

Green-Ag: Transforming Indian agriculture for global environmental benefits and the conservation of critical biodiversity and forest landscapes

STANDARD OPERATING PROCEDURE		Page: 1 -15
Model: F 001	Version: 1	Date: 25/11/2021
Title: Online Accounting system of GEF6 Project		File:

November 2021

Table of Contents

I.	Executive Summary.....	3
II.	Purpose	3
III.	Scope and Applicability	3
IV.	Procedure of the set up and steps involved	4
V.	Receipt Voucher.....	4
1)	Impact of Receipt Voucher	6
VI.	Payment Voucher.....	6
2)	Impact of Payment vouchers	9
VII.	Journal Vouchers.....	9
3)	Impact of Journal voucher	10
VIII.	Contra Vouchers –	10
A.	Examples of Contra Entry.....	11
4)	Impact of Contra voucher	12
IX.	Cash Book (Double Entry)	12
5)	Impact of Cash book in further accounting system	13
X.	Bank Reconciliation Statement (BRS)	13
A.	Why are bank reconciliation statements prepared?	14
XI.	Steps of Bank Reconciliation Statement in Online Accounting System.....	15

I. Executive Summary

The Global Environment Facility (GEF) has approved the Government of India's GEF-6 Green-Ag Project titled, "Green-Ag: Transforming Indian agriculture for global environmental benefits and the conservation of critical biodiversity and forest landscapes".

Green-Ag became operational in April 2019 and is being implemented in five landscapes: -

- Dampa Landscape, Mizoram.
- Chambal Landscape, Madhya Pradesh,
- Similipal Landscape, Odisha.
- Desert Landscape, Rajasthan; and
- Corbett-Rajaji landscape, Uttarakhand.

To carry out the project implementation, FAO has entered into Operational Partner Agreements with the Operational Partners (OPs) of Madhya Pradesh, Mizoram, Odisha, Rajasthan, and Uttarakhand. The State need to follow steps mentioned in the Operational Partner Agreement (OPA). For implementing GEF6 project on ground NPMU and SPMU along with government program divisions need to develop workplans & budgets and get these approved by SSC and NPMC.

For smooth implementation of the budget and financial aspect NPMU has developed an online accounting system which is accessible through <https://greenag.nmsa.gov.in/> for maintaining routine bookkeeping. As per Indian Accounting Standards (ISAs) all the bookkeeping should follow these standards as well as State/Central Government financial rules. All the Operational Partners to follow financial rules as per the law of the land and below mentioned documents need to be maintained by the State.

II. Purpose

Operational Partners are guided by standard procedures, which reduce the chance of missing steps or other errors that jeopardize the quality of the final report. SOPs that are scrupulously followed ensure that your results are mirrored in the exact way that you wanted them to be. In Green-Ag project there are annexures in the Operational partner Agreement (OPA) in which States need to report financials at certain interval as desired by the donor. In the same agreement it has been clearly mentioned that there will be different Spot checks, Audits etc.

To comply with these requirements including statutory requirements of the law of the land adhering to the accounting standards an Accounting Application has been developed by FAO in house team and all the states need to do accounting in the system for the GEF6 project fund. The FPMIS (Financial Management information System) reports of the system will be for the consumption of both internal and external stake holders.

III. Scope and Applicability

GEF6 projects in Odisha, Mizoram, Madhya Pradesh, Uttarakhand, and Rajasthan will use this document for accounting purposes. To maintain accounts in accordance with State financial rules, all Operational Partners shall follow the directions and procedures outlined in the text. This document

will help teams to maintain accounts in accordance with accounting standards at the State and District level for the goal of best practise in the field of accounting and documentation.

IV. Procedure of the set up and steps involved

Documents referred to below must be kept in the office and must be available for cross-checking and verification by various project officials or operational partners. It is difficult to maintain all the documents in the online system. FAO has designed the pages below for data entry into the system so far. States are requested to follow the directions in this SoP in order to upload documents and post entries properly.

The basis of accounting to be followed in the GEF6 project is Cash Basis of accounting which means, A key accounting approach that recognises revenues and expenses at the time cash is received or paid out is known as cash basis. This is in contrast to accrual accounting, which records revenue when it is earned and expenses when liabilities are incurred, regardless of when cash is collected or paid. Referring to the definition of cash basis of accounting

- Receipt Vouchers
- Payment Vouchers
- Journal Vouchers
- Contra Voucher
- Cash Book
- Cheque Register
- Bank Book (Non FCRA act 2010)
- Salary register
- TDS/TCS records
- Ledgers
- Bank Reconciliation Statement
- Trail balance
- Receipt & Payment account
- Income & Expenditure account
- Balance Sheet (Indian Accounting Standards)
- Contract copies
- Audit files
- Audit Reports
- Compliances
- Financial reports
- Fund request
- Approved Budgets
- Approved minutes of meeting
- Attendance & Leave record
- Asset register
- Technical reports Tender and procurement documents

V. Receipt Voucher

– whenever OP received any amount in the bank account or cash from any source for this project that need to be entered into the system using a receipt voucher.

Example – the State of Madhya Pradesh received \$50,000/- as grant in aid from FAO on 1st Jan 2021 in designated bank account. The accounting entry will be like,

Date	Particulars	Dr/Cr	Amount
01/01/2021	Grant – in – aid (Liability)	Dr	\$50,000/-
	To Bank Account (Asset)	Cr	\$50,000/-
(Being grant-in-aid of \$50,000/- received from FAO against Cheque no 123456 dt 1-1-2021 for the GEF6 project implementation)			

Add Receipt Vouchers

Details

User Level*

Financial Year*

State*

Receipt Details

To / In favour of*

Date of Receipt*

Amount (INR)*

Remarks*

Browse File

Upload File*

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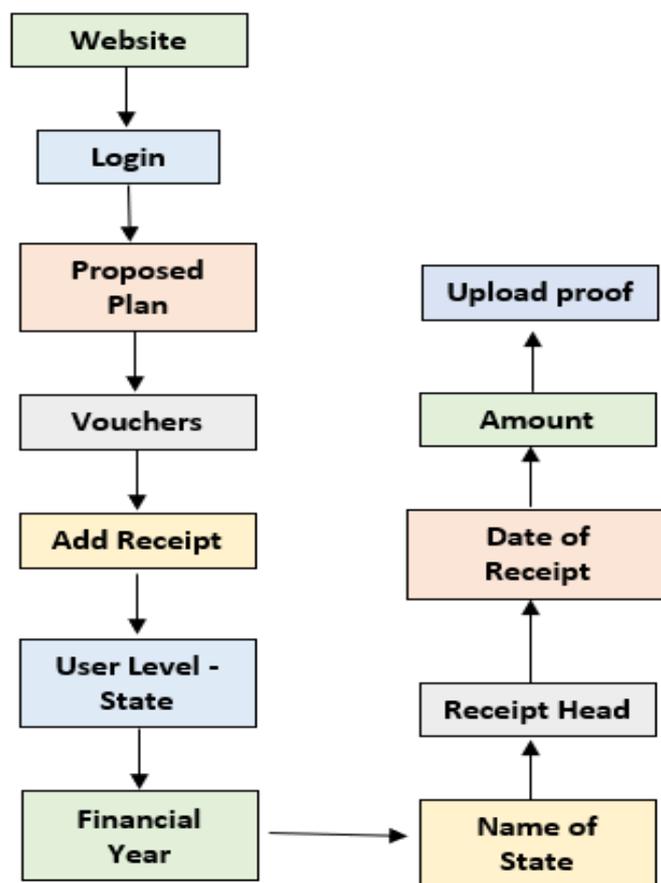
*Only PDF File (Maximum File Size upto 5 MB)

Receipt Voucher Figure 1

Finance & Budget officers can reach at receipt voucher page using below link.

<https://greenag.nmsa.gov.in/frmAddReceipt.aspx>

referring to the figure 1 above the operator need to navigate through different tabs to make post a receipt entry. Below flow chart will help the operator to make an entry into the system. Below flow chart will help the officer to post a receipt entry.



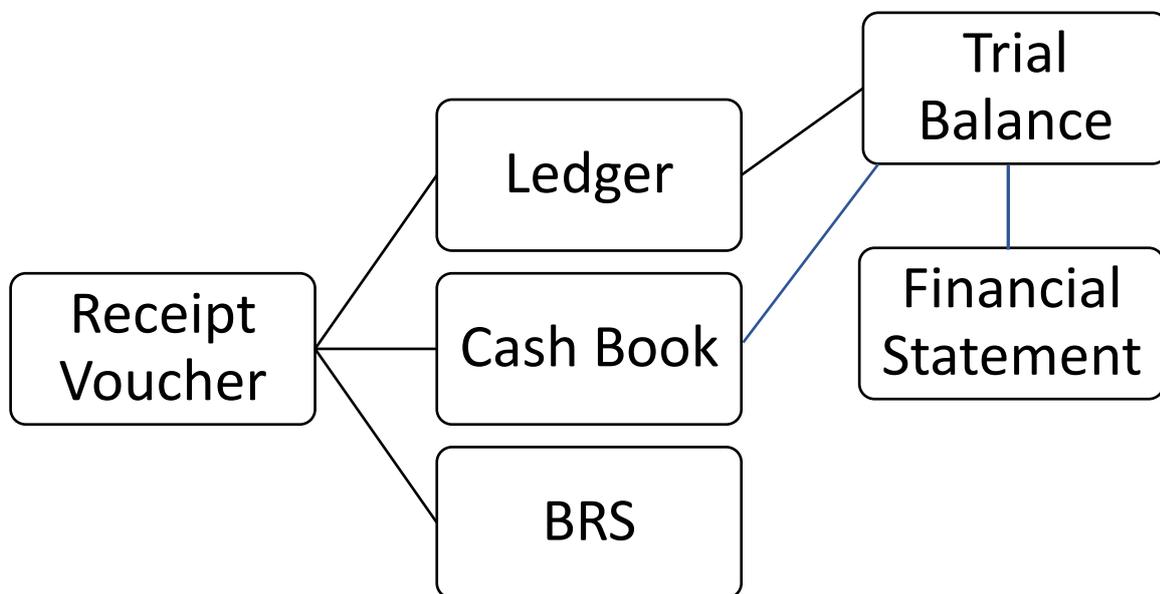
Flow Chart of Receipt Voucher 2

Once a receipt voucher entered the system it will be reflected on the receipt site of the cash book. In the GEF6 project there will be three types of receipts like,

- Grant in Aid – funds received from FAO against the approved budget
- Bank Interest – interests received from bank deposit
- Advance settlement – staffs depositing balance of advance paid to them

All these receipts to be processed through receipt entries and reflected on the receipt side of the cash book. Once receipts entered it will impact Cash book, Ledger, Trial Balance, BRS and financial Statements that will be discussed later in the coming sections.

Impact of Receipt Voucher – after posting a receipt entry into the system the receipt entry will impact mainly to the cash book by increasing the cash or bank balance in the receipt side of the cash book. In regular interval the bank passbook also needs to be reviewed and left out numbers also to be entered using receipt vouchers.



VI. Payment Voucher

– All payments made to any party for goods, services, expenditures, or advances from the project money, whether in cash or by bank transfer, must be entered into the accounting system using the payment voucher gateway. Payments such as the advance given to project personnel for providing training are not considered expenditures at the time of payment. Even though these are not expenses at the time of payment, they must be accounted for in the system via a payment voucher.

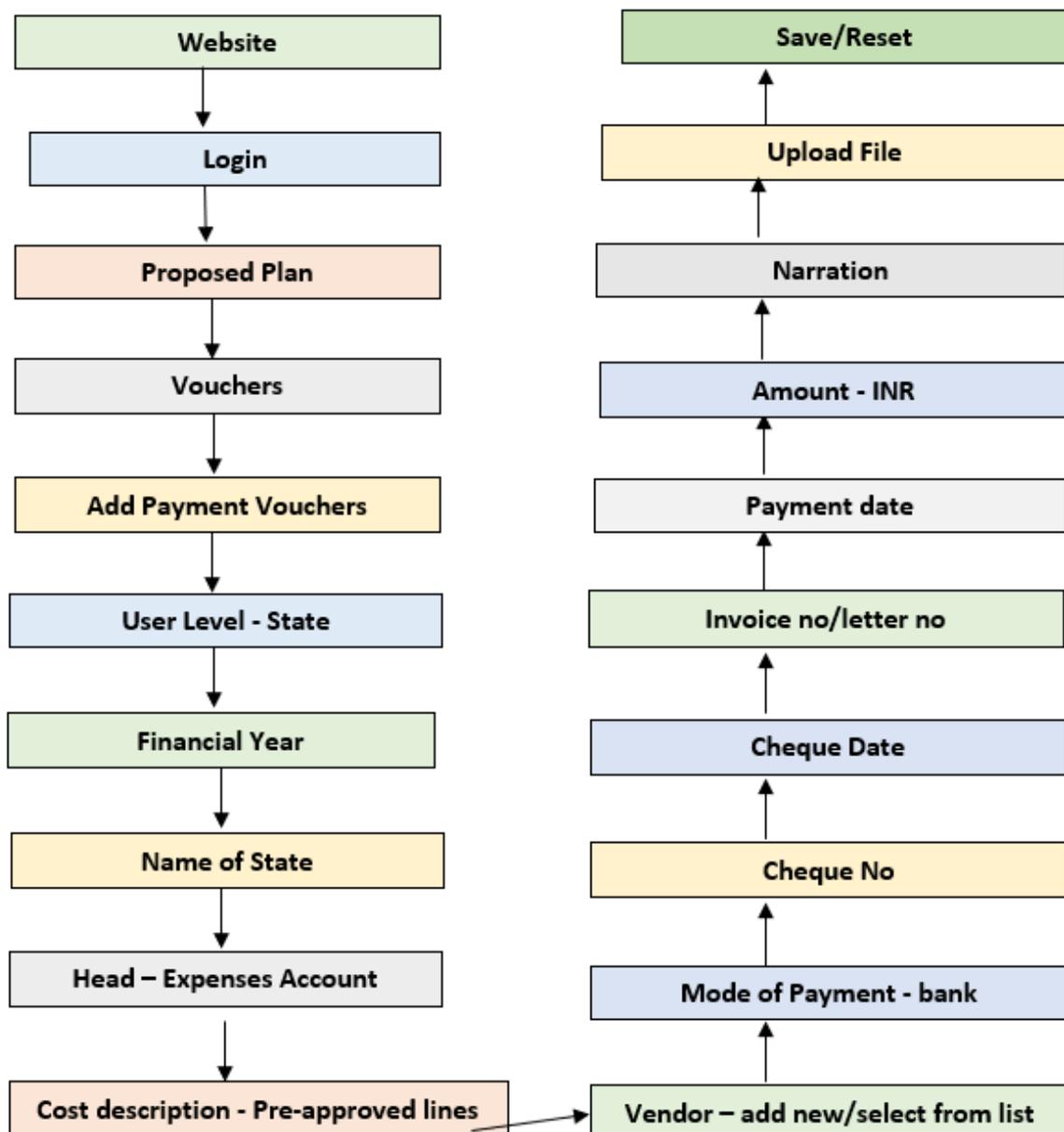
Payment vouchers will be created once payment has been made through the OPA process, for example, the State would wish to purchase computers from the project budget for SPMU/GLIU members. After selecting a vendor and issuing a PO/Contract, advance payment (as per contract) or payment to be made. The state must follow Government finance laws to proceed forward with the procurement. All the processing documentation must be included in the payment voucher as proof of payment.

Example – 10 laptops purchased for the SPMU/GLIU of the State by paying \$5000/- through bank on 1st Jan 2021.

Date	Particulars	Dr/Cr	Amount
01/01/2021	Computers & Printers A/C (Increase in asset)	Dr	\$5,000/-
	To Bank Account A/C (Decrease in Asset)	Cr	\$5,000/-
(Being 10 laptops purchased for the SPMU/GLIU members by paying \$5,000/- vide cheque no – 123456, dt 1-1-2021)			

The above accounting entry will be processed as per the below flow chart (figure 3a. 3b) and that can be reached through the link mentioned below.

<https://greenag.nmsa.gov.in/frmAddExpenditure.aspx>



Payment Voucher Steps Image 3.b

Add Payment Vouchers

Details

User Level*

Financial Year*

State*

Head*

Cost Description*

Transaction Details

Vendor*

Amount (INR)*

Payment Mode*

Narration*

Financial Details

Upload File*

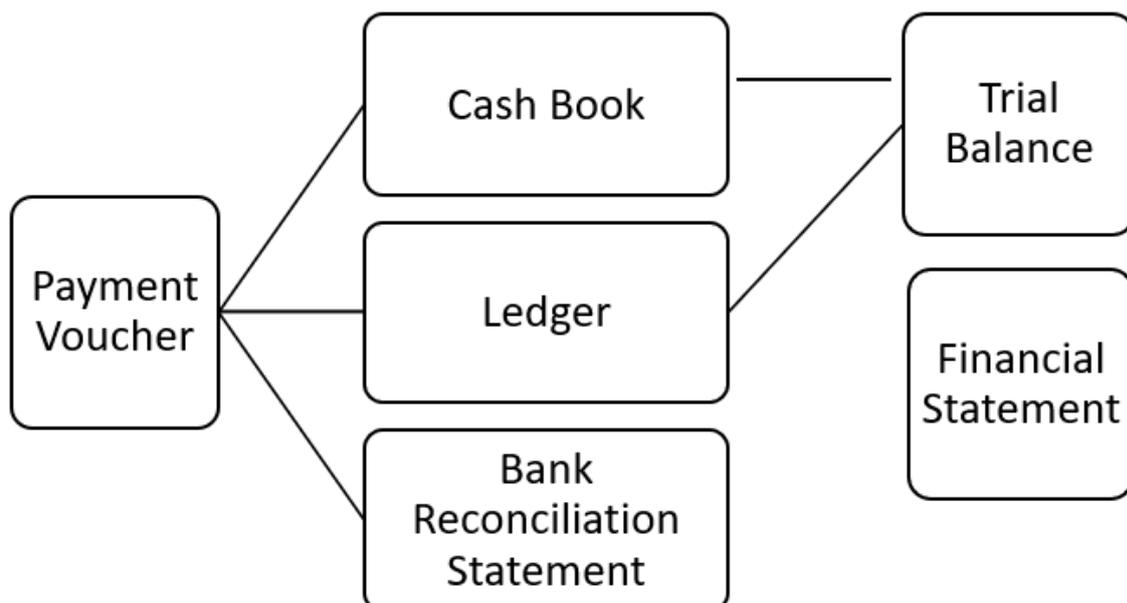
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*Only PDF File (Maximum File Size upto 5 MB)

Web Page – Image 3.a

All the payments are not expenses at the time of payment like, operational advances paid to conduct training or to purchase stationaries for the office etc. under this project there are specific expenses heads identified and all the entries to be posted as per these heads like,

- Consultants – Expenses Code 5570
- Contacts - Expenses Code 5650
- Training – Expenses Code 5023
- Travel - Expenses Code 5900
- Expendable Procurement - Expenses Code 6000
- Non-Expendable Procurement - Expenses Code 6100
- General Operating Expenses - Expenses Code 6300



Cash Voucher effects Image 3.c

Once after saving the payment voucher, it will impact on corresponding ledger heads and in cash book. How once payment will affect different accounting steps will be discussed later in next segments.

In case of small purchases, recurring expenses one office staff to take operational advance in her/his bank account, do all transactions and settle all the expenses through journal voucher. By doing this the office can avoid direct cash transaction.

Impact of Payment vouchers – When a payment voucher is entered into the system, it has a direct impact on reducing the cash and bank balances in the cash book, regardless of whether the cash is in hand or at the bank. This will also have an influence on the relevant ledgers, cash book, and BRS.

VII. Journal Vouchers

In Green-Ag project, particularly in online set up the operator need to post all adjustment entries in the system to settle advances, credit purchases etc. generally in the GEF6 project all the participating States need to follow cash basis of accounting, therefore, please do not post any accrual entries in the system if at any point it has been identified by the State kindly drop an email immediately to delete the same from system.

For a better understanding please refer below example.

On January 1, 2022, the State Technical Coordinator (STC) requested INR 15000/- to conduct a training on VIC formation in Village X. The accounting department may proceed with advance payment once this request has been granted by the approving authority. After organising the training, STC must provide all bills, invoices, MoMs, participant lists, and other documents for settlement of the advance, which must be done using the system's **Journal Voucher** page. The following entry should be passed according to accounting principles.

The state must examine all advances to see if they are accountable within a certain time frame from the date of release.

Date	Particulars	Dr/Cr	Amount
15/01/2022	Training A/C (VIC Formation)	Dr	15000
	Advance A/C (STC)	Cr	15000

Add Journal Vouchers

Details

User Level*

Financial Year*

State*

Head*

Cost Description*

Transaction Details

Vendor*

Payment Mode*

Amount (INR)*

Narration*

Financial Details

Upload File* *Only PDF File (Maximum File Size upto 5 MB)

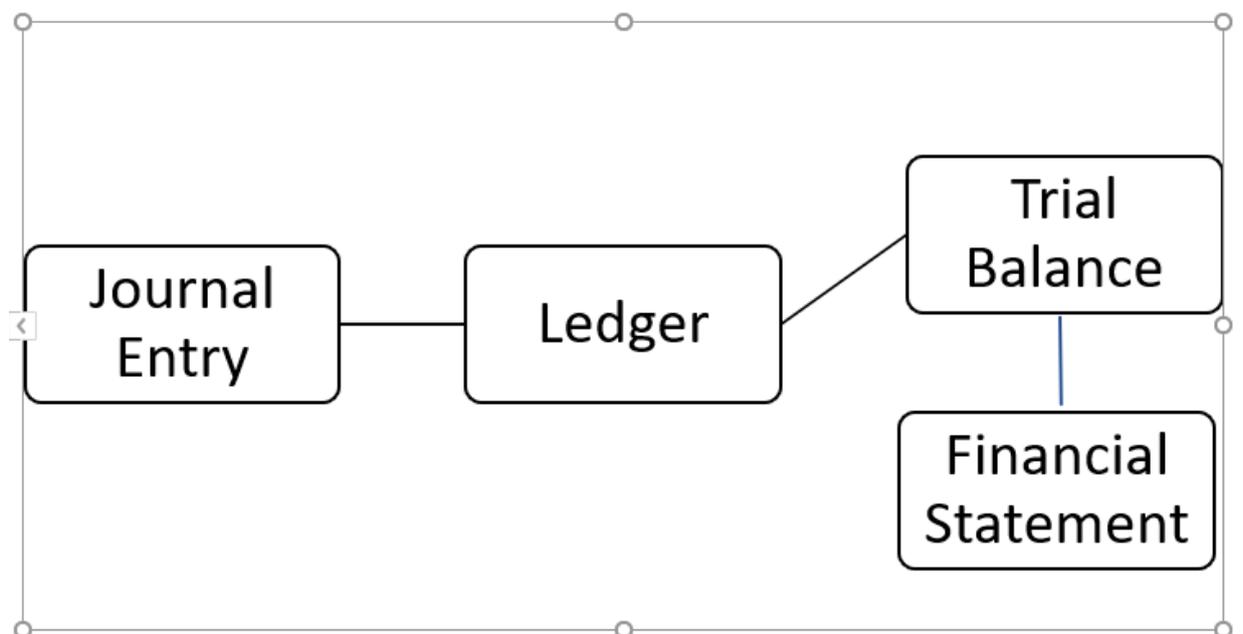
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Journal Voucher web page Image 4

(Being VIC training conducted at Village X dt 5th January 2022 by STC and advance settled for the amount given)

If there is any modification in terms of less or excess expenses incurred against the advance, the entry will be the same, but the excess amount incurred will be processed with a payment voucher or the balance will be obtained through a Receipt Voucher. How to move ahead with the journal voucher in online set up has been mentioned below for ready reference.

Impact of Journal voucher – Journal voucher only posted to settle advances, create accruals or to post adjustment entries. Cash or bank transaction does not process through Journal Voucher. Journal voucher never impacts the cash balance of the organisation it only affects ledgers, like in the above entry two different ledger heads impacted “advance account “and “training account” where there is no direct cash payment by the organisation to the end user.



Journal Voucher Image 4.A

VIII. Contra Vouchers –

at the time of cash withdrawal and cash deposit in or from the project account for office use or for close of cash balance of hand respectively an entry to be passed using contra voucher which will affect cash book only.

- Cash account to Bank account
- Bank account to Cash account
- Bank account to Bank account
- Cash account to Cash account

After looking at the above list, you might be wondering about the one which is the mentioned in the last i.e. ‘Cash account to Cash account’

To clear this confusion, we need to understand little more about ‘Petty Cash Account’.

It's usual business practice to maintain an account known as 'Petty Cash' with a small amount of cash to meet tiny expense such as courier, refreshments, stationeries etc. Whenever such small expenses are to be paid, the petty cash vouchers are used and paid from petty cash. Find below image of Contra voucher (image 5/5.A) and steps to account for.

Contra Voucher Image 5



Steps in Contra Voucher Image 5A

To fund this account, the cash is transferred from the main cash account to petty cash account. This when it is referred to as cash account to cash account.

The examples in the following section will make your understanding little deeper on contra entry.

A. Examples of Contra Entry

In the below table, we have mentioned different types of business transactions and some of them are contra entry. We have identified one's which are contra entry with reason.

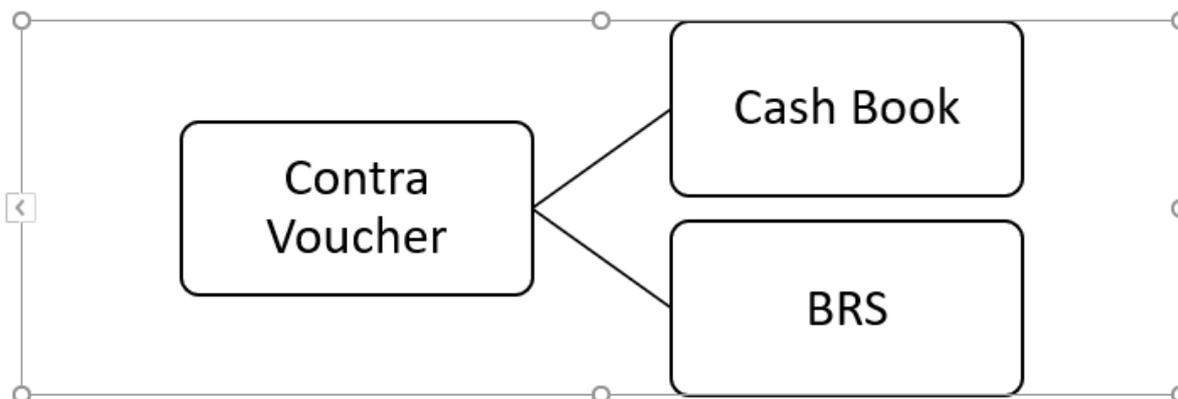
Remember the contra entry rule 'Both Cash and Bank should be affected in any given transaction'

Entries	Is it Contra Entry?	Reasoning
Transferred cash to petty cash 2,500	Yes	Affects both two account - a Cash account and Petty cash
Cash sales 1,750	No	Affects only one account - cash account
Paid to Mr.Yash by cheque 3750	No	Affects only one account - cash account

Received a cheque from M/s Zain and Bros., 4,500 paid into the bank	No	Cheque received is equivalent to cash. Affects only one account – Bank account
Received cheque from Mr Alex 6,000 paid into the bank	No	Cheque received is equivalent to cash. Affects only one account – Bank account
Cash purchase 2,500	No	Affects only one account - cash account
Paid rent by cheque 2,500	No	Affects only one account - cash account
Cash is withdrawn from bank for office use 2,500	Yes	Affects two accounts – Cash and Bank account –
Cash sales 3,750	No	Affects only one account - cash account
Stationery purchased 1,000	No	Affects only one account - cash account
Cash sales 6750	No	Affects only one account - cash account
Deposited 10,000 to the bank account	Yes	Affects two accounts – Cash and bank account –
Withdrew cash for personal use 1,000	No	Affects only one account - cash account
Salaries paid by cheque 9000	No	Affects only one account - cash account

Impact of Contra voucher –

Contra voucher only affect cash and bank column of the cash book and there is nothing to do with cash position of the organisation.



Contra Voucher Image 6

IX. Cash Book (Double Entry)

Cash book is a special type of book that is only concerned with the recording of cash transactions of an organisation. It performs the dual role of both journal and a ledger for all the cash/bank transactions taking place in a business organisation.

A cash book records all the cash receipts on the debit side and all the cash payments of the organisation on the credit side.

Cash book has the following features:

1. Acts as both a journal and a ledger.

by highlighting the causes for any discrepancies. We shall explore the issue of BRS preparation in this article. Under GEF6 project its advisable to prepare BRS monthly considering all deposits, payments, receipts etc on bank account.

A report in the form of a Bank Reconciliation Statement will appear once the cheque clearing web page has been filled with cheque clearance dates. This report must be approved by the finance officer, team heads, or approving authority, and then filed properly for audit purposes.

A. Why are bank reconciliation statements prepared?

You might be wondering why bank transactions recorded in the books of accounts do not match the bank statement, given the description of a bank reconciliation statement. There are numerous reasons for this, and some of the more prevalent are described here:

- Cheques Issued but not cleared in the bank
- Difference in cheque deposited and cheque credited date
- Date of cheque issued towards payment and date on which it is debited is different
- Cheque issued or received is not presented to the bank for clearing
- Bank interests, charges etc. are not accounted for. Reason being it is not known till you reconcile.
- Banks can also do mistake in debiting or crediting the transactions
- Just like banks, you too can make mistake in accounting the bank transactions in books of accounts and so on....

The closing bank amount in your books of accounts and the real bank balance as per bank will not match for the reasons stated above. This means that the bank balance you think you have in your account is not the one that is actually available. Making decisions based on the book balance can place you in an awkward predicament.

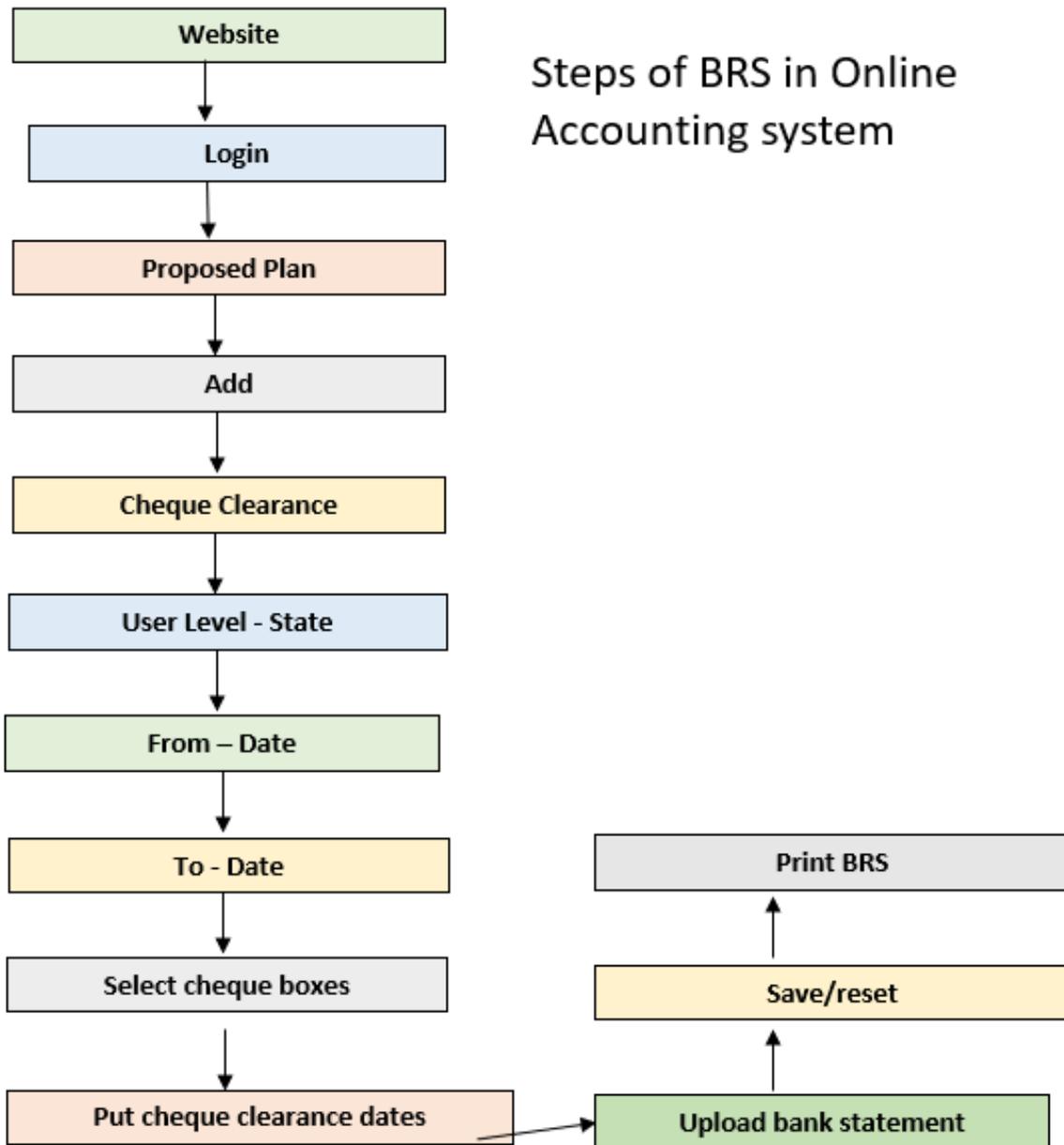
Bank reconciliation statements are created to avert such problems. This statement simply matches the bank transactions in the company books with the bank statement, ensuring that the bank balance in the books of accounts is always accurate. Sample BRS format below,

ABC Company's Bank Reconciliation Statement 31-3-2019		
Balance as per bank statement		3,00,000
Add : Cheques deposited but not cleared	20,000	20,000
		20,000
Less : Cheques issued but not cleared in the bank	50,000	50,000
		2,70,000
Adjusted Balance		2,70,000

Balance as per company books		2,60,900
Add : Amount credited into bank but recorded in books	9800	
Interest received	20	9820
		2,70,720
Less : Other charges not recorded in books	720	720
Adjusted Bank balance in Books		2,70,000

BRS Sample table no BB

XI. Steps of Bank Reconciliation Statement in Online Accounting System



BRS Steps Image 8

There is a constraint in the online accounting setup to create all of the statutory documents required for documentation and audit. States can access up to the Trail balance in the online environment, but they must prepare the Balance sheet and other financial statements manually using the trail balance numbers.

This SoP will be expanded upon with other topics such as ledger and trial balance. These stages are currently being developed and will be made available once they have been tested so that states can review and complete their accounting online.