

ACCOUNTING OF FINANCIAL TRANSACTIONS

1 Purpose

A) The purpose of this procedure is to define a system for planning and control of activities relating to Accounting of all financial transactions in respect of execution of projects, Accounting of inflow and outflow of all loan transactions and Accounting of transaction relating to expenditure towards Establishment and Administrative expenses.

B) To ensure that the revenue and capital expenditure are accounted correctly.

C) To ensure that all the transactions are accounted in the respective period to which it belongs.

D) To ensure that all the transactions of the KSPHC are recorded as and when they accrue by following the statute requirements. It also ensures that the users are provided with the required accounting data, information and financial statement for better evaluation.

E) To ensure that required accounting data and information are generated and made available to the Top Management on timely basis for evaluation and take prudent decisions on the matters relating to operation, financial and administrative decisions.

1.1 Application

This procedure is applicable to cover all the accounting transactions involving receipts and payments of funds at Head Office and Divisions.

2.0 Responsibility

Responsibility and Authority for various activities of project management is described in procedure part.

3.0 Terms and definitions

1. **Budget** - Estimation of financial inflow and outflow of funds in KSPHC for all its activities.
2. **Board**- Board of Directors of KSPHC
3. **EMD** - Earnest Money Deposit (EMD) i.e., Initial Deposit received from the contractors for taking part in the tender process.
4. **SD** – Security Deposit (SD) is the amount retained out of the Work Bills payment made to the Work Contractors in the construction contract as caution money for ensuring desired performance as well as maintenance (for a specified period)of the building constructed. The terms of deduction and refund of such Deposits are usually as per the terms and condition of the Contract and also as per PWD code.
5. **Tally Accounting System** – Tally Accounting System is the Accounting software of Tally Solution Private Limited, which is popularly know as TALLY.

4.0 Procedures

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This procedure is to establish a systematic procedure for effective inflow and outflow of funds to the financial activities of the KSPHC. The procedure also ensures that financial aspects of the KSPHC are done as envisaged and there are no deviations and all deviations are properly explained. In addition the procedure ensures that the management is updated with the financial progress made at periodical intervals.

This procedure covers all the processes of financial transactions. Wherever system procedures are established that provide detailed information about that process, relevant procedures have been referenced. In order to facilitate easy understanding of process sequence, project-management process is divided into convenient process.

Following abbreviations and terms are used in the table;

D	=	Document	R	=	Record
CMD	=	Chairman and Managing Director	ED	=	Executive Director
FA	=	Financial Advisor	CE	=	Chief Engineer
SE	=	Superintending Engineer	EE	=	Executive Engineer
DES	=	Designs	AS	=	Account Superintendent
Govt.	=	Government of Karnataka	Client	=	User department

4.1 ACCOUNTING OF FINANCIAL TRANSACTIONS

Sl. No.	Responsibility	Activity description	D / R	D / R Reference
1	CMD / ED/FA/CAO	<p><u>Responsibility of maintaining proper accounts:</u></p> <p>(a) KSPHC is established and registered under the Companies Act, 1956 and in terms of section 211 of the said Act the object of maintenance of proper books of accounts is to give true and fair view of the state of affairs of the Company. In addition to this in terms of the said Act, the annual accounts are required to be prepared by adopting mandatory the Accounting Standards issued by the Institute of Chartered Accountants of India from time to time.</p> <p>(b) The KSPHC has adopted a centralized accounting system wherein all the accounting transactions are maintained at its Head Office. The Divisions are operating units for execution of works contracts and accounting of the same is done at Head</p>	D	

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		<p>Office.</p> <p>(c) The Divisions maintain accounts to record the day to day petty expenses, incurred in the divisions for which funds are provided by the Head Office. The Divisions also maintain accounts for collection/refund of EMD made at their end. The funds which are not required at the Divisions are remitted to Head office at regular intervals.</p> <p>(d) The Accounting of transactions both at the Division and Head Office are computerized and Tally Accounting software is used for recording the transactions. In the Head Office all the financial transactions are captured in the Tally Accounting System by designating each Division as a cost center.</p> <p>(e) The backup of all the transactions are taken on the storage devise on daily basis. The hard copy of the Cash Book, Bank Book accounts is taken print once on daily basis, and ledgers once in a year. However, the trail balance of the corporation will be taken at the end of every month.</p>	
2	/FA/CAO/AS	<p><u>Accounting of Receipts:</u></p> <p>The receipts at KSPHC are on account of</p> <p>(a) Grants by Government of Karnataka out of budgetary provisions.</p> <p>(b) Deposits from Government Departments towards Deposit Contribution Works.</p> <p>(c) Drawing of Loan from various financial institutions on account of Loans sanctioned by them for execution of projects.</p> <p>(d) EMD from the various aspirants' Works contractors to participate in contract awarding tender process.</p> <p>(e) Security Deposits from various Works contractors for the performance of their product during the maintenance period.</p> <p>(f) Various statutory recoveries made from the Contractors out of Work Bill payments.</p> <p>(f) Income from the various supporting activities provided by the KSPHC.</p> <p>(g) Interest income from the Scheduled Banks on the Fixed Deposits of surplus</p>	<p>Tally Day Book</p> <p>D</p> <p>EMD/FSD Schedule maintained at division & Control accounts maintained</p>

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		<p>funds.</p> <p>(h) Maturity proceeds of Fixed Deposits made by the KSPHC.</p> <p>(g) Various salary recoveries made from the Employees towards EPF, VPF, and Advances etc.</p>	
3	FA, CAO, AS	<p><u>Accounting of Grants by Government of Karnataka out of budgetary provisions:</u></p> <p>a) KSPHC is setup as a special purpose vehicle to construct buildings to Police and other Government Departments. The Home Department formulates the Schemes in consultation with Police, Fire force and prison departments for construction and authorizes the KSPHC to construct building by taking loan from Financial Institutions by providing budgetary support for payment of interest and repayment of Loans. "Whatever there funds are released from treasury payees receipts will be signed by the computed authority". The administrative and establishment expenditure incurred by the Corporation is also allocated to the cost of construction.</p> <p>b) At the end of each financial year a detailed proposal is sent to the Finance Department working out the expected financial commitment for the next financial year, requesting the Government for budgetary allocation. The Finance Department makes allocation in the budget.</p> <p>c) At the beginning of the every quarter a proposal is sent to the Government for release of funds required for the coming quarter out of the budgetary provision made.</p> <p>d) On receipt of the funds from the Government the amount received is deposited into bank and the amount will be credited to the Government of Karnataka Account in the Tally Accounting System.</p>	

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4	FA,CAO,AS	<p><u>Accounting of Deposits from Government Departments towards Deposit Contribution Works:</u></p> <p>a) KSPHC has been authorized vide its Memorandum of Association, to take up construction works for various Government Departments Viz. Police, prisons and Fire force etc. The concerned Government Department in consultation with the KSPHC issues orders entrusting the work by providing all the details of works and the cost within which the work has to be undertaken.</p> <p>b) On receipt of the relevant order from the Department, the Technical Section, forwards payment instrument and also the copy of the relevant Government order to the Account Section for accounting the transaction.</p> <p>c) On receipt of the payment instrument the AS Tally shall open a separate ledger account work in the Tally System under the group, "Deposits received (projects)" from different departments and the credit the sum received to such account by remitting the payment instrument to Bank for realization on incorporating the receipt the same has to be entered in the DC Work register (receipt).</p> <p>d) This credit amount in the Tally System is the base for authorizing the payments recommended for the concerned work to ensure that cumulative total payment made to the concerned work (including ETP Charges approved) is within the deposit amount received.</p> <p>e) The Deposit received from the Government Department against contribution work and which is not required for payment against the work expenditure is deposited in a Nationalized Bank, as short term deposited and also used for temporary rigidity management when ever required.</p> <p>f) On handing over of the Work to the</p>	<p>REGISTER</p> <p style="text-align: center; font-size: 2em;">D</p>
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		<p>user department on completion, the total expenditure incurred including ETP charges against the work is transferred to the Deposit Account and the surplus or the deficit in the account is refunded or claimed from the users department as the case may be.</p> <p>g) The utilization certification regarding funds utilized & completion of work is sent.</p>		"Format"
5	CMD,FA, CAO, AS (funds)	<p><u>Accounting of receipt of Loan from various financial institutions on account of Loan sanctioned by them.</u></p> <p>a) The Home department, Government of Karnataka formulates Schemes for construction of housing and non residential building requirements of Police Force in the state and entrust the work to KSPHC for construction. For such construction, Government authorizes KSPHC to avail loan from Financial Institution by providing Government Guarantee and budgetary support for repayment obligation.</p> <p>b) Immediately on receipt of Government order formulating the Scheme for construction, KSPHC approaches the Financial Institutions for the sanction of loan and finalizes terms and condition of loan sanction and Government approval will be sought wherever required and also Government guarantee is obtained for the proposed loan.</p> <p>c) On sanction of loan from the Financial Institution the matter will be placed before the Board of Directors for approval of the sanction and seeking approval for completing formalities.</p> <p>d) On Board approval, a grant will required loan agreements are signed with Financial Institution and arrangement will be made to get the Government Guarantee executed. The same will be submitted to the Financial Institution and drawal schedule is intimated to the Financial Institution.</p>	R	

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		<p>e) The request shall be made to Financial Institution for release of funds as and when required depending on the funds requirement for the on-going construction under the Scheme.</p> <p>f) On receipt of payment advice from the Financial Institute regarding credit of loan amount to the KSPHC Bank account a separate ledger account is opened in the Tally System for each loan and all subsequent release are credited to this account and necessary entry is also passed in to a register.</p>		Loan Register
6	FA, CAO, AS (Tally) EE/EMD.	<p><u>Accounting of receipt Registration register EMD from the various aspirants' Works contractors to participate in contract awarding tender process</u></p> <p>a) All the contractors who undertake work with the KSPHC are required to make EMD with KSPHC to become eligible to participate in the Tender process for awarding the work.</p> <p>b) The EMD cheques/DD are received by the concerned Technical Division are handed over to the Accounts Section for encashment.</p> <p>c) The Accounts section on receipt of EMD Cheques/DD deposits the same in the Bank Account and credit the same to EMD receipt account and the party wise Register for EMD received is maintained at the Division.</p> <p>d) The Divisions are also permitted to deposit the EMD received at their level to the Bank Account maintained by them and transfer such proceeds to Head Office.</p> <p>e) The EMD Control account maintained at the Head Office is reconciled with the Division wise registers at periodical intervals. The control accounts will be maintained by AS (FS/EMD).</p>	R	EMD register/ DVG Form

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7	<p>FA,CAO,AS(division),AS(FS/EMD) As (Tally),</p>	<p><u>Accounting of Security Deposits from various Works contractors for the performance of their product during the maintenance period:</u></p> <p>a) As per the Construction Contract Agreement, and also PWD code norms, all the contractors who execute the projects with the KSPHC are required to keep Security Deposit with KSPHC in respect of construction work until completion of the maintenance period.</p> <p>b) The amount and period of security Deposit shall be as per the clause in the agreement and also PWD code norm.</p> <p>c) The amount of Security Deposit shall be recommended by the concerned division in the each bill and the same is recovered and credited to the Security Deposit maintained in the Head Office after ensuring that the recovery proposed as per the terms of contract agreement. The Contractor wise register for the recovery of Security Deposit is maintained at the Divisions.</p> <p>d) The Division will also maintain contractor wise FSD register.</p> <p>e) The Security Deposit Control account maintained at the Head Office is reconciled with the Division wise register at periodical intervals.</p>	R	<p>FSD register at Head Office/Division DVG (Format)</p>
8	<p>FA,CAO,AS(Bills), CASHIER,FDC(Tally), CASHIER/SDC Tally. EE (Division).</p>	<p><u>Accounting of receipt of various statutory recoveries made from the Contractors out of Work Bill payments.</u></p> <p>a) The various statutory deductions such as Income Tax, Sales Tax, and Royalty on the minerals, etc are admitted audited & passed, by the Divisions in the Bills proposed for payment.</p> <p>b) (Bills) On receipt of the Bills the concerned AS verifies the proposed recovery are as per the Statute requirement & put up for approval.</p>	R	

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		<p>c) After approval, in recovery proposed for each bill is accounted in Tally System by crediting the amount to the separate Recovery Head opened for each head of recovery.</p> <p>d) The recovery made and credited to this control account shall be the base for the payment of recovery to the concerned statutory authority.</p> <p>e) The amount of recovery made and the amount remitted to the concerned authority is reconciled at monthly intervals.</p>		
9	FA,CAO,AS(Tally),FDC (Tally),cashier	<p><u>Accounting of Income from the various supporting activities provided by the KSPHC:</u></p> <p>a) KSPHC earns income from activities associated with construction such as Sale of Tenders Forms, Fines from contractor, MPP Charges registration charges.</p> <p>b) These incomes are either received in cheques or recovered from contractors out of Bills payments.</p> <p>c) In case of cheque receipt as soon as the cheques/DD is received the amount is credited to the concerned income ledger account in the Tally Accounting System by remitting the payments to the KSPHC Bank Account.</p>	D	
10	FA/CAO AS(funds)/ AS (Tally)	<p><u>Accounting of Interest income from the Scheduled Banks on the Deposits:</u></p> <p>a) KSPHC parks the funds received under Deposit contribution works which are not required immediately for payment in Nationalize Banks to earn income.</p> <p>b) The Deposits are made with the Nationalize Bank ensuring that the Deposits results in optimal interest income depending upon the future fund requirement of the KSPHC and with the approval of competent authority.</p> <p>c) The income earned on this account</p>		

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		<p>is accounted in a separate income head in the Tally Accounting software.</p> <p>d) The Fixed Deposit register enter up dated & required with Tally accounts monthly.</p>	FD Register
11	FA,CAO,AS(BUDGET), AS(TALLY) CASHIER,FDA(TALLY)	<p><u>Accounting of maturity proceeds of Fixed Deposit:</u></p> <p>a) The surplus funds Deposited in fixed deposit account are withdrawn on maturity for usage and if not required renewed for further period.</p> <p>b) In case there is immediate funds requirement the pre-closure of fixed deposit is resorted with the approval of CMD.</p> <p>c) On receipt of maturity proceeds or pre-closure amount of fixed deposit amount the amount will be credited to the fixed deposit account in the Tally Accounting Software.</p>	
12	FA,CAO,AS(salary),AS(TALLY), FDA (TALLY) CASHIERS.	<p><u>Accounting of various salary recoveries from the Employees:</u></p> <p>a) The accounting treatment for salary recovery in respect of employees depends upon the nature of service and employment.</p> <p>b) In case of KSPHC own staff, the recoveries made on account of statutory deductions are accounted by debiting the deduction under a separate head of account and as when payment made to the concerned authority the payment is adjusted against the recovery. The concerned head of accounts are reconciled monthly.</p> <p>c) In case of Employees on Deputation from other Government Organizations, the amount recovered from the salaries are accounted by debiting to a separate ledger account and as and when payments are made to the employee's parents department, the same is adjusted against the recovery. The concerned head of accounts are reconciled monthly.</p>	Salary Register

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		d) In case of allowance such as leave salary etc., paid to Employees on deputation on reimbursement basis are shown as recoverable on payment and same is adjusted as when the amounts are received from the concerned departments.	Leave Salary register.
13	FA,CAO, ACA,AS(BILLS), AS(TALLY),FDA(TALLY),CASHIER	<p><u>Accounting of Payments:</u></p> <p>The payments at KSPHC are on account of :</p> <p>a) Payment to Contractors against work bills submitted for the construction works executed.</p> <p>b) Repayment of Loan to various financial institutions on account of Loan drawn from them and payment of interest for the Loan outstanding.</p> <p>c) Repayment of EMD to the various Works contractors who are not successful in contract tender process.</p> <p>d) Repayment of Security Deposit received various Works contractors on completion of maintenance period.</p> <p>e) Remittance of Various statutory recoveries made from the Contractors out of Work Bill payments to the concerned statutory authorities.</p> <p>f) Payment of Salary and other administrative expenditure.</p> <p>g) Payment towards capital expenditure.</p>	
14	FA,CAO,ACA, AS(BILLS), AS(TALLY), FDA(TALLY), CASHIER.	<p><u>Accounting of Payment to Contractors against work bills submitted for the construction works executed</u></p> <p>a) This constitutes the major outflow to the KSPHC. The proposal for payment of work bills are originated in the Divisions and forwarded to Head Office for scrutiny and payment. On receipt of the bill, detailed verification of the bills are carried out by the AS(bills) at HO and the procedure for the same is detailed in QSP_____.</p> <p>b) On approval of the proposed bill for payments a separate ledger account for each of the Construction Work is opened in</p>	

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		<p>the Tally System and all the expenses related to that work is debited as when payments are made.</p> <p>c) All the proposal received from the Division and which are approved payment are accounted on payment against the Project wise Work Expenditure Account created in the Tally System.</p> <p>d) The expenditure booked on the above manner for each of the project reflect the total cost incurred for the project and also shall be basis for analyses of the estimated cost of the project against the actual.</p> <p>e) On transfer of the construction to the PWD the total expenditure booked against the project work is transferred to the Government of Karnataka Account in the Tally System.</p>	
15	FA,CAO,AS(Budget), AS(TALLY), FDA(TALLY),CASHIER	<p><u>Accounting of Repayment of Loans to various financial institutions and payment of interest for the Loan outstanding:</u></p> <p>a) The AS(BUDGET), as when the loans are drawn from the Financial Institutions make record of the amount drawn and its schedule of repayment and interest payment.</p> <p>b) As and when the amount is due for payment the AS (BUDGET) takes action to make the payment on respective due dates.</p> <p>c) On approval of payment the same is recorded in the Tally Accounting System by debiting the principal repayment to the respective loan accounts and interest payment debited to Interest Expenditure Account.</p>	
16	FA,CAO,EE(QC),AS(TALLY),CASHIER, FDA(TALLY)	<p><u>Accounting of Repayment of EMD to the various Works contractors who are not successful in contract tender process:</u></p> <p>a) The repayment proposal for repayment of EMD is originated from the</p>	

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		<p>QC AND CONTRACTS Division. The detailed procedure is explained in QSP_____.</p> <p>b) The AS(bills),HO based on the EMD Registers maintained at the Division proposes repayment of EMD received to the Tender Participants who are not successful in tender process.</p> <p>c) The proposal is scrutinized at the Head Office on approval of payment the amount paid is debited to EMD Account in the Tally Accounting System.</p> <p>d) The Division are also permitted to collect EMD and at their end and also remit the same to bank Account maintained at their end in such eventuality the EMD repayment is done at the Division level on following the procedure stated above.</p> <p>e) The EMD repayment register maintained at the Division level is reconciled with the Tally System at periodical intervals.</p>	
<p>17</p>	<p>FA, CAO, EE(DIVISION),AS(DIV), AS (BILLS), AS(TALLY), FDA(TALLY), CASHIER.</p>	<p><u>Accounting of Refund of Security Deposit retained from various Work bills of the contractors on completion of maintenance period.</u></p> <p>a) The repayment of security deposit retained is always in accordance with the terms and conditions stipulated in the Construction contract.</p> <p>b) The Division AS based on the Security Deposit Registers maintained at the Divisions and in terms of the Contract Agreement process the request of contractor for repayment of Security Deposit. After fulfilling all the conditions as per the contract forward the proposal for repayment to Head Office.</p> <p>c) The proposal is scrutinized at the Head Office on approval of payment the amount paid is debited to Security Deposit Account in the Tally Accounting System.</p>	

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		<p>d) The EMD repayment register maintained at the Division level is reconciled with the Tally System at periodical intervals.</p>	
18		<p><u>Accounting of remittance of Various statutory recoveries made from the Contractors out of Work Bill payments to the concerned statutory authorities.</u></p> <p>a) The various statutory deductions such as Income Tax, Sales Tax, and Royalty on the minerals etc recovered from the work bill payments are credited to the respective control account as when recovered.</p> <p>b) The concerned AS on respective due date prepares a statement from the accounting entries made in the Tally System takes a detailed list of deduction made and party wise statement for the total deduction made.</p> <p>c) After ensuring that the total deduction for the period confirms with the party wise deduction made the payment is proposed for payment.</p> <p>d) On making the payment to the concerned statutory authority the amount is debited to the recovery account in the Tally Accounting System.</p> <p>e) The amount of recovery made and the amount remitted to the concerned authority is reconciled at periodical intervals.</p>	
19	<p>FA,CAO,AS(SALARY), AS(TALLY), FDA(TALLY),CASHIER</p>	<p><u>Accounting of Payment of Salary and other administrative expenditure:</u></p> <p>a) The payment of Salary and establishment expenses is centralized and the entire payments proposals are originated in the Head Office.</p> <p>b) The AS in charge of the Salary in Division shall prepare the salary bill (including PF contribution of Corporation) every month taking into account all the</p>	

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	<p>allowances and deduction to be made for all the employees and sends the salary bill to HO.</p> <p>c) At HO, the AS(SALARY) will consolidate all the salary bills of the divisions and prepare the salary bill(including PF contribution) for HO also. A consolidated statement will be prepared division wise and HO, for approval of ED.</p> <p>d) After taking required approval for the payment a consolidated cheque is drawn and sent to Bank along with the list of beneficiaries for onward credit to Employees Account.</p> <p>e) In case of Employees on Deputation and who have opted for drawing Salary from their parent organization the cheques for the gross amount of salary is forwarded to the respective parent organization.</p> <p>f) On drawing the Cheques the gross amount is debited to the Salary and Establishment Account in Tally Account System.</p> <p>g) The total amount debited in Tally Accounting System is periodically reconciled with Salary Payment records.</p> <p>h) All the Administrative expenditure are made and accounted at the Head Office. The Divisions at their level incur the administrative expenditure and forward the payment request to Head Office.</p> <p>i) On receipt of administrative expenditure proposal the concerned AS shall examine the expenditure incurred and put up the proposal for payment.</p> <p>j) On drawing the cheques the expenses are debited in the Tally Accounting System to the respective ledger account of Administrative Expenditure.</p> <p>k) The total of administrative expenditure incurred is periodically reviewed with the budget figures for</p>	
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		effective monitoring .	
20	FA,CAO, EE(DIV), SEC. SUPTD. AS(TALLY), FDA(TALLY),CASHIER	<p><u>Accounting of Payment on account of purchase of Fixed Assets:</u></p> <p>a) The capital expenditure are with the approval of CMD or in case of exigency purchase are made and ratification of CMD is sought.</p> <p>b) The Divisions shall forward their request for payment proposal to Head Office and the concerned SEC. SUPTD. will put up the proposal for payment after verification of the proposal.</p> <p>c) In case of Head Office proposal the payment request shall be originated from the concerned user section and forwarded to Accounts Section for payment. The concerned SEC. SUPTD. After verification of the proposal recommends the same for payment.</p> <p>d) All the Assets Purchased are recorded in the Fixed Assets Register as when it is purchased.</p>	

5.0 Records

Sl. No	Name of the Record	Authorizing Personnel	Custodian of record	Retention Time
1	Back up of Tally System Data Transactions	CAO	AS (Tally)	8 years
2	Year end print of all Bank Books and Ledger Accounts	CAO	AS	8 years
3	All the Payment Vouchers	AS	AS	8 Years
4	All the receipts Vouchers	AS	AS	8 Years

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6.0 Process measures

Sl. No	Name of the process	Process Measure	Method & frequency	Responsibility
1			-	-
2				

7.0 Reference

- a) ISO 9001: 2000 Clause Number 7.0
- b) Quality Manual Clause Number 7.0

8.0 Associated Documents

- a) Procedure for control of documents
- b) Procedure for control of records QSP 02

9.0 Revisions

Revision "00" – First issue.