

# **MUSALIAR COLLEGE OF ENGINEERING AND TECHNOLOGY**

## **FINANCE PLANNING AND ACCOUNTING POLICY**

### **Preamble**

1. The financial management of any organization must have a prudent financial system backed by sound and effective accounting procedures and internal controls. A well designed and well managed accounting system helps ensure proper control over funds. Accounting policies and procedures are designed to compile accounts fulfilling legal/procedural requirements that govern financial control. Accounts are an integral part of financial management of activities. The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the Musaliar College of Engineering and Technology in the preparation and presentation of financial statements.

2. Unlike Government accounting system, there is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable. The choice of the appropriate accounting principles and the methods of applying those principles in the specific circumstances of each enterprise calls for considerable judgement by the management of the enterprise. Accordingly, Musaliar Education Trust has formulated the following rules for accounting system at Musaliar College of Engineering and Technology, Pathanamthitta.

### **Aim**

3. The purpose of this Accounting Policies and Procedures Manual is to provide documented procedures related to fiscal policies, accounting principles, internal controls, operating procedures and reporting requirements.

### **Scope**

4. The Institution demands all of its employees to abide by the foregoing standards of ethical behaviour in their dealings with all accounting matters which includes its suppliers, consultants, sub grantees, subcontractors, and government. Employees of the Institution should not solicit for any money, gifts or favours from a prospective vendor, sub grantee or any other business partners etc. Staff are also required to report any violations of these standards to the appropriate authorities at the Institution.

### **Purpose**

5. The purpose of this manual is to describe all accounting policies and procedures currently in use at Musaliar College of Engineering and Technology and to ensure that the financial statements conform to generally accepted accounting principles, assets are safeguarded, guidelines of grantors and donors are complied with and finances are managed with accuracy, efficiency, and transparency.

### **Primary Functions**

6. The accounting system has a direct link and influence on administrative functions within an organization. Though considered "back office" activity, an effective and dynamic accounting system is essential for the proper functioning of an organisation. The common

responsibilities of the Financial Management System at Musaliar College of Engineering and Technology are as follows: -

- (a) Ensure that the financial system runs properly in order to process financial information and generate accurate reports.
- (b) Monitoring receivables, billing and collection of debts and managing payments.
- (c) Provide budget analysis and feedback to the Governing Body/ Musaliar Education Trust on a regular basis.
- (d) Ensure that vendors/Suppliers, Staff and Sub-recipients' cheques are prepared and paid on time.
- (e) and prepare petty cash replenishment.
- (f) Prepare cash receipt voucher for cash collected and deposited to bank account.
- (g) Ensure that copy of cash receipt and bank deposit must be attached with the Cash Receipt voucher.
- (h) Maintain petty cash ledger and ensure that the Petty cash replenishment is prepared the moment the paid cash is 90% of the cash float.
- (i) Cash collected from students and other receipts must be banked within the next business day.
- (j) Ensure that all cash at hand must be locked in a safe overnight and on weekends.
- (k) Maintain safe ledger and keep the first key of the safe.
- (l) Work closely with Administrative officer on physical counting of assets, stocks and property.
- (m) Preparation of documents like cash receipt vouchers, stock count report on a monthly basis, data/Reports required for Audits and managing the asset register.
- (n) Ensure that soft copy and hard copy month end closing packages are filed properly and done within the due dates.
- (o) Ensure that data is posted on a daily basis to the accounting software / accounting registers and that the financial information is processed accurately and internal financial reports are generated timely.
- (p) Perform systems analysis to identify any irregularities (such as wrong posting) and propose immediate corrective actions to the finance manager.
- (q) Documenting the accounting process so that execution of procedures is not completely dependent upon one individual.
- (r) Providing a training reference material for staff. Lead, direct, mentor/coach, appraise and supervise the other finance staff.

## **Financial Planning**

7. Financial Planning is to bring out the financial results of the working of the enterprise as a whole as well as the various operations and activities at frequent intervals as far as possible in order to aid the management in its task of decision making and decision reviewing and formulating short and long term policies. The accounting services have to furnish management with information for use in keeping constant control and grip over the business operations and in planning business policy. The following activities are to be performed for the Financial Planning: -

- (a) Preparation of the Institutional Budget for the next Financial Year by compiling the requirements received from the departments /sections and considering the probable income for the next year. The Budget is to be forwarded to Musaliar Education Trust through College Governing Body for approval with the recommendation of the Principal by 31 December.
- (b) Proportionate allocation of the approved Budget amount to user Departments/ Sections with the approval of Principal before the commencement of the Financial Year.
- (c) User Departments /Sections to prepare the Expenditure plan based on the approved budget and forward it to IQAC and Accounts Section for better coordination and monitoring.
- (d) Financial position of the category be indicated in the procurement cases for prioritizing/appropriate decision.
- (e) Preparation of month-end financial status highlighting the current month's activity, ending balance, current budget, available budget and outstanding purchase orders.
- (f) The Budget Status and other expenditures be obtained from the Departments/ Sections for updation of the financial status.
- (f) Review of Budget in September to project additional requirements, if any. The Budget Status must show ending balance, current activities in process/progress, available budget and outstanding purchase orders.
- (g) Ensure that internal and external financial reports are prepared and disseminated within deadlines to the Auditors.
- (h) The Manager, Financial Information System is responsible for maintaining, testing and upgrading the College's accounting and other financial system softwares. Identifying and solving financial systems issues, developing reports, documenting processes, training users and maintaining liaison with Auditors and other agencies like Banks, Income Tax, ESI, EPF etc.

## **Accounting Procedure**

8. The fund available to College is used to record budgeted revenues and expenditures including departmental salaries and operating expenses. Current income is mainly from students' fee collection and utilized for meeting all expenses. When grants or funds are received/designated for a specific purpose, the same is utilised accordingly. Any fund balance remaining at March 31 is carried over to the next Financial year. Accounting procedure

followed at Musaliar College of Engineering and Technology is enumerated below: -

- (a) Talley software is used for maintaining the accounts of the college and back up system is maintained.
- (b) All fund received are acknowledged by a receipt and posted to respective heads of the ledger.
- (c) Funds received through cheque are recorded as per para 7(b) and deposited to bank for realisation.
- (d) Details of Funds transferred directly to bank accounts are monitored from the bank statements/ notification/ proofs from the payee and posted under respective heads.
- (e) The documents for payments must be submitted to Accounts Section in time for verification. The Accounts Officer will prepare a payment voucher after ensuring the following: -
  - (i) The expense has the approval/authorisation of the competent authority.
  - (ii) The approved document and original bills are in place.
  - (iii) Documenting the expenditure in the respective registers.
  - (iv) In case expenditure is on procurement of an inventory, proof of bringing the item in the Stock Register.
  - (v) Availability of fund under the respective head.
- (f) The payment documents will be verified by Dean (Admin) and Accountant will make the payment in accordance with the guidelines of the Government.
- (g) All Gifts to the College must be accounted and separate Register must be maintained with source, assessed cost and photographs. Gifts received by any department should, therefore, be forwarded on the same day directly to the College Office along with the correspondence.
- (h) All Grants to the College must be accounted and brought under appropriate head. Please do not hold checks, especially large ones. Grants received by any department also be forwarded to the College Accounts Officer along with the correspondence/details for accountability.
- (i) All miscellaneous cash receipts are considered general revenues of the College and should not be credited to departmental or restricted accounts unless approved by the competent Authority.
- (j) In certain instances a cash advance may be required to fund a specific activity. The advance must be approved by the appropriate authority. A full accounting of the use of the funds and appropriate supporting documentation must be submitted to the College Office within 48 hours of the event culmination/purchase.

## **Internal Controls & Checks**

9. Internal accounting control consists of continuous review of the accounting system, procedures and records to assure the reliability of financial reporting as well as safeguarding the assets of the organization. An effective internal control structure includes a series of checks-and-balances required for the appropriate recording and authorization of transactions and ensure that access to assets is limited to authorized personnel. Each transaction should be divided into component tasks completed by different staff members in order to increase the likelihood of detecting unintentional errors and prevent misappropriation of the assets/funds. As an example, the person who approves vouchers for payment should not prepare or sign cheques.

10. The following chart includes other examples of the appropriate segregation of duties.

<b>Accounts Officer/staff who</b>	<b>Should not</b>
Prepares vouchers	Approve Vouchers
Prepares Cheques	Sign Cheques
Has access to Blank Cheques	Post Payments
Receives Cash	Deposit the cash receipts at the bank
Prepares payroll	Distributes payroll payments
Prepares Bank Deposits	Reconcile Bank Accounts

11. The Accounts Officer must present the following data with authentication to the Dean (Administration): -

- (a) Month end cash and bank balances(with bank reconciliations).
- (b) The income and expense accounts with reconciliation to amounts received and expended.
- (c) Verification of payroll calculations with respect to the deductions and attendance.
- (d) Payment of Taxes and mandatory contributions.
- (e) Outstanding Advances.
- (f) Outstanding Dues from students and others.

12. Concurrent Internal Auditing is also instituted to evaluate internal controls and accounting processes of the college. The Internal audit ensures compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection.

## **External Auditing**

13. The purpose of an external audit is to provide an objective independent examination and to verify that the financial statements provide a true and fair reflection of where the Institution stands financially and have been appropriately prepared in accordance with accounting standards. After the investigation of the reports and on-site, an auditor releases a report that states the auditor's opinion. If the auditor states that the financial reports are true, the transactions listed occurred and that the stated assets exist. A report that says that the statements are fair means that the listed assets, liabilities, and transaction values are all fair, the External Auditor will prepare the annual Return of the Institution. The return will be presented to the Trust for their review and approval. The External Auditors will then file the return with the Income Tax Department before the deadline.

This policy will be effective with effect from 01 April 2019 and subject to amendments by Musaliar Education Trust.