auditing firms.

Offers are evaluated from two aspects; technically and financially. The proposed audit work team experience in auditing not for profit organizations is assessed thereafter, financial offers are studied.

Following are the most important policies and guidelines related to the external audit.

- A competent, professional and reputable audit firm should audit the financial statements in accordance with International Standards on Auditing and the "AICPA" Not-For-Profit Organization Audit and Accounting Guide applicable to Not-For-Profit Organization.
- The organization should prepare all necessary information and schedules requested by the auditor no later than the end of the first month of the following year.
- The auditor should complete the audit no later than the second month of the following year and should deliver to the organization's management the following:-
  - Draft financial statements and draft independent auditors' report thereon.
  - List of proposed adjusting and reclassifying journal entries that the auditor found necessary for the accounts to be fairly stated.

- Draft management letter including the auditor's suggestions for the improvement of accounting system and internal controls.
- The financial manager and accountant review the draft financial statements and draft independent auditor's report thereon and compare the amounts therein to the books of account. They also review the adjusting and reclassifying journal entries proposed by the auditor in order to approve them or not. Therefore, a meeting is held between the two parties to discuss the above mentioned issues.
- The management receives revised draft financial statements and revised draft auditors' report should be issued if necessary.
- The organization should provide the auditor with the general representation letter and board of directors' meetings representation letter before issuing the financial statements in final form.
- Audited financial statements and independent auditors' report thereon are presented to the general assembly for discussion and approval.
- The management reviews the management letter to be discussed with the auditor and writes its comments on each point to be added to the final letter.
- The organization should follow up on implementing the auditors' suggestion and recommendations stated in the management letter. Thereafter, it should be presented to the board of directors for discussion.

## **6. Cash and Banks**

### **1- General**

#### 1-1. Objective

The objective of these policies and procedures is to provide the guidelines for the activities involving cash and banks and to ensure that cash and banks transactions and balances are properly authorized, safeguarded, classified and reported in the financial statements.

#### 1-2. Implementation

These policies and procedures includes activities pertaining cash on hand and at banks.

### 1-3. Authorities and Responsibilities

- Any change to be done on this manual should be approved by board of directors.
- The financial manager and accountant are held responsible to implement these policies and procedures. Project manager should implement project's policies.

### 1-4. Choosing bank services

- Based on general director's recommendation, the board of directors discusses the procedures of choosing banks and services provided.
- Three members of board of directors are required to obtain offers from banks to provide services based on their personal knowledge and communications with banks.
- The board of directors discusses the offers and chooses the best.
- Chosen banks are informed of acceptance.

## 2- General Policies

### 2-1. Cash at banks

- The organization should maintain bank accounts according to its financial requirements and needs, taking into consideration choosing the least number of banks and maintaining the least number of accounts in order to follow up and control.  
Organization's bank accounts comprise:
  - Current accounts.
  - Local currency accounts.
  - Foreign currency accounts. (As needed).
- Deposit accounts.
  - Local currency accounts.
  - Foreign currency accounts (As needed).
- These bank accounts are maintained to meet to organization's needs.
- Temporary idle cash is invested in local or foreign currency deposit account. General director and financial manager or accountant determine the amount to be transferred from current account to deposit account and vice versa, in accordance with future projected cash flows.

If donations and contributions are involved, the agreement should be read to ensure the permission of such a transfer.

Bank accounts are classified as follows:-

- General bank accounts

These accounts are used to receive donations from donors who don't require opening a separate bank account for their donations. Cash maintained on this account is used to pay for organization's activities and other projects that don't have separate bank accounts. General accounts should be grouped in one account maintained in the organization's functional currency and another account in NIS for transactions expressed in NIS.

- Project's bank accounts

The organization should maintain a separate bank account if the signed agreement between donor and organization requires so. Therefore, this account is only used to pay Project related expenses.

- Payroll account

The organization should maintain a separate bank account for salaries in the salaries denominated currency. Monthly salaries are transferred from the main and projects' accounts to payroll account according to salaries' percentage contributed by each project. This account has a zero balance before and after monthly salaries are paid as it is only used to prepare salaries bank transfers.

- End of service benefit account

The organization should maintain a separate bank account for its employees' end of service benefit in the salaries denominated currency. Periodic transfers should be done to this account that is maintained restricted to pay end of service benefits to employees who leave work.

## 2-2. Authorized Signatories

According to the organizations by laws and statement of incorporation designated authorized signatories delegate the signature authority to members from board of directors and management in accordance with an approved structure.

Following is a proposed signature structure:

<u>Group A</u>	<u>Group B</u>
General director	Financial manager
Two members of board of directors	Projects' manager

  

<u>Authorized signatories</u>	<u>Amount</u>
Two signatures of group B	USD 250
Group A signature + group B signature	USD 3,000
Two signature of group A	Above USD 3,000

**Note:** The above proposed signature structure should be approved by ministry of internal affairs.

Authorized signatories' names and signatures should be circularized to all relevant banks.

Payments should not be spitted in order to override the above mentioned authorities.

If any of the authorized signatories left the organization or any change in signatures structure happens all related banks should be informed.

## 2-3. Opening a new bank account

- Board of directors is responsible to open new bank account.
- This account should be opened based on general director's recommendation.
- The account's authorized signatories should be approved by board of directors.
- This account is opened according to organization's needs after taking the best offer approved by board or directors.

2-4. Closing a bank account

- A bank account is closed if it has a zero balance or no transactions have happened upon for more than six months unless sufficient justifications prevail to keep this account open.
- The board of directors approves the decision of closing a bank account recommended by financial manager or accountant.
- The accountant should deliver the unused cheques to the bank at date of closing the account.

2-5. Bank transfers

- Transfers between bank accounts occur for the following reasons:
  - Feeding the current account.
  - Investing the excess of funds through transfers done from current accounts to deposit accounts.
  - Transferring employees' salaries.
  - Transferring to end of service benefit separate account.
- Each bank transfer should be done through a letter signed by authorized persons.
- The accountant should ensure that the amount transferred from a bank account has entered the other bank account transferred to on time.

2-6. Currency Differentials

- The accountant obtains daily foreign currencies exchange rates.
- Accounting vouchers are prepared to record transactions expressed in foreign currencies according to the functional currency and equivalent amount in the reporting currency. Exchange rate used is documented.
- The accountant should translate any transaction expressed in foreign currency to the equivalent amount in the organizations reporting currency using the exchange rate in effect at the time of each transaction.
- Any cash payment or receipt denominated in foreign currency should be translated to the organizations reporting currency using the exchange rate in effect at the time of payment or receipt. Gains and losses arising from the translation are reflected in the statement of activities.



- At the end of fiscal period (month or year), the accountant re-evaluates monetary asset and liabilities that should be received or paid in foreign currency at due dates using exchange rates at the end of the fiscal period. Exchange differences resulted from the re-evaluation are reflected as unrealized gains or loss in the statement of activities.

#### Collections and Deposits:-

##### Collections

- The organization maintains a secure and locked metal vault or safe box to keep cash and cheques at during nights. The accountant and general director or his deputy are authorized have keys to open this box.
- The accountant arranges to deposit cheques and excess funds at bank. The general director ensures the existence of deposit slips to be properly kept at accounting department.

#### Policies:-

- The organization issues a serially pre-numbered manual or computerized receipt voucher for all cash receipts and cheques.
- The organization adopts a policy to deposit cash and received cheques on a daily basis.
- The organization maintains receipt vouchers books record including the book number and the first and last voucher numbers.
- No more than one receipt voucher book should be used simultaneously.

#### **Tasks Description**

Following are receipt and deposit procedures adopted by the organization.

#### **Procedures**

Following are detailed receipt and deposit procedures specifying the person in charge of each step:

#### **Position**

**Executive Secretary**

#### **Work Procedures**

- Receives cash and cheques and prepares a manual, serially pre-numbered, three-copy receipt voucher. Original copy is handed to the payer, a copy is sent to the accounting department with the received amount and the last one is kept in the receipt vouchers book. The secretary should stamp the cheque received "Deposited in Account".

**Accountant**

- Reconciles the amount received with the amount recorded on the manual receipt

voucher, then prepares a computerized original serially numbered receipt voucher through entering all cash or cheques receipt transaction information.

- Prepares the bank deposit slip with the amount in conformity with that recorded in the receipt voucher to be reviewed and approved by the financial manager.
  - Gives the order to post the voucher.
  - Prints out the original receipt voucher copy and an additional one to sign.
  - Signs the original copy of receipt voucher, the additional one and the bank deposit slip to emphasize his review.
- Financial Manager / General Director**
- Sends the original copy of receipt voucher to the payer by registered mail or by hand. A copy is maintained in the accounting records.
  - Deposits the cash or cheque at bank and return the bank stamped deposit slip to be attached to the receipt voucher and kept in the files.
  - Prepares a daily report to the general director specifying the issued receipt vouchers' numbers, amounts received, payer and beneficiary project.
- Accountant**
- Reviews the collections daily report, ensures the receipt vouchers seriality, asks the accountant to clarify raised issues and signs the report.
- General Director**
- Maintains the collections daily reports in a separate file.
- Accountant**

**Required forms and documents:**

- Receipt Voucher.
- Bank deposit slip.

2-7. Cheque payments

Policies:-

- Cheques are prepared for paying accounts payable at their due dates.
- The accountant should maintain cheque books in a safe box.
- The accountant maintains record of existing cheque books specifying the book number, first and last cheques numbers in each book and the name of cheque custodian.
- Cheque books are used in a respective order.

- Any payment to suppliers should be done through cheques or bank transfers regardless of the amount paid.
- Payments are approved only if signed payment voucher and supporting documents such as supplier invoice are approved.
- Project manager is not authorized to issue cheques. Cheques are only issued from accounting department.
- Cheques are crossed and are stamped "To the First Beneficiary".
- Cheques are paid every 15<sup>th</sup> and 30<sup>th</sup> day of each month unless agreements specify other than that.
- Cancelled cheques are maintained and stamped "Cancelled".
- Approvals and supporting documents are reviewed before authorized signatories sign cheques.
- Authorized signatories should not sign blank cheques.
- All supporting documents are stamped as "PAID" including cheque number and payment date according to the following form:

<b>Paid</b>
<b>Cheque number</b>
<b>Bank</b>
<b>Date</b>

#### 2-8. Procedures to stop a cheque

A cheque can be stopped in the following three circumstances:

- If the beneficiary writes a request asking to stop the cheque because of losing it. A new cheque is issued after one month of receiving the bank letter that the cheque has been stopped. If the lost cheque was issued six months ago, stopping it is not required as it is already cancelled.
- If a mistake was found in the supplier's invoice after issuing the cheque, a new cheque is issued after correcting the mistake and receiving the cancelled one.
- If a dispute happens between the organization and the payee, the former will raise a legal suit against the later. It is preferable to consult the organizations attorney before shopping the cheque.

**Tasks Description**

Following are cheques payment procedures:

**Procedures**

Following are cheques payment detailed procedures specifying the person in charge of each step:

**Position**

**Work Procedures**

**Accountant**

- Prepares a list of amounts due every 13<sup>th</sup> and 28<sup>th</sup> of each month in addition to the bank balances to be discussed with the financial manager / general director.

**Financial Manager /  
General Director**

- Reviews the list of amounts due and bank balances to decide which amounts to be paid during the period.

**Accountant**

- Based on the financial manager's / general director's decision regarding the amounts to be paid, the accountant reviews the related invoices, ensures their clerical accuracy and conformity with supporting documents.
- Reviews the supplier's accounts payable, ensure the accuracy of amount due balance and any down payment or discounts to determine the amount to be paid.
- Enters the payment amount to the computerized accounting system and automatically prepares a serially numbered payment voucher.
- Prepares a cheque to the supplier or beneficiary attached with all supporting documents such as supplier's invoice.
- Posts the payment voucher after ensuring its accuracy and reviewing the supporting documents voucher's number seriality.
- Prints out the posted payment voucher and signs it.
- Sends the cheque and supporting documents to the general director to approve.

**General Director**

- Reviews the cheque, payment voucher and supporting documents, ensures the seriality of vouchers number and the accountant's signature, approves the payment and returns all documents to the accounting department.

**Accountant**

- Sends the cheques, payment vouchers and supporting documents to the authorized signatories according to the previously mentioned policy adopted by the organization.

- Authorized Signatories** - Review the payment vouchers, supporting documents and cheques, ensure the accuracy of payment procedures and the general director's approval then sign the cheques.
- Accountant**
- Stamps all original suppliers' invoices as "PAID" and writes the cheque number date and bank name.
  - Delivers the cheque to the beneficiary who signs his name on the payment voucher to ensure the receipt.
  - Maintains and organize the payment vouchers serially in the files.

**Branches Expenses:**

The following procedures are followed if the organization has branches:-

<b><u>Position</u></b>	<b><u>Work Procedures</u></b>
<b>Accountant / Branch Manager</b>	<ul style="list-style-type: none"><li>- Prepares a monthly expenses report attached with invoices and vouchers to be sent to the management.</li></ul>
<b>Accountant</b>	<ul style="list-style-type: none"><li>- Reviews the monthly expenses report to ensure its clerical accuracy.</li><li>- Compares actual expenses with budgeted amounts and questions the discrepancies.</li><li>- Prepares a computerized journal voucher entering all actual expenditures.</li><li>- Posts the journal voucher.</li><li>- Prints out the journal voucher, signs it and attaches it to all supporting documents to send them to the general director for review and approval.</li></ul>
<b>Financial Manager / General Director</b>	<ul style="list-style-type: none"><li>- Reviews the journal voucher, ensure that the accountant signed it, check the reasonableness of budget deviation, signs the journal voucher and return it to the accountant.</li></ul>
<b>Accountant</b>	<ul style="list-style-type: none"><li>- Raises notes to the branch manager to consider in the coming months.</li><li>- Serially maintains the journal voucher and supporting documents in a file.</li></ul>

**Keeping Cheques Books:**

**Position**

**Accountant**

**Work Procedures**

- Responsible to keep, monitor and control cheques book.
- Maintains a record specifying the cheques books numbers, cheques numbers and dates.

**Cancelled Cheques:**

**Position**

**Accountant**

**Work Procedures**

- If a cheque was cancelled after posting the related payment voucher, a reversing journal entry is recorded to cancel the payment voucher already posted.
- Stamps the cancelled cheque as "CANCELLED" and attaches it to the journal voucher.

**Required forms and documents**

- Payment voucher.
- Cheques record.

2-9. Bank reconciliations

- A special form is used to prepare bank reconciliations that include bank name and address, account number, currency and date. This form ensures the following:
  - Availability of information to prepare the bank reconciliation.
  - Reduction of time needed to prepare and review the bank reconciliation.
  - Management approvals documentation.
- Bank reconciliations are prepared for each bank account on a monthly or weekly basis if more than 40 transactions occurred on the account.
- Bank reconciliation should be prepared in the account's original currency.
- Bank reconciliation is prepared no later than the first week of next month.
- The accountant should prepare the bank reconciliation. If enough number of employees are hired, bank reconciliation should be prepared by an employee whose work is irrelevant to cash payments or receipts.

- Differences between cash balance per bank and cash balance per books is attributable to transactions not recorded yet by bank and transactions not recorded by the organization.
- The accountant prepares a journal voucher to record bank transfers, bank charges and any errors that were not recorded in the books of the organization.
- The accountant monitors the cheques outstanding for a long period and investigates the reason for not cashing them yet.
- Any cheques outstanding for more than six months are cancelled. A journal voucher is prepared to record the amount due to the beneficiary.
- By the end of year, cancelled cheques amounts are added back to cash at banks balance. These amounts may be presented as other revenues if the financial manager recommended and the general manager approved.
- The bank reconciliation is signed and dated by the person who prepared it.
- The financial manager / general director reviews and signs the bank reconciliation.
- The general director reviews and signs the bank reconciliation periodically.

### **Tasks Description**

Following are procedures for preparing bank reconciliations.

### **Procedures**

Following are bank reconciliation preparation detailed procedures specifying the person in charge of each step:-

#### **Position**

**Accountant**

#### **Work Procedures**

- Obtains monthly bank statements.
- Prepares bank reconciliation for each bank account no later than the first week of the next month using the bank reconciliation form.
- Signs the bank reconciliation under "Prepared by".
- Prepares journal voucher to record unrecorded bank charges, bank transfers and any errors and attaches a copy of bank statement that justifies the journal voucher.
- If outstanding cheques remain outstanding for more than six months, the accountant prepares a journal voucher to return cheques amounts to cash at bank account and record a liability due to beneficiary as follows:

Dr. Bank

Cr. Creditors

**General Director**

- Prepares a letter to bank presenting any errors made by the bank.
- Sends the current bank reconciliation, journal vouchers and the previous month bank reconciliation to the financial manager/general director and explains any previous month amounts not recorded in the current bank reconciliation.
- Reviews and signs the bank reconciliation and the journal vouchers as follows:
  - Agrees the balance per bank in the bank reconciliation with the bank statement.
  - Agrees the balance per book with the general ledger.
  - Ensures the clerical accuracy of the bank reconciliation.
  - Compares the previous month bank reconciliation with the current month and reviews the cheques outstanding for long period of time.
  - Reviews the recurring amounts in the bank reconciliation and their type.

**Accountant**

- Maintains the bank reconciliation and bank statements in the bank reconciliations file.
- At year end, reviews the outstanding cheques amounts that were recorded as cash at bank and payables. If the probability of these cheques to be cashed is low, the accountant recommends to record the amount as other revenues as follows:

Dr. Creditors

Cr. Other revenues

**Required forms and documents**

- Bank statement.
- Bank reconciliation form.

2-10. Petty cash fund

- Petty cash fund is replenished when the cash balance reaches NIS 200. The custodian attaches all invoices, supporting documents and petty cash expenses summary sheet with the replenishment request to be approved by the general director.
- Petty cash expenses summary should include the date, payment voucher number, amount, expenses type and payee.



- The accountant physically counts the petty cash fund and compares the amount of cash counted with the balance in the ledger and the petty cash expenses summary sheet.
- The general manager is informed if cash is stolen or lost to take the right action.
- If the custodian resigned or went on a vacation, the accountant physically counts the petty cash fund and coordinates with the general director to assign a person to maintain the fund.
- Serially per-numbered payment vouchers signed by both the custodian and the payee should support all petty cash expenses.
- When payments are made, all invoices and other supporting documents should be voided by stamping them "PAID".

### **Financial Policies**

- Petty cash fund should be established and maintained on an imprest basis and should be used to pay small and recurring expenses.
- Petty cash fund ceiling is determined according to needs.
- A limit for each payment from the petty cash fund is determined.
- Payments should not be split in order not to exceed the payment ceiling.
- Petty cash is replenished when the balance of the fund reaches a certain level (for example 30% of its ceiling).
- Payments from petty cash fund should not be made unless original tax invoices are presented. In cases that no original tax invoices exists as a result of the nature of expense, the payee should sign to prove the receipt.
- Petty cash fund should be replenished only from bank.
- Personal cash of the custodian and petty cash should never mix.
- Any unexplained shortfall should be charged to the custodian.
- Petty cash should be kept in a locked box and the custodian should keep the key.
- The custodian should safely maintain the box locked.
- The custodian is not allowed to use the petty cash fund to change currencies.
- Petty cash should be physically counted from time to time and each time the fund is replenished. The count should be documented and the count sheet should be signed by the person who conducted the count and the custodian. The financial manager maintains the signed petty cash fund count sheet.
- All petty cash payments should be supported by a payment approval and a petty cash voucher. The custodian is not allowed to pay any unapproved amount.
- Serially per-numbered payment vouchers should be issued. Payment vouchers should be all used before using a new vouchers book.
- Unused payment voucher books should be maintained safely. The financial manager should control their issuance and use.
- The financial manager is authorized to approve payment of petty cash expenses. Branch manager approves branches expenses.

- The general director should prepare a written approval for any payment ceiling excess.
- Custodians should maintain a list of approved expenses to be paid by petty cash funds provided by the financial department.
- The custodian is not authorized to record or post accounting entries.
- The custodian should maintain either a manual or computerized record of petty cash "Excel Sheet" to record all payments on time. Manual record should only be filled using a pen, computerized record should have a password.

### **Tasks Description**

Following are procedures of petty cash payments.

### **Procedures**

Following are petty cash payments detailed procedures specifying the person in charge of each step:

#### **Position**

#### **Work Procedures**

#### **Custodian**

- Receives the cash payment request with supporting documents.
- Ensures that supporting documents are complete.
- Prepares a petty cash voucher and signs under "Prepared by".
- Pays the amount in case of small and recurring expense.

#### **Financial Manager**

- Reviews the petty cash voucher and supporting documents and signs under "Approval" in case of nonrecurring expenses.

#### **Custodian**

- Pays the amount specified in the petty cash voucher.

#### **Payee**

- Signs the petty cash voucher under "Received by" after writing his name and ID number.

#### **Custodian**

- Stamps all paid invoices and supporting documents as "PAID" and records the payment in the petty cash record.
- Maintains the petty cash vouchers and supporting documents in a safe place.
- When the cash balance reaches the set replenishment point (30% of petty cash ceiling), prepares a summary of expenses made from petty cash, signs it, attaches all invoices and supporting documents and forwards the whole bundle to the accountant.

#### **Accountant**

- Reviews the expenses summary sheet and checks its clerical and classifications accuracy, reviews all petty cash vouchers and attached

supporting documents, ensures that all nonrecurring expenses are approved by the financial manager and that recurring expenses are supported and finally signs both the petty cash replenishment request and the expenses summary sheet.

- Prepares a payment voucher to record the transaction.
- Posts the payment voucher to accounting system.
- Prepares the cheque to replenish petty cash fund in the total of expense.
- Prints out the payment voucher and signs under "Prepared by" and forwards the cheque, petty cash replenishment request, expense summary sheet and other supporting documents to the general director or authorized signatories.

**General Director**

- Reviews the payment voucher, ensures the reasonableness of petty cash expenses and the accountant's signature, signs the cheque and forwards it to the accountant.

**Accountant**

- Delivers the cheque to the custodian to sign the copy and maintain the payment voucher in the files.

**Required forms and documents**

- Petty cash voucher.
- Petty cash replenishment request.

2-11. Bank facilities

- It is preferable to use short term bank facilities in emergency cases.
- Obtaining bank facilities should be approved by the financial committee in the board of directors or trustees according to general director's and financial manager's recommendations after studying the organizations financial position, needs, and ability to pay back debts.
- It is preferable not to obtain bank facilities or overdrafts in New Israeli Shekels (NIS) due to high interest rates imposed on NIS facilities.
- If cheques and withdrawals are denominated in NIS, a transfer is done from bank facilities accounts denominated in other currencies to NIS current account to pay such cheques or withdrawals.

- The accountant controls the bank facilities accounts on a daily basis and organizes them to ensure maintaining the lowest possible balance and not exceeding the facilities ceiling agreed upon.
- Interests and charges on loans and debit current bank accounts should be recomputed based on interest rate agreed upon between the organization and the bank.
- If charged interests or charges differ from the amounts computed by the organization, the general director should be informed to refer to the bank from explanation.
- Bank facilities need assessment should be periodically conducted either to raise or lower the facilities ceiling. The general director is informed to take the right action.
- Each credit bank account in the accounting system should have a special interests and charges account.
- Bank accounts are separately presented. Debit bank accounts are classified as cash on hand and at banks presented in the current assets section, however, credit bank accounts are classified as due to banks presented in the current liabilities section.

### Procedures

Following are bank facilities request procedures

#### Position

**Accountant / Financial Manager**

#### Work Procedures

- Determines the cash needs for the coming six months according to monthly and annual cash flows expectation and the organizations current situation, requests for fiduciary facilities bank offers, prepares a bank facilities request and presents it to the general director.
- General Director**
- Reviews and approves the bank facilities request after discussing it with the accountant/financial manager and.
  - Presents the bank facilities request with the interest rates to the financial committee the board of directors for approval.
- Accountant / Financial Manager**
- Prepares a letter to request or raise the ceiling of the fiduciary bank's facilities.
  - Receives all forms and documents related to fiduciary bank facilities and ensures their completeness.
  - Obtains the required signatures needed to the obtain the fiduciary facilities or raising the ceiling.
  - Ensures that the requirements to open a new bank account is complete.
  - Delivers all documents to the bank.
  - Follows up the bank's approval to provide the

fiduciary facilities services.

- Obtains the bank's approval to provide the fiduciary facilities services and obtains the cheques books.
- Receives a copy of the facilities agreement and obtains the forms to open a new bank account.
- Daily ensures that the fiduciary facilities ceiling has not been exceeded.
- If the organization's needs for such fiduciary facilities are reduced, recommends to lower the fiduciary facilities ceiling.

### **Required forms and documents**

- Monthly cash budget.
- Annual cash budget.

## 2-12. Cash flow budget

### **1- Monthly cash budget**

- The accountant obtains accurate information from financial managers to prepare monthly cash budget.
- This monthly prepared cash budget should include projected cash collections for the coming month and projected cash disbursements for the coming three months to manage the organization's cash.
- The general director should review the monthly cash budget and propose remarks about monthly cash flows.

### **Task description**

Following are procedures to prepare monthly cash flow budget.

### **Producers**

Following are monthly cash flow budget preparation detailed procedures specifying the person in charge of each step:-

### **Position**

**Accountant**

### **Work Procedures**

- Asks the projects and administrative managers to project expenses for the coming month and fill the monthly budgets forms in the last week of each month.
- Prepares the monthly cash flow budget according to estimated expenses related to projects and administrative including the following:
  - Previous month's actual expenses.

- Previous month's estimated expenses.
  - Projected revenues and expenses for next months.
  - Projected cash flows for the next three months.
  - Signs the monthly cash flow budget under "Prepared by".
- General Director / Accountant** - Reviews any deficit or unusual items in the budget.
- Reviews and recommends any changes to monthly cash flow budget and signs under "Approved by".
- Financial Committee / Board of Directors** - Reviews, discusses, and approves the projected monthly cash flow budget after modifying any items.

### **Required forms and documents**

Monthly cash budget.

## **2- Annual cash budget**

- The general director and projects managers provide the accountant / financial manager information about future projected expenses and costs to prepare effective annual budgets.
- The accountant / financial manager and general director should update the annual cash budget before the beginning of the fiscal year. Cash flows should be classified as administrative and operational to prepare the general budget.
- The accountant / financial manager should prepare the general budget based on projects budgets to be approved by the general director. This general budget should include the organizations expenses, activities, and projects expenses, general, operational and fund raising expenses.
- The board of directors should review the annual cash budget and the general budget.
- The annual cash budget and the general budget are modified based on significant changes occurring through the year.
- The general director and the board of directors should approve any change to annual cash budget.
- The annual cash flow budget should be modified to comply with projects new cash flow plan.
- Annual cash flow budget should be entered to the accounting software and a monthly comparison between actual and projected figures should be conducted.

**Task description**

Following are procedures to prepare annual and general budgets.

**Producers**

Following are annual and general budgets preparation detailed procedures specifying the person in charge of each step: -

**Position**

**Work Procedures**

**General Director and Project Manager**

- Provide the accountant / financial manager with accurate projected expenses and costs to prepare an effective cash flows plan.

**Accountant / Financial Manager**

- Prepares annual cash flows report before the beginning of each fiscal year.

- Breaks down the projected cash flow into operational and capitalized cash flows to prepare the general budget.

- Prepares the annual general budget based on projects and departments taking into consideration organization's projected expenses, activities, including projects expenses, general and administrative expenses, and fund raising expenses.

**Board of Directors**

- Approves annual cash flows and general budgets.

**Required forms and documents**

Annual report of cash flows projections.





**Organization's Name**  
**Payment Voucher**

**Project:** Project A

**Number:** 122

**Date:** 20-7-2001

**Amount:** 4,500

**Cheque Number:** 274

**Currency:** NIS

**Bank:** Arab Bank

**Exchange rate:** 4.5

**Amount in USD:** 1,000

**Pay to Order:** Mr. Ibrahim Ali

**Amount:** Four Thousands Five Hundred New Israeli Shekels

**For:** Photocopy Machine

<b>Account Number</b>	<b>Account</b>	<b>Amount</b>
15661	Fixed Assets	NIS 4,500
<b>Total</b>		<b>NIS 4,500</b>
<b>Received by</b>	<b><u>Ibrahim Ali</u></b> <b>Name</b>	<b><u>Ibrahim</u></b> <b>Signature</b>
<b>Prepared by</b> Accountant	<b><u>Approval</u></b> General Director	<b><u>Entry</u></b> Accountant







**Organization's Name**  
**Petty Cash Voucher**

**Project:** Ramallah Project

**Number:** 2356

**Date:** 15-7-2001

**Amount:** NIS 20

**Pay to Order:** Ramallah Supermarket

**Amount:** 20 New Israeli Shekels

**For:** Cleaning Supplies

<b>Account Number</b>	<b>Account Name</b>	<b>Amount</b>
1675	Miscellaneous	NIS 20
<b>Total</b>		<b>NIS 20</b>
<b>Received by</b>	<u>Ramallah Supermarket</u>	<u>Yousef</u>
	<b>Name</b>	<b>Signature</b>
<b>Prepared by</b>	<b>Approval</b>	
Accountant	General Director	

**Organization's Name**  
**Bank Reconciliation Statement**

**Account Code:** \_\_\_\_\_  
**Bank Reconciliation:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**Bank:** \_\_\_\_\_  
**Account Number:** \_\_\_\_\_  
**Account Type:** \_\_\_\_\_  
**Currency:** \_\_\_\_\_

	<b>Balance per books</b>	<b>Balance per bank</b>
<b>Balances</b>	-	-
<b>Bank reconciliation Items</b>		
1- Outstanding Cheques (not cashed)*		
<b><u>Payment</u></b>		
<b><u>Voucher No.</u></b>	<b><u>Cheque No.</u></b>	<b><u>Due Date</u></b>
-	-	-
-	-	-
-	-	-
2- Unrecorded transfers (description).		
3- Deposits in transit (description).		
4- Bank interests and charges.		
5- Errors (description).		
<b>Adjusted Balance</b>		

**Approval**

**Prepared By**

\* A supplementary schedule should be attached if more than 3 outstanding cheques exist.

**Organization's Name**  
**Petty Cash Replenishment Request**  
**Summary of Cash Expenses for the Period from ..... to .....**

**Project: .....**

Date	Payee	Cash payment voucher No. *	Cost center	Description	Amount	Allocation based on expense type				
			<b>Total</b>							

**Prepared By**

**Approval**

**Paid through cheque number**

\* A copy of cash payment voucher and supporting documents should be attached.

**Organizations Name**  
**Bank Reconciliation Statement**

**Account Code:** 7910  
**Bank Reconciliation:** June 2001  
**Date:** 3-7-2001

**Bank:** Arab Bank  
**Account Number:** 12788976  
**Account Type:** Current account  
**Currency:** USD

	<b>Balance per books</b>	<b>Balance per bank</b>
<b>Balances</b>	-	-
<b>Bank reconciliation Items</b>		
1- Outstanding Cheques (not cashed)*	79,220	86,160
<u>Payment</u>		
<u>Voucher No.</u>	<u>Cheque No.</u>	<u>Due Date</u>
794	111	20-6-2001
1011	712	23-6-2001
999	252	31-6-2001
		(1,200)
2- Unrecorded transfers (description).		
<b>Donors transfer</b>	5,160	
3- Deposits in transit (description).		
<b>Periodicals deposit</b>		2,220
4- Bank interests and charges.	3,200	
5- Errors (description).		280
	(120)	
	-	-
<b>Adjusted Balance</b>	<b>87,460</b>	<b>87,460</b>

**Approval**  
General Director

**Prepared By**  
Accountant

\* A supplementary schedule should be attached if more than 3 outstanding cheques exist.



**Organization's Name**  
**Petty Cash Replenishment Request**  
**Summary of Cash Expenses for the Period from 1-7-2001 to 31-7-2001**

**Project:** Old City Project

Date	Payee	Cash payment voucher No.*	Cost center	Description	Amount	Allocation based on expense type			
						Miscellaneous	Supplies	Transportation	Health insurance
2-7-2001	Photocopying Center	2376	Project A	Documents photocopying	500	500			
4-7-2001	Ramallah library	2377	Project B	Office supplies	450		450		
15-7-2001	Amal supermarket	2378	Project C	Cleaning supplies	20	20			
23-7-2001	Mohamad	2379	Project B	Transportation	300			300	
25-7-2001	Aramex	2380	Project A	Postage	100	100			
31-7-2001	Ali	2381	Project B	Medical expenses	240				240
			<b>Total</b>		<b>1,610</b>	<b>620</b>	<b>450</b>	<b>300</b>	<b>240</b>

**Prepared By**  
Accountant

**Approval**  
General Director

**Paid through cheque number**  
453

\* A copy of cash payment voucher and supporting documents should be attached.

**Organization's Name**  
**Bank Book**

**Bank: .....**

**Account Number: .....**

**Currency: .....**

<b>Date</b>	<b>REF</b>	<b>Cheque No.</b>	<b>Description</b>	<b>Receipt</b>	<b>Disburse</b>	<b>Bank balance</b>
			Beginning balance			
			<b>Total</b>			

**Organization's Name**  
**Bank Book**

**Bank:** Cairo Amman Bank

**Account Number:** 46879742

**Currency:** USD

<b>Date</b>	<b>REF</b>	<b>Cheque No.</b>	<b>Description</b>	<b>Receipt</b>	<b>Disburse</b>	<b>Bank balance</b>
1-6-2001		485	Beginning balance			34,200
2-6-2001		5725	Periodicals	300		34,500
4-6-2001		4565	Computer		1,500	33,000
18-6-2001		789	Donation from ABC	12,000		45,000
30-6-2001		Salaries			8,430	36,570
			<b>Total</b>			<b>36,570</b>



**Organization's Name**  
**Petty Cash Record**

Date	Description	Payment voucher No.	Cost center	Receipts	Disbursements	Cash Payment				Balance
						Account				
						Miscellaneous	Transportation	Health insurance	Petty cash fund	
1-7-2001	Beginning Balance									1,500
1-7-2001	Cleaning supplies	237	Project C		250	250				1,250
	Transportation	238	Project B		320		320			930
	Medical expense	239	Project A		140			140		790
				710					710	1,500
	<b>Total</b>					<b>250</b>	<b>320</b>	<b>140</b>	<b>710</b>	





**Organization's Name**  
**Opening a New Bank Account Application**

To Bank: \_\_\_\_\_

Dear Sirs,

You are kindly requested to open a new account for our organization with the following details:-

Account Type: \_\_\_\_\_

Currency: \_\_\_\_\_

**Authorized Signatories:**

1. \_\_\_\_\_

2. \_\_\_\_\_

The above signatories are to sign  Jointly  individually

Additional remarks.

**Your prompt action is greatly appreciated,**

**Signature**

\_\_\_\_\_

General Director

**Signature**

\_\_\_\_\_

Accountant



**Organization's Name**  
**Opening a New Bank Account Application**

**To Bank:** Jordanian National Bank

**Dear Sirs,**

You are kindly requested to open a new account for our organization with the following details:-

**Account Type:** Current

**Currency:** Jordanian Dinar

**Authorized Signatories:**

1. General Director
2. Accountant

The above signatories are to sign  Jointly  individually

Additional remarks.

**Your prompt action is greatly appreciated,**

**Signature**

\_\_\_\_\_  
General Director

**Signature**

\_\_\_\_\_  
Accountant

**Organization's Name**  
**Closing a Bank Account Application**

To: Arab Bank

Dear Sirs,

We kindly request to close our bank account number 1791575, currency USD and transfer the remaining balance to account number 15657157.

Your prompt action is greatly appreciated,

**Signature**

\_\_\_\_\_  
General Director

**Signature**

\_\_\_\_\_  
Accountant

## **7. Grants Management**

### **1- General**

#### 1-1. Objective

This section aims to provide policies and procedures related to grants and contributions to ensure efficient management and control.

#### 1-2. Implementation

The organization should comply with policies and procedure pertaining grants, contribution and revenues from its own activities.

#### 1-3. Authorities and responsibilities

- The organization's board of directors should approve any change to this section.
- The accountant / financial manager and general director are responsible to implement these policies and procedures.

### **2- Revenues**

Grants and donations comprise the major source of the organization's revenues in addition to other revenues resulting from organizations own activities.

#### 2-1. Grant (contribution) definition

A grant is a nonreciprocal cash transfer, asset, or a reduction of liabilities granted by a party other than organization's owners.

A granted asset includes financial papers, land, buildings, bank facilities, services, supplies, intangible assets and unconditional promises to give.

#### 2-2. General

- The financial manager should follow up and control the organization's grants and other sources of revenues.
- Official receipt vouchers should support all sources of revenues.

- Cash grants should be directly deposited at bank without immediately spending or replenishing petty cash.
- A computerized record attached to the accounting system should be maintained for each grant to include the following information:
  - The grantor.
  - Name of funded project and description.
  - Beneficiary (geographical area).
  - Agreement reference.
  - Date of signing the agreement between the grantor and grantee.
  - Agreement duration.
  - Agreement amount and currency.
  - Scheduled amounts to be received from grantor.
  - A schedule specifying amounts received and date of receipt.
  - Copies of receipt vouchers.
  - A copy of original agreement signed between the grantor and grantee.
  - A copy of any amendment to the agreement.
  - A list of financial reports that should be prepared and sent to the grantor specifying the reports types and due dates.
  - Copies of financial reports sent to the grantor.
  - Any related official documents.
- Contributions and grants received by the organization should be recorded according to grantor's restrictions imposed. These contributions are classified in the accounting system as follows:-
  - Unrestricted contributions.
  - Permanently restricted contributions, with donor stipulation that permanently limits the use of donations.
  - Temporarily restricted contributions, with donor restrictions released after:
    - a. A passage of time.
    - b. Achieving a purpose.
    - c. A and B above.
- Contribution is considered unrestricted unless the donor impose restrictions on its use.
- Income from permanently restricted contributions are classified as either permanently or temporarily restricted contributions.
- Interests and return on investments on assets should be classified as an increase in unrestricted net assets presented in the statements of activities, unless permanent or temporary restrictions are imposed by donor.
- When the donor restrictions expire, that is when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### 2-3. Cash management

- Separate bank accounts should not be opened for each grant unless the signed agreement with donor requires so. Nevertheless, separate accounts are maintained for each grant in the accounting software specifying project's and cash movements.
- Idle cash should be deposited in a deposit account denominated in the grant currency.
- Interest on restricted grant should be classified as interest revenue in the grant account according to grantor stipulations.
- Cash is transferred from the deposit account to the current account based on monthly cash budget.
- Cheques are written against current bank account. Transactions that are expressed in currencies other than the current accounts currency are converted using exchange rates prevailing at the transactions date.
- Petty cash fund is replenished against a cheque, the amount is translated to the funds currency using exchange rate prevailing at replenishment date.
- Temporarily restricted contribution expenditure and procurement should be reclassified from temporarily restricted to unrestricted net assets.

### 2-4. Projects financial management

- Grant accounts are classified in accordance with the specified approved budget items.
- Approved budget and donor stipulations should be reviewed, summarized, and a list of donor's stipulations should be distributed to all related parties to comply with, to ensure the project's effective implementation.
- The above mentioned list should include clear items to comply with, such as, any restrictions imposed on procurements regarding country of origin, amount, or type should be mentioned in order to depend on while procurement is conducted.
- Related employees should be responsible to comply with approved budget items and donor's stipulations.
- Available cash should exist before disbursing any amount.

### 2-5. Recording contributions

- Each project should have separate accounts included in the organization's general accounts. These accounts represent each project's revenues, expenses and budget.
- Budget items are entered to the accounting system in a way not to exceed any budgeted amount.

- Accounting records should be classified in accordance with budget accounts.
- Grants accounting records should be supported by official supporting documents.
- Information about grants, authorities and responsibilities, un-obliged balances, fixed assets, disbursements, and revenues should be maintained.
- Amounts received as a result of signing agreements in a past year should be recorded as a reduction from accounts receivable and not as revenue in order not to double record the revenues. The financial manger is responsible to ensure that this policy is implemented.

#### 2-6. Monitoring projects implementation and reports submission

- Each project should be monthly evaluated to ensure that required tasks are implemented on time and the projects objectives are achieved.
- A technical report including a comparision between actual implementation and required objectives to be achieved should be prepared each specified period.
- Project reports should be generated from accounting records based on forms and report duration specified by donor.
- A financial report (statement of projects expenditures) for each project and a combined statement for all projects including a comparision between budgeted and actual expenditures, percentage of completion and percentage of amounts received of total grant amount should be prepared.
- Any over budgeted actual expenditures, and unachieved objectives should be justified.
- Bank reconciliation for each bank accounts should be prepared.
- The name of each project should be written on the projects related accounting records, purchase orders and invoices.
- Grants denominated in currencies other than the organizations functional currency should be recorded in the accounting system in both the grants currency and the equivalent amounts in the organizations functional currency.

#### **Task description**

Following are grants management procedures.

#### **Producers**

Following are grants management detailed procedures specifying the person in charge of each step.

#### **Position**

**General Director**

#### **Work Procedures**

- Signs the agreement with the grantor and delivers a complete copy to the financial manager.

**Financial Manager**

- Reads the agreement thoroughly and discusses any unclear points.

- Summarizes grant's main stipulations.
  - Opens a record for the grant.
  - Asks the accountant to prepare a journal voucher and record the grant's amount as revenue if it was in compliance with accounting policies.
- Accountant**
- Prepares and maintains a journal voucher and records the following entry:
    - Dr. Contribution receivable
    - Cr. Grants revenue.
- Financial Manager**
- Reviews the journal voucher attached to the journal voucher to make sure that the right amount was correctly recorded using the suitable exchange rate, posts the entry and signs the voucher.
- Accountant**
- Signs and maintains the journal voucher in a file.
  - Once grant amount is received, prepares a receipt voucher and records the following entry:
    - Dr. Bank
    - Cr. Contribution receivable from donors - donor's name.
- Financial Manager**
- Reviews, posts and signs the receipt voucher. The original copy of this voucher is sent to the grantor with a letter from management, and a copy attached to a bank statement is maintained in the receipt vouchers file.
  - Maintains a copy of receipt voucher in the grant records file.
- Project Manager  
Accountant and Project  
Manager**
- Prepares a monthly work plan.
  - Prepare monthly project draft budget and detailed and comprehensive expected requirements.
  - Documents the basis on which the draft budget was prepared.
- General Director/  
Financial Manager**
- Reviews and approves the budget to be a part of the organization's monthly general budget.
  - Transfers idle cash to deposit account in the grants currency. Interest on restricted grant is classified according to donor's request.
  - Monthly transfers required amounts from deposit account to current account.
  - Issues a petty cash replenishment cheque against the current bank account. This cheque should be signed by authorized signatories.
- Authorized Signatories**
- Signs cheques after reviewing all supporting documents.
- General Director/ Project  
Manager/ Accountant  
Accountant  
Financial Manager/**
- Monitor the project's actual expenditures.
  - Prepares bank reconciliation for each bank account.
  - Reviews bank reconciliations.

**General Director**

**Accountant**

- Prepares a monthly financial report presenting a comparison between actual and budgeted expenditures. The project manager should justify over budget items.

**Project Manager**

**General Director**

- Prepares a completion report for each project.
- Reviews monthly reports and completed work to ensure that time schedule is met.

**Required forms and documents**

- Bank reconciliation.
- Project financial report.
- Work completion report.

2-7. Periodicals sales, membership fees, and other revenues

- Periodicals sales, membership fees, or other revenues or consulting fees such as training are recognized as unrestricted revenues.
- Pre-numbered manual receipt vouchers should be used to record periodicals sales, membership fees or other revenues resulting from the organizations activities. A record of these revenues is prepared on a monthly basis.
- Cash receipts record including dates and amounts received should be compared with bank deposit slips.
- Any cash shortage is charged to the person who receives cash.

**Task description**

Following are procedures to monitor periodicals sales revenues, membership fees, activities revenues and other revenues.

**Producers**

Following are detailed procedures to monitor periodicals sales revenue, membership fees, activities and other revenues specifying the person in charge of each step.

**Position**

**Work Procedures**

**Secretary**

- Issues pre-numbered manual receipt vouchers when selling periodicals, receiving membership fees, or receiving other revenues such as training revenues.
- Periodically prepares cash receipt record.
- Deposits cash received at bank, maintains signed bank deposit slips and sends cash receipt records and manual receipt to the accountant.

**Accountant**

- Compares cash receipt record with bank deposit slips and receipt vouchers according to amount and date.
- Ensures that receipt vouchers are complete and serially numbered.



**Required forms and documents**

- Pre-numbered manual receipt vouchers.
- Cash receipt record and bank deposit slip.

## **8. Procurement**

### **1- General**

#### 1-1. Objective

- This section aims to provide procurement policies and procedures.
- These policies determine procurement procedures to ensure that inventory, fixed assets and services are procured in an effective way in accordance with board of directors approved budgets.

#### 1-2. Implementation

These policies and procedures should be implemented when procurement is done.

#### 1-3. Authorization and responsibilities

- The board of directors should approve any change to this section.
- The accountant and general director are held responsible to implement these policies and procedures.

### **2- Procurement policies**

#### 2-1. General policies

- The organization's procurement policies should be taken into consideration when procurement is conducted.
- Bulk procurement is preferable to meet the organization's needs, minimize the administrative costs and to take best price offers.
- Procurement is done in a perfect competition way taking into consideration any circumstances that preclude or reduce competition among suppliers.
- If a Tender was asked for, Tenders or price offers requests should clarify all required specifications that a prospective supplier should meet in his offer. The Tender is awarded considering best prices and quality.
- Price offers or Tenders requests orders should include the following:-
  - An accurate description of required technical specifications to ensure fair competition.
  - Required specification to be achieved by each supplier that will be considered as offer evaluation base.

- Description of required technical requirements to comply with.
- Special specifications to be met such as "Trade Name".
- The Tender is awarded to the supplier who complies with contract's covenants and circumstances considering his credibility, past record and quality of work.
- Price offers and costs are analyzed in different ways through comparing price offers with market or similar goods prices, and discount offered. Documentation of prices study conducted should be maintained in procurement files. Prices are compared with cost items to ensure reasonability and acceptability.
- Large purchases procedures are documented and maintained in a special file including at least the following:-
  - ✓ Basis of awarding the supplier.
  - ✓ Justifications for not asking for price offers.
  - ✓ Basis of prices and cost analysis.
- A system to manage contracts signed with suppliers should be maintained to ensure that suppliers comply with contract's covenants and required specifications.
- The following covenants should be specified in contracts exceeding determined amount (i.e. USD 20,000).
  - ✓ Penalty condition: The supplier will be charged if he didn't comply with agreements covenants.
  - ✓ Contract cancellation: The contract should specify cases at which it is discontinued once the supplier breaches the contract or circumstances out of the supplier's control occurred.
  - ✓ Supplier's guarantee: Each supplier should obtain a Tender guarantee amounting 5% of contract amount to ensure that he is committed to comply with contracts covenants on time. Approved cheques are considered to be supplier's guarantee.
- Advance payments to suppliers are not preferable, unless the supplier provides guarantees and implementation commitment.

## 2-2. Procurement process ethics

- Procurement process should be conducted on an arms - length. That is any employee who has financial interest with the prospective supplier should not get involved in choosing the supplier.
- Employees or management should not accept any gifts or financial value things from suppliers or contract related parties.
- Any party not complying to procurement ethics should be punished.

2-3. Suppliers record

- The organization should maintain a list of suppliers providing main items needed including suppliers names, address, telephone and fax numbers, and name of contract person. This list will facilitate procurement procedures.
- The above mentioned list should include the supplier's name, available goods, prices, goods description, and his relation with the organization.
- The organization should maintain a file for each supplier given a specified number to be used for each procurement process.

2-4. Procurement committee

- An internal procurement committee is formed to supervise and approve procurement procedures taking into consideration prices, quantity, quality, and types of goods and finally chooses the best price.
- Internal procurement committee comprises:-
  - General Director.
  - Financial manager / accountant.
  - Board of directors representative.
  - Project manager if procurement is related to a specific project.
- Procurement committee participating with board of directors include a member from internal procurement committee in addition to members of board of directors.
- Procurement committee may include an external expert (i.e. engineer, computers expert etc) to participate in evaluating Tenders and suppliers.
- Members of procurement committee depend on the organizations size, activities, and number of employees.

2-5. Procurement authorization

- Procurement authorization in the organization is as follows:-

<u>Procurement Amount</u>	<u>Required Authorization.</u>
1. Up to USD 300	General director or project manager.
2. Up to USD 1,000	General director or project manager and accountant.
3. From USD 1,000 to USD 5,000	General director and project manager or accountant.
4. From USD 5,000 to USD 10,000	Internal procurement committee.
5. Above USD 10,000	Procurement committee with board of directors.

- Branch manager approves branch procurements up to USD 5,000 on behalf of general director.

2-6. Purchase request policies

- Procurement department is responsible to obtain price offers or invitation for Tenders. Price offers are obtained based on the expected procurement value as follows:-

<u>Procurement Amount</u>	<u>Required Authorization.</u>
1. Above petty cash fund ceiling to USD 250 or equivalent amount.	Shopping and bargaining.
2. From USD 251 to USD 3,000 or equivalent amount.	Invitation for at least 3 written (sealed enveloped) offers from suppliers offering high quality goods and moderate prices.
3. Above USD 3,000 or equivalent amount.	Invitation for a Tender.

- Requesting for price offers is documented through using price offers request form.
- Prices offers request form should include sufficient information pertaining procurement procedures, prices, place, time, and payment conditions as follows:-
  - Detailed specifications of items needed.
  - Required quantity.
  - Place and time of placing the order.
  - Payment method.
  - Contract conditions.
  - Authorized signatories.
- The accountant should compare price offers requests with the approved budget to ensure that procurements present a budget item before approving price offers request.
- Price offers requests are opened and summarized in front of the procurement committee.
- Prices analysis should be documented to compare offers prices with market prices. This analysis should be considered to select the supplier after taking financial and technical aspects into consideration.
- The organization is not required to select the lowest price but should justify the reasons for that.
- Pre-numbered purchase order is prepared for procuring goods or services above USD 100. Each purchase order including the supplier's name, prices, quality and quantity should be approved from the suitable administrative level.

- 3- Copy purchase order is issued to be maintained at the financial department, with supplier, and at procurement department.
- Procurement amount should not be divided in order to follow procedures mentioned in the previous note.
- Head of procurement process or his deputy should shop for procuring items.
- Items procured through shopping should have known prices so that financial department may assess prices reasonableness. If prices were not well known, reasonableness check should be done.
- Shopping process should be documented for control purposes.
- Price offers request form is used for procurements requiring invitation for written price offers. Prices are analyzed using "Price offers analysis" form.
- Procurement committee that analyzes price offers should include the following:
  - Head of procurements as the committee president.
  - Representative of involved department (project manager).
  - Financial manager.
- If price offers request is required, then procurement is done through serially, pre-numbered, and 3-copy purchase order issued by procurement department to be discussed later. Shopping doesn't require issuing a purchase order.

### **Task description**

Following are procurement procedures to be followed.

### **Producers**

Following are procurement detailed procedures, specifying the person in charge of each step.

### **Position**

**Head of Involved Department**

**Financial Manager**

**Head of Procurement Department**

### **Work Procedures**

- Prepares a purchase request specifying the required items and amounts, signs the request and sends it to the financial manager.
- Reviews the purchase request, discusses it with the heads of involved and procurement departments, ensures that the budget is sufficient, signs to approve the purchase request after the administrative or general manager approves.
- If procurement value is categorized under shopping process, then shopping is done, and the person involved documents the process through filling shopping form. The financial manager should sign the form.
- If procurement value requires price offers, prepares prices offers request form determining all specifications and sends the forms to suppliers to write down their prices, sign, stamp the price offers

- request form and sends it to procurement department.
- Procurement Committee** - Analyzes the offered prices using prices analysis form, selects the suitable supplier and signs the analysis form.
- Head of Procurement Department** - Prepares the purchase order, signs and stamps it. The original copy is sent to the supplier and the other three copies are sent to the accountant, purchase requesting department and procurement department.

**Important Note:**

Price offers and analysis forms are attached to the purchase order copy maintained by accountant.

- Purchase Requesting Department** - Receives procurements, reconciles the items received with purchase request and signs a receipt form to prove receipt.
- Sends the invoice attached to deduction of source certificate and receipt report to the accountant.
- Accountant** - Reviews the invoice and reconciles the amounts and specifications to the purchase order and ensures the following:-
- Invoice clerical accuracy.
  - Validity of deduction of source certificate.
  - Existence of authorized dealer name and number on the invoice.
  - The invoice is original.
  - The invoice is in compliance with purchase order.
  - Prices presented in the invoice are in accordance with the price offer.
  - Invoice submitted specified the name of organization.
  - Procurement was done from the supplier selected by procurement committee.
  - Prepares a computerized journal voucher debiting the expense amount and crediting supplier's payable account and ministry of finance payable if deduction of source prevails. The accountant saves the journal voucher without posting it.
- Financial Manager** - Reviews the saved journal voucher, checks the supporting documents, post the entry and signs the voucher. All supporting documents are attached to the journal voucher copy and maintained in invoices to be paid file.
- Accountant** - Maintains the original copy of journal voucher after signing under prepared by.

**Required forms and documents**

- Pre-numbered internal purchase request.
- Price offers request.



## Payment Procedures

### Position

**Financial Manager**

### Work Procedures

- Determines with the accountant amounts due through the list of suppliers and journal vouchers and ensures that bank balances are sufficient to be charged.
  - Asks the accountant to generate all amounts due.
- Accountant**
- Generates all journal vouchers to determine the payments due.
  - Lists all suppliers names and amounts to be paid.
- Financial Manager**
- Reviews the list of suppliers and amounts due to make sure that journal vouchers agreed upon will be paid, signs, and returns the list to the accountant.
- Accountant**
- Prepares and saves a computerized payment voucher for each amount due debiting the supplier's account and crediting the bank account.
  - Prepare the cheque.
- Financial Manager**
- Reviews the saved payment voucher and cheque, posts the voucher and signs it.
  - The cheque and payment voucher are attached to the supporting documents to be sent to authorized signatories.
- Authorized signatories**
- Ensure that the financial manager signed the payment voucher.
  - Reviews the supporting documents and signs the cheques.
  - Return the documents to the accountant.
- Accountant**
- Delivers the cheque to beneficiary who signs the payment voucher or gives the accountant a receipt voucher.
  - Stamps all supporting documents as "PAID".
  - Maintains supporting documents in payment vouchers file.

### Required forms and documents

- Purchase request.
- Price offers request.
- Purchase order.
- Price offers analysis form.
- Procurement through shopping form.
- List of invoices to be paid.

**Organization's name**  
**Purchase Request**  
"Serial Number"

**From** : .....  
**To** : Head of procurement  
**Beneficiary Project** : .....

Dear Sirs,

Kindly arrange the purchase of the following: -

Description	Item	Quantity

**Remarks**

- 
- 
- 
- 
- 

---

**General /  
Administrative Director**

---

**Financial  
Manager**

---

**Head of Involved  
Department**

**Organization's Name**  
**Price Offers Request**

Name of Supplier : .....  
Supplier Address : .....

Dear Sirs,

We kindly request to provide us with price offers for the following goods/equipment no later than a period of ..... Days from the date of this request. Please fill the price column, stamp and sign the request and return it back to the head of procurement department.

Item	Technical specification	Required quantity	"For suppliers use" Item price including VAT
<b>Total amount including VAT</b>			

---

**Head of Procurement  
Department Signature  
and Stamp**

---

**Supplier Signature  
and stamp**

**Organization's Name**  
**Purchase Order**  
**"Serial Number"**

**Name of Supplier** : .....

**Supplier Address** : .....

**Dear Sirs,**

We kindly request to provide us with the following goods/equipment according to your price offer presented on ..... Please send the tax invoice and deduction of source certificate with the goods.

Item	Technical descriptions	Quantity

**Place of Delivery** : .....

**Date of Delivery** : .....

---

**Stamp & Signature of  
Head of Procurement  
Department**

**Organization's Name**  
**Price Offers Analysis Form**

Date : .....

Dear Sirs,

Following is an analysis of prices offered to provide goods/equipment requested from ....  
Department in accordance with purchase request number .....

Supplier Name	Offered Price

**Procurement committee decision**

- 1.
- 2.
- 3.
- 4.

---

**President of  
Procurement Committee**

---

**Member**

---

**Member**

**Organization's Name**  
**Form of Purchasing Through Shopping**

Date : .....

Purchased items	Item Price			Remarks
	Supplier "A"	Supplier "B"	Supplier "C"	
1-				
2-				
3-				
4-				

I the undersigned purchased the above mentioned items from ..... to .....

---

**Purchaser Name**

---

**Head of Procurement  
Department**



## 9. Tenders

This section is related to procurements above USD xxx or equivalent amount that require tender request.

### Financial Policies

- A high level of professional ethics should be maintained when requesting for, evaluating, and awarding a tender.
- Members of tenders committee should not have conflict of interests, therefore the general and financial managers should be aware of this point.
- Tender documents should be free from language mistakes, organized, and numbered.
- A control should be placed on selling tender envelopes to ensure that the total number of sold and remaining envelopes equal prepared ones.
- Tender documents should be stamped to avoid illegal practices. Unstamped documents are cancelled.
- The organization should issue official receipt voucher when receiving tender fees recorded as tender revenues.
- Submitting advertisement on newspaper to request for tender is done based on needs and tender committee decision as follows:-
  - a. If the organization paid advertisement costs before awarding the tender, refundable expenses (assets) are recorded to be paid by the awarded company.
  - b. If the advertisement cash is to be paid after the tender is awarded, accounting records are not affected.
  - c. If the organization took a discount on advertisement cost and charged the awarded company the whole amount, then difference is recognized as revenues.
- Participating companies should pay tender fees in the defined currency to avoid exchange rates variances.
- Participating companies should provide the required guarantees.

### Producers

Following are detailed procedures of request for tender specifying the person in charge of each step.

#### Position

**Accountant**

#### Work Procedures

- Checks the validity of company's profession practice certificate.
- Receives tender fees after ensuring that the company is qualified to participate, issues a computerized receipt voucher, gives the original copy to the payor, and maintains the other copy in receipt vouchers file.

#### Important Note:

The receipt voucher should include the tender's name and



- number to avoid mixing with other Tenders.
- Involved Employee**
- Delivers the tender envelop to the participating company's representative after checking the official receipt voucher specifying Tender's name and number.
  - Records the participating company's name, receipt voucher number, and date of delivering the tender envelop in the participants list and asks the receipt to sign as a proof of receiving the envelop.
- Financial Manager**
- After the period of selling tender envelops is over, asks the involved employee to deliver unsold envelops and a list of participating companies.
  - Ensures that the total number of sold and unsold envelops equals the prepared ones. Any discrepancies require explanation.
  - Double checks the accuracy of receipt vouchers numbers and the amounts recorded in the participants list with the recorded amounts in the accounting software.
  - Coordinates with the administrative director on whether to dispose or maintain the remaining unsold tender envelopes.
- Employee Receiving Tender Envelops**
- Checks that the received envelops are sealed, stamps the envelop with date and time of receiving it, signs under the stamp and asks the company's representative to place the envelop in a closed box.
- Tenders Committee**
- After the period of submitting the envelops ends, accesses the closed Tender box, and takes out all envelops in front of all committee's members.
  - All members sign and date all envelops.
  - Envelops are fractionally numbered with a numerator representing the envelop number and a denominator representing number of all envelops received.
  - Opens all envelops and number the documents in the same manner.
  - Minutes of opening the tenders should include the following:-
    - Tender's name and number.
    - Name of project and donor "if any".
    - Time and date of opening the tender.
    - Names of tender committee members.
    - Names of participating companies and offered prices.
    - Remarks.
    - Committee's decision.
    - Time and date of closing the minutes of meeting.
    - Signatures of committee members.

- Data pertaining participating companies should be documented.
- Unqualified companies are excluded due to the following:-
  - Required guarantees were not provided.
  - Offer was not clear, including crossing out numbers.
  - Offer was not in compliance with Tender conditions.
- Tender is awarded at the same time committee opens the envelopes and studies the offers unless specialized committee decisions is needed, then the decision is taken in subsequent date.
- If the tender is awarded directly, then the accounting department is informed immediately.

**Required forms and documents**

- List of participating companies.
- Minutes of opening the tenders.

Tender procedures should be adjusted to suit the NGO specific needs.



**Organization's Name**  
**Minutes of Opening the Tender**

**Tender Name** : .....

**Tender number** : .....

**Donor (if any)** : .....

The following members of tender committee met today \_\_\_\_\_ dated xx/xx/200x at \_\_\_:\_\_\_ to open and evaluate the above mentioned tender envelops.

	Name	Potion
1.		Committee President
2.		Member
3.		Member
4.		Member
5.		Member
6.		Member
7.		Member

The committee opened the tender envelops and documented the following offers:

Number	Supplier's Name based on the Name listed in participants list	(X) is used		Offered amount	Remarks
		Participating	Not participating		
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

After opening the envelopes and studying the documents, the following suppliers were excluded:

<b>Number</b>	<b>Supplier's Name</b>	<b>Exclusion reasons</b>
1		
2		
3		

After the committee studied and evaluated the offers, we decided the following:

A. The supplier \_\_\_\_\_ was awarded for the following reasons:

- 1.
- 2.
- 3.
- 4.

B. Transferring the Tender to the technical committee comprising:

- 1.
- 2.
- 3.
- 4.

To study the offers and inform the Tender committee within \_\_\_\_\_ days.

Other decisions and remarks:

- 1.
- 2.
- 3.
- 4.

Date and time of closing the minutes \_\_\_\_\_

_____ <b>Committee President</b>	_____ <b>Member</b>	_____ <b>Member</b>	_____ <b>Member</b>
	_____ <b>Member</b>	_____ <b>Member</b>	_____ <b>Member</b>

## **10. Fixed assets**

### **1- General**

#### **1-1. Objective**

This section aims to set up policies and procedures pertaining fixed assets to ensure the following:

- Fixed assets are purchased or disposed according to the organization's policies.
- Fixed assets are properly classified and recorded.
- Ensure that appropriate value of fixed assets is maintained and periodic re-evaluation is conducted.
- Fixed assets are safeguarded.
- Fixed assets are effectively used.

### **Financial policies**

#### **Fixed assets classification**

- Fixed assets are classified as follows:
  - Buildings.
  - Office equipment.
  - Office furniture.
  - Computers (Software and hardware).
  - Cars.
  - Leasehold improvements.
  - Books (if a library exists).
- The accounting department should comply with the above mentioned fixed assets classifications. The financial manager should approve any new classification.

#### **Fixed assets capitalization**

- Procurement of fixed assets should be capitalized if the following conditions prevail:
  - Procurement above USD 100.
  - Useful life above 12 months.

- Repairs and maintenance costs are capitalized if the following conditions prevail:
  - Repairs and maintenance costs are more than 20% of fixed asset cost.
  - Fixed asset useful life increases more than one year.
  - Repairs and maintenance value is above USD 100.
  - Repairs and maintenance is not a result of technical break.
  - Maintenance increases the fixed assets fair market value.
- Fixed assets cost is calculated through adding nonrefundable customs and taxes to purchase price in addition to any related direct expense to make fixed asset ready for use including freight and installing costs etc.
- Discounts on fixed assets purchases should be deducted from cost of fixed assets to be recorded in net amount.

### **Fixed asset control**

- Each fixed asset is given a code to be attached to each item. The code includes numbers that present asset type, year of purchase, and the place where it exists.
- The organization maintains fixed asset register preferably computerized record as an integral part to accounting software.
- Fixed asset register includes the following:
  - Code.
  - Description.
  - Purchase date.
  - Cost.
  - Accumulated depreciation.
  - Supplier's name.
  - Place where fixed asset is kept.
  - Name of person who uses the fixed asset "if any".
  - Remarks about item.
- The financial manager and chief of accounts are the only authorized persons to modify any item in fixed asset register taking into consideration the management approval.
- A documented physical count should be conducted annually. The financial manager is authorized to form physical count committee. Actual results are compared to records and minutes are maintained at the financial manager's office.
- Any unexplained absence of fixed asset is charged to related department that keeps the asset.
- After conducting physical count, fixed asset register is updated through adding remarks about technical specifications of fixed asset.

1-2. Fixed assets purchases and addition

- Purchasing fixed assets is done in the same way as determined procurement procedures in this manual.
- General director, accountant, and project manager are held responsible to prepare annual fixed asset purchases budget.
- Fixed asset budget should specify estimated items needed for each project.
- These items are classified according to its need as urgent, or important.
- Board of directors should approve fixed assets budget.
- If fixed assets are bought in bulk, cost of each item is determined based on fair market value prorate.

**Fixed asset spoilage**

- If spoiled or technically obsolete fixed assets are found after physical count is conducted, fixed asset spoilage request is prepared and signed by the following:

<u>Fixed assets</u>	<u>Authorized signatories</u>
Equipment, furniture, cars	General director + financial manager + administrative manager.
Supplies, tools	Financial manager + administrative manager

- Administrative manager is authorized to form spoilage committee comprising representatives of involved party and financial department.
- Fixed assets disposition is done through selling, donating or writing off these assets.
- Spoiling fixed asset should be documented in spoilage record including relevant information pertaining the spoiled item.
- Fixed assets depreciation is calculated up to the selling date.
- The accountant calculates and records any gain or loss resulting from selling fixed assets after the general manager approves the transaction.

**Tasks description**

Following are procedures to spoil fixed assets.

**Producers**

Following are detailed procedures to spoil fixed assets specifying the person in charge of each step.

**Position**

**Project Manager**

**Work Procedures**

- Determines the fixed assets that should be spoiled, fills spoilage voucher, and sends it to accountant.

**Accountant**

- Reconciles the spoilage voucher with fixed asset register and complete any missed information.



- Sends the fixed asset spoilage voucher to the general director or procurement committee for approval.
- General Director/ Spoilage Committee** - Approves spoilage voucher.
- Sends spoilage voucher to accountant.
- Accountant** - Records the disposition of fixed assets and any gain or loss resulting from this transaction.
- Modifies the fixed asset register.

**Required forms and documents**

Spoilage voucher.

**Important note:**

- Approved fixed asset spoilage request is maintained in a fixed asset spoilage file.
- Fixed assets procurements policies and procedures are the same as ordinary procurement procedures explained in procurement section of this manual.

**Fixed assets depreciation**

- Fixed assets depreciation is calculated and recorded based on fixed asset accounting policies mentioned in accounting policies section of this manual. Following are issues related to depreciation:
  - Depreciation percentages should be used consistently from year to year to ensure consistency in recording accounting transactions.
  - Depreciation should be calculated on a monthly or at least annual basis to fairly present the organization's results in periodic reports.
  - Insurance policy is purchased to cover the replacement cost of fixed assets (excluding land). The policy amount should equal fixed asset replacement cost or at least book value.
  - Employees are responsible for any losses resulting from fixed asset misuse.
  - Fixed assets allocated to specified project should be only used for this purpose and recorded in fixed asset register according to project approved budget.

1-3. Depreciation

- Fixed assets are depreciated using straight line method. Following are depreciation percentages for specified fixed assets

<u>Fixed assets</u>	<u>Depreciation percentage</u>
Buildings	5%
Office furniture	15%
Office equipment	15%
Computers (hardware & software)	30%
Leasehold improvements	15%
Cars	20%
Books	15%

- Fixed asset depreciation is calculated on a monthly basis and recorded as an expense until the book value reaches USD 1.
- Annual depreciation expense is calculated and allocated between projects, general and administrative expenses, and fund raising expenses. Allocation should be based on direct relationship or allocation method of grouped items.
- Depreciation is calculated once the fixed is ready for use. If operations started in the first half of the month, a whole month depreciation is calculated. However, if operations started during the second half of the month, depreciation is calculated for the next month.

#### **11. Fully depreciated fixed assets**

- Fully depreciated assets should be recorded at USD 1 book value in addition to presenting historical cost and accumulated depreciation.
- Unused fully depreciated fixed assets should be sold or spoiled.

#### **Required forms and documents**

- Fixed assets register.
- Fixed assets spoilage request.

**Organization's Name**  
**Fixed Assets Register**  
**Branch Name .....**

Number	Description	Purchase Date	Cost	Supplier's Name	Type	Responsible person to use fixed asset	Remarks

**General Notes:**

- 
-

**Organization's Name**  
**Fixed Asset Spoilage Request**

Number	Description	Quantity	Purchase Date	Cost	Destination

**Spoilage Information**

<b>Spoilage date</b>	
<b>Spoilage reasons</b>	1. 2. 3.
<b>Spoilage Method</b>	
<b>Remarks</b>	1. 2. 3.

\_\_\_\_\_  
Spoilage requesting party name  
and stamps

\_\_\_\_\_  
Approval

\_\_\_\_\_  
Approval



**Organization's Name**  
**List of Physically Counted Fixed Assets**

<b>Description</b>	<b>Quantity</b>	<b>Destination</b>	<b>Balance per books</b>	<b>Balance per Physical count</b>	<b>Difference</b>
Computers	12	Ramallah	24,500	-	
Office furniture	25	Ramallah	12,000	10,000	

**Physical count committee**

1. Accountant
2. Administrative employee
3. Projects manager

**Signature**

\_\_\_\_\_  
**Accountant**

**Organization's Name**  
**Spoilage Voucher / Fixed Assets Disposition**

Date:

Description:

Purchase date:

Cost:

Type:

Accumulated depreciation:

Color:

Book value:

Depreciation percentage:

1) Description of fixed assets that needs spoilage or disposition.

- a. Useless.
- b. Doesn't work well.
- c. Not required for organization need.
- d. Technologically obsolete.

2) Required procedures.

- a. Selling                      Selling price: \_\_\_\_\_                      Purchase: \_\_\_\_\_
- b. Transferring              Destination: \_\_\_\_\_                      New destination: \_\_\_\_\_
- c. Writing off                Residual value: \_\_\_\_\_                      Purchaser: \_\_\_\_\_

3) Reasons of spoilage / disposition.

\_\_\_\_\_  
**Approval**

\_\_\_\_\_  
**Prepare By**





**Organization's Name**  
**Fixed Assets Purchase Order**

Purchase order "serial number":

Destination to deliver fixed assets to:

Date:

Organization's address:

Supplier's name & address:

Description	Quantity	Price	Total
1.			
2.			
3.			
4.			
5.			
6.			

**Additional conditions**

1. Date of delivery
2. Payment conditions

\_\_\_\_\_  
Approval

\_\_\_\_\_  
Prepared By

**Organization's Name**  
**Fixed Assets Purchase Order**

**Purchase order "serial number":** 855

**Date:** 7-5-2001

**Destination to deliver fixed assets to:**

**Organization's address:** Ramallah – industrial zone

**Supplier's name & address:** Ramallah

Company for Office Furniture

Ramallah – industrial zone

<b>Description</b>	<b>Quantity</b>	<b>Price</b>	<b>Total</b>
1. Chairs	12	40	480
2. Office chairs	5	60	3,000
3. Tables	4	120	480
4.			
5.			
6.			
<b>Total</b>			<b>3,960</b>

**Additional conditions**

1. Date of delivery: 10-5-2001

2. Payment conditions: 20-5-2001

General Director

\_\_\_\_\_  
**Approval**

Accountant Assistant

\_\_\_\_\_  
**Prepared By**

**Organization's Name**  
**Fixed Asset Purchase Request**

Serially request number:

Request date:

Department:

Destination:

Description of fixed assets required	Quantity	Unit estimated price	Total

**Additional conditions**

\_\_\_\_\_  
Head of  
Department

\_\_\_\_\_  
Accountant

\_\_\_\_\_  
General Director

**Organization's Name**  
**Fixed Asset Purchase Request**

**Serially request number:** 1858  
**Request date:** 10-7-2001  
**Department:** Engineering department  
**Destination:** Ramallah

<b>Description of fixed assets required</b>	<b>Quantity</b>	<b>Unit estimated price</b>	<b>Total</b>
Car	1	20,000	20,000

**Additional conditions**

Signature _____	Signature _____	Signature _____
<b>Head of Department</b>	<b>Accountant</b>	<b>General Director</b>

## **12. Payroll**

### **1- General**

#### 1-1. Objective

This section aims to set up payroll policies and procedures to ensure that payroll sheet is prepared and reviewed, and payroll is paid in accordance with determined policy.

#### 1-2. Implementation

These policies and procedures are implemented on payroll transactions.

#### 1-3. Authorization and responsibility

- Board of directors should approve any change to this section.
- General Director and accountant are responsible to implement these policies and procedures.

### **2- Major accounting policies**

#### 2-1. Attendance

- Each employee daily signs attendance sheet or stamps the electronic hour (if any) when entering and existing the organization.
- Each department should maintain a daily attendance sheet including employee's names, time of arrival and leave in order to control employees actual working hours. Each employee should fill and sign this sheet to be approved by the direct supervisor. Late or absent employee is not allowed to fill the daily attendance sheet.
- The accountant compares the daily attendance sheet and electronic hour sheet on a weekly basis, and discusses any differences with the head of involved department.
- The accountant prepares a monthly attendance report per employee that includes the employees name, required working hours, actual working hours, additional working hours, unpaid vacations, advances, and allowances.

### **Financial policies**

- Each department should maintain a daily attendance sheet including employee's name, time of arrival and leave in order to control employees actual working hours. Each employee should fill and sign this sheet to be approved by the direct supervisor.
- The organization should comply with the agreement signed with the projects' donor regarding payroll.
- Payroll is paid in the project's functional currency unless the agreement states other than that.
- Income tax should be deducted from employees' payroll based on active income tax laws. Official supporting documents (rent contract, family support certificate...etc) should support all tax exemptions.
- It is preferable to pay payroll through bank transfers or "To the first beneficiary" cheques. No cash payments should be allowed.
- Paid additional working hours should be pre approved by the administrative manager. The employee should fill additional working hours request form to be signed by the administrative managed.
- The organization should maintain a separate file for each employee including at least the following:-
  - Educational qualifications.
  - Employment contract specifying the salary and employees other benefits.
  - Identity card.
  - Recent and colored personal picture.
  - Tax exemptions supporting documents.
  - Related correspondence letters.This file should be frequently updated.
- Each employee should prepare and sign a monthly time sheet specifying major tasks done through the month and estimating approximate time spent on each task allocated to relevant project. This sheet should be approved by the employee's direct supervisor.

### **Preparing and paying payroll procedures**

#### **Position**

**Project / Branch Manager**

#### **Work Procedures**

- Reviews and compares employees' time report with daily attendance sheet and signs them.
  - Prepares and sends a list of employees' names attached to time reports to the financial manager.
- Financial Manager**
- Reviews and signs employees and time report and asks the accountant to enter data to payroll system to calculate income tax.
  - Accountant prepares a sheet of employee's names,

- gross salaries, deducted income tax, and net salaries to be paid.
- Financial Manager**
- Reviews and signs the employees sheet mentioned in the previous note to ensure that data was entered correctly and sends it to the administrative manager to review and sign.
- Accountant**
- Prepares and saves a journal voucher to record salaries as follows:
    - Dr. Salaries (allocated per cost center and donor)
    - Cr. Salaries payable
    - Cr. Income tax department
  - Sends the transaction to the financial manager.
- Financial Manager**
- Reviews the transaction, posts and signs the journal voucher.
- Accountant**
- Prepares a bank transfer letter to the bank based on the attached form to the end of this section, prepares and saves a payment voucher to record the following entry:
    - Dr. Salaries payable
    - Cr. Bank
- Financial Manager**
- Reviews the bank transfer letter and saved payment voucher.
  - Posts the payment voucher, attaches it to the bank transfer letter and sends them to the authorized signatories.
- Authorized Signatories**
- Reviews and reconciles the payment voucher with the bank transfer letter, signs and sends them to the accounting department.
- Accountant**
- Sends the bank transfer letter to the bank to transfer salaries to employees' accounts.

**Required forms and documents**

- Daily attendance sheet.
- Bank transfer letter.
- Time report.

**Organization's Name**  
**Daily Attendance Sheet**

**Date:**

	<b>Employee name</b>	<b>Arrival time</b>	<b>Leave time</b>	<b>Signature</b>	<b>Notes</b>
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					

---

**Approval**



**Organization's Name**  
**Bank Transfer Letter**

**Date** : .....

**To** : Bank .....

**Branch** : .....

**Dear Sirs,**

We kindly request to transfer the following amounts from our bank account number \_\_\_\_\_ to employees accounts numbers according to the following schedule:

<b>Number</b>	<b>Employee name</b>	<b>Bank name &amp; branch</b>	<b>Account number</b>	<b>Amount "currency"</b>
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
<b>Total</b>				

Total in letters .....

**Your prompt action is greatly appreciated,**

\_\_\_\_\_  
**Name & Position**

\_\_\_\_\_  
**Name & Position**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Signature**



### 13. Overhead Allocation

NGOs incur several types of expenses and costs in carrying out their activities. Some of these expenses can be directly related to a single program, project or supporting activity. Other expenses can not be traced to a specific program or activity; however, these expenses can benefit more than one program or supporting services.

Overheads are expenses, which have been incurred for common or joint objectives and relate to more than one program or supporting activity, or to a combination of programs and supporting services.

These overheads should be fairly allocated among NGO functions. These functions are normally classified into:

- ✚ Programs
- ✚ Management and General
- ✚ Fund-Raising

This section discusses the major overhead allocation methods. The process of overhead allocation requires a detailed analysis of the NGO cost structure and activities and a careful selection of the most suitable overhead allocation method. This section provides guidelines to be used by the NGO and is not intended to be and should not be considered as a comprehensive overhead allocation system

#### **Summary of Acceptable Allocation Methods:**

##### **1. *Simplified Allocation Method:***

This method is generally used when the organization has only one major program, or where all of its major programs benefit from its indirect costs to approximately the same degree.

In order to apply the simplified overhead allocation method the organization should perform the following:

- ✚ Conduct a detailed review for its expenses for the reporting period (the year) and separate these expenses into direct and indirect expenses.
- ✚ Calculate the overhead allocation rate by dividing the total indirect expenses by a proper allocation base according to the nature of the organization and its activities (total direct costs, direct salaries and wages, ...etc.).
- ✚ Use this rate to allocate indirect costs to individual projects by multiplying the project allocation base (e.g. direct costs) with the overhead allocation rate.

**2. *Multiple Allocation Base Method:***

This method is used when the organization has several major programs that benefit from its indirect expenses in different degrees. In this case the allocation of indirect expenses may require the accumulation of such expenses into separate cost pools, which then are allocated individually to the benefiting program using allocation bases that best measure the relative degree of benefit. The indirect expenses allocated to each program are then distributed to individual projects and activities within that program.

These cost pools shall be established in a manner that facilitates the allocation of each pool expenses on the basis of benefits provided to the related programs.

The distribution base used in computing the indirect expense allocation rate can be different from one program to another. These bases may include total direct costs, direct salaries and wages, or other base which results in an equitable distribution.

**3. *Direct allocation method:***

This method is usually used by small size NGOs that have small budgets and limited expenses. These NGOs can use a direct allocation method where joint costs such as depreciation, telephone expenses, and the like are prorated individually as direct cost to each project and activity using a base most appropriate to the particular cost being prorated.

When this method is used the base of allocation for each joint cost should be clear, and accurately measures the benefits provided to each project or activity. The bases must be established in accordance with reasonable criteria, and be supported by current data.

## **14. Budgets**

Budgets are major planning and controlling tools that aim to set a projected use of resources and time schedule to achieve the organizations objectives.

This section aims to set financial policies and procedures to prepare the following:

- 1- Annual budget.
- 2- Cash budget.

### **Annual budget**

#### **Financial policies**

- The organizations general director forms a budget committee to prepare the general budget for the organization and its branches.
- The budget committee asks branch managers to provide direct supervision, projected information, time schedules, required forms, and technical help if needed.
- All participants in preparing annual budget should comply with determined time schedules to achieve work on time.
- For annual budget purpose, fiscal year is considered to start on January 1 end on December 31.
- The annual budget should be prepared and approved before the beginning of fiscal year.
- The budget committee is responsible to gather and report required data.
- After the board of trustees approves the final annual budget, the financial manager enters the budget items to the accounting system to follow up expenditures.
- Accounting system should not allow posting any entry exceeding the budgeted amount. Over budget right is given only to few specific authorized person.
- All related parties should abide to the budget and frequently control budget items.
- Financial manager follows up the budget and controls the branches performance regarding using budget items in an allowable way.

### **Budgets preparing procedures**

#### **Position**

**Project Manager**

#### **Work Procedures**

- Estimates the project's needs throughout the year based on previous years actual expenditures and estimated future needs.
- Discusses the projected figures with project's expert.
- Fills the "branches annual budget" form, signs and submits the form to the budget committee.
- Studies the submitted branches annual budget, discusses unclear or unreasonable items with branch

**Budget Committee**

- manager for modification to be done.
- Prepares the "consolidated budget", accurately reviews entered items and signs the budget.
- After approving the budget, submits a copy to the financial manager to enter item to accounting system.

### **Cash budgets**

Cash budgets is considered one of the most important tasks done by the financial management as it is reflected in the general budget.

Preparing cash budget efficiently depends on expertise, skills, and reasonable projections, it is also affected by surrounding circumstances.

### **Financial policies**

- A detailed annual cash budget should be broken down into months budget that is updated according to changes through out the year.
- The financial manager is responsible to prepare cash budget.
- The cash budget should be complied with. The administrative manager is authorized to take any correcting actions in any trouble occurred to the budget cash in flows.
- Cash budget projections should be reasonable aligning with expected surrounding circumstances.
- It is important to monitor previous months projections to be effectively able to project the next months budget.

### **Cash budget preparation procedures**

#### **Position**

#### **Financial Manager**

#### **Work Procedures**

- Gathers available cash balances.
  - Prepares a statement of annual projected sources of cash in flows.
  - Prepares a statement of monthly expenditures.
  - Prepares the cash budget and presents it to the executive manager.
- Administrative Manager**
- Discusses budget items with the financial manager to ensure projections reasonableness and signs the budget as "Approved".
- Financial Manager**
- Passes the cash budget to related parties.

### **Required forms and documents**

- Branch annual budget.
- Branches consolidated budget.
- Organizations annual budget.
- Monthly cash budget.

**Organization's Name**  
**Annual Budget**  
**For Fiscal Year:**

<u>Account Code</u>	<u>Revenues*</u>	<u>Estimated 2xx2</u>		
		<u>2xx1</u>	<u>Amount</u>	<u>Total</u>
xx	Local cash donations	xx	xx	
xx	Other revenues	xx	xx	
	<b>Total revenues</b>	<b>xx</b>		<b>xx</b>
	<b><u>Expenses*</u></b>			
xx	Building equipment	(xx)		
xx	Salaries	(xx)		
xx	Wages	(xx)		
xx	Excavation	(xx)		
xx	Transportation	(xx)		
xx	Electricity, water, and telephone	(xx)		
xx	Stationery, printings and supplier	(xx)		
xx	Furniture	(xx)		
xx	Training fees	(xx)		
xx	Rent	(xx)		
xx	Maintenance	(xx)		
xx	Professional fees	(xx)		
xx	Other	(xx)		
	<b>Total expenses</b>	<b>(xx)</b>		<b>(xx)</b>
	<b>Excess (deficit)</b>	<b>xx</b>		<b>xx</b>

---

**Branch Manager**  
(Name and Signature)

---

**Organization's stamp**

---

**Budget Committee**  
(Committee President)

\* Items are added to meet required needs

**Organization's Name**  
**Branches Consolidated Budget**  
**Fiscal Year:**

Number	Branch	Revenues						Total revenue	Expenditures											Total expenses	Excess (Deficit)	
		1	2	3	4	5	6		1	2	3	4	5	6	7	8	9	10	11			
	<b>Total</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

Organization Budget Committee.

Committee President	Member	Member	Member
------------------------	--------	--------	--------



**Organization's Name**  
**Cash Budget**  
**For Year:**

	<b>Amount</b>		
	<b>NIS</b>	<b>USD</b>	<b>JD</b>
<b><u>Sources of Cash</u></b>			
Cash on hand and at banks	xx	xx	xx
Contributions and foreign donations	xx	xx	xx
Local cash donation	xx	xx	xx
Other sources	xx	xx	xx
<b>Total sources of cash</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b><u>Uses of Cash</u></b>			
Payments to contractors	(xx)	(xx)	(xx)
Payments to suppliers	(xx)	(xx)	(xx)
Payment water, electricity and telephone	(xx)	(xx)	(xx)
Current expenses	(xx)	(xx)	(xx)
Salaries	(xx)	(xx)	(xx)
Other	(xx)	(xx)	(xx)
<b>Total uses of cash</b>	<b>(xx)</b>	<b>(xx)</b>	<b>(xx)</b>
<b>Excess (deficit)</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

_____ <b>Approval</b>	_____ <b>Prepared By</b>
_____ <b>Date</b>	_____ <b>Date</b>

**Note:** Monthly Detailed schedule is attached.