Accounting Principles Manual

CHAPTER 1

INTRODUCTION AND SUMMARY OF MANUAL

1.1 Background

The WA Community Coop Credit Union (WACCU) is a financial institution, which is affiliated to CUA, was established in 1965 with the objectives of:

- Promoting and developing the savings culture in the community,
- Contributing to and encouraging financial intermediation,
- Providing financial support to individuals and enterprises within the area,
- Encouraging capital formation, and
- Contributing to the overall efforts towards poverty reduction within the community.

1.2 Purpose and objectives

This Accounting Manual has been structured to provide general guide to the accounting staff of the WACCU in the performance of their financial management and accounting roles and responsibilities.

It also shows the various components of the accounting and financial management information architecture or systems framework.

This Manual also seeks to achieve, inter alia, the following objectives:

- Identification and documentation in general terms the accounting procedures.
- Identification and documentation of roles and responsibilities of key positions in terms of the accounting system of the WACCU.
- Being a ready means of reference for training of accounting staff and guiding staff on appropriate actions to be taken on financial transactions as and when they occur.

1.3 Scope

This Accounting Manual has been designed to reflect the modern trend of collecting, recording and analyzing financial information.

The accounting system described in this Manual includes Books of Accounts, Forms, Records and procedures utilized in recording, summarizing and reporting the operations of the WACCU for the use of management and other stakeholders.

1.4 Responsibility

The Accountant has the overall responsibility for the accounting and financial management system. The Accountant may delegate these responsibilities to the staffs of his/her department as he/she may deem appropriate.

Revisions, additions or deletions to this Manual shall be initiated by the Accountant and approved by the Manager of the Union before such adjustments become effective.

1.5 Functions of the Finance/Accounts Department

The Finance/Accounting Department shall be generally responsible for the maintenance of the accounting and finance functions of the WACCU. Its functions shall include but not limited to the following:

- Development and maintenance of the Union's accounting system in general;
- Development, enforcing and refining of the Union's accounting and financial policies;
- Managing the Union's cash and funds;
- Establishing an effective budgeting and budgetary control;
- Advising the Union on making sound investments and how to manage its surplus funds;
- Keeping track of the Union's loans and receivables and account payables; management;
- Establishing and maintaining a sound inventory management and control system in order to assist the Union to effectively cost and price its programs and services;
- Generating the appropriate, accurate and reliable accounting and financial reports to guide and inform management decision-making

CHAPTER 2
CHART OF ACCOUNTS AND ACCOUNTING POLICIES

2.1 Purpose

This chapter provides guidelines for constructing the accounting system of the Union;

and also outlines the general accounting policies of the Union.

2.2 Chart of Accounts

The **chart of accounts** is a list of all accounts used by the Union. It includes an identification number assigned to each account. To be efficient, the union must assign its account identification numbers in a systematic manner. The structure of the chart of accounts must be thought through as it is difficult to change over time.

The chart of accounts in some cases refers to broad classifications and not detailed enough. Though not very detailed, this framework provides a guide for creation of further account headings or details should the need arise in future. Investment Income has a code 5.4. If for instance, there are three types of investment incomes they can be identified as follows: Income A is 5.4.1, Income B is 5.4.2 and income C is 5.4.3.

Another example is Staff training with a code of 4.1.1 Local training can has coded as 4. 11.1 and overseas training can be 4.11.2

2.3 Characteristics of a Well-designed Chart of Accounts

- **Responds to the UNION's needs**

Accounts included in a chart of accounts should meet both Management and Boards needs for control of operations and financial accounting requirements for external reporting.

In developing the chart of accounts, management should take into consideration the future expansion of the institution and it should reflect the vision of the UNION in terms of branches and product expansion.

- **Facilitates report preparation**

Accounts in the chart of accounts should be listed in their order of appearance in financial statements and should be compatible with the UNION'S structure.

- **Provides adequate description**; A description of each account and its content should be provided. This guidance to the accounting staff enables consistent use of the accounts. Product codes are important to be able to verify the amount of revenue from each product and to know which of the product is profitable and must be continued.

- **Account titles provide clear distinctions**; Account titles should be chosen to minimize ambiguities concerning the contents of the account.

- **Control Accounts**

When cost effective, the chart of accounts should incorporate control accounts.

2.4 ACCOUNTING POLICIES

2.4. A: Policies for the Preparation of Published Accounts

2.4.1 Basis of preparation: The financial statements shall be prepared in accordance with the prevailing Accounting Standards or Financial Reporting Standards, Company

Code ,1963 [Act 179] or the prevailing Code , CUA guidelines and other requirements of Ghanaian Law.

2.4.2 Accounting Convention: The financial statements shall be prepared under the historical cost convention.

2.4.3 Property, **plant and equipment**; Property Plant and equipment shall be stated at cost less accumulated depreciation.

2.4.4 Depreciation: Depreciation shall be provided on a straight-line basis on all property, plant and equipment. The depreciation method shall be the number of month's usage in any given financial year of the Union.

2.4.5 Depreciation rates: The rates of depreciation are detailed as follows:

Land	0%
Building	2%
Office Equipment	25%
Furniture and fittings	20%
Computer and Accessories	33.33%
Motor vehicles	20%
Software	33.33%

Leasehold land is amortized over the lease term

2.4.6: Grants: Grants are recognized as income on a systematic basis over the periods necessary
to match then with the related costs, which they are intended to compensate.

Grants that become receivable as compensation for expenses or losses incurred or as immediate financial support with no further related costs anticipated are recognized in the income statement of the period they become receivable. Grants related to assets, including non-monetary grants at fair value, are presented on the balance sheet as deferred income and portions recognized as income on equal installment basis over the useful lives of the assets.

2.4.7: Investments: Bills discounted and securities with a fixed redemption date, which are purchased with the intention of being held to maturity, are stated at amortized cost. The premium or discount is amortized over the period to redemption and disclosed separately as investment income.

2.4.8:Cash and cash equivalents: Cash and cash equivalents are defined as cash and bank balances, bank overdrafts and investment in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash, bank balances and marketable securities.

2.4. B: Policies for Accounting Work and Internal Reporting

2.4.9 Variance Reporting: To facilitate comparison with actual results, the budget figures shall be prepared on quarterly cumulative basis so as to ascertain variance if any. A variance is the difference between a budgeted figure and an actual figure. A favourable expenditure variance is where the actual is less than the budgeted figure for the same activity level whilst the reverse produces an adverse or unfavourable expenditure variance.

A favourable revenue/income variance is where the actual is greater than the budgeted figure for the same activity level whilst the reverse produces an adverse or unfavourable revenue variance.

A Variance Report, accompanied by explanations for significant variances, shall be prepared on quarterly basis by the Accountant. Variance Reports shall be prepared for:

1. i) the Balance Sheet Items
2. ii) the Income and Expenditure items as well as

iii) the net results (surplus or deficit)

2.**4.10 Authority Limits for Recurrent Expenditure**: The objective of setting authority limits for recurrent or normal operating expenses is to create a framework for facilitating speedy decision making, allocation of authority and accountability in the use of discretionary powers. Recurrent expenditure or normal operating expenses refer to such expenses as payments for services, repairs and maintenance, salaries, fuel and lubricants, utilities, medical expenses and staff training. The details are explained in the table below.

Position	**Authority Limit for Recurrent Expenditure**
Manager	No limit if amount is within approved budgeted amount
Manager	Up to 10% in excess of approved budgeted amount
Board of Directors.	Above 10% in excess of approved budgeted amount

2.4.11 Authority Limits for Capital Expenditure: The objective of setting authority limits for capital expenditure is to create a framework for facilitating speedy decision making, allocation of authority and accountability in the use of discretionary powers. Capital expenditure refers mainly to the acquisition of fixed assets including all related expenses incurred in bringing the fixed asset to its present condition and location. Examples are the purchasing of office equipment, furniture and fittings, motor vehicles, computers and accessories.

Expenditure may also be capitalized if, in the assessment of management, that expenditure is very material, exceptionally significant and the related benefits of that expenditure may accrue to the organization over a period of more than one year. An example is a very material expenditure for research and development. The details are explained in the table below.

Position	Authority Limit for Expenditure
Manager	No limit if amount is within approved budgete amount
Manager	Up to 5% in excess of approved budgeted amo
Board of Directors.	Above 5% in excess of approved budgeted am

2.4.12: Expenditure Capitalization: An expenditure capitalization level or limit refers to that threshold for a capital expenditure below which that expenditure can be written off. Going by the strict definition of a fixed asset can result in an over bloated or over–congested fixed asset register since items like staple machines, perforators, rulers, brushes and trays may qualify as fixed assets. An expenditure capitalization level or limit prevents the over congestion of the fixed assets register since fixed assets of a lower level can be expended.

This policy purely refers to fixed assets of smaller values which can be written off or expended straight away subject to the policy of the WACCU.

Expenditure Level and Policy on Accounting Treatment:

500. a) Fixed Assets of values less than GHc500.00 shall be expended or written off, and
501. b) Fixed Assets valued above GHc500.00 shall be capitalized and captured in the Fixed Assets Register.

NOTE: A designated Accounts Officer shall maintain an Assets Inventory Register where such fixed assets of smaller values are recorded to ensure that these assets are properly safeguarded.

2.4.13: Authority Limits For Write-Off Balances: This policy aims at facilitating decision making on the write off of dormant, long outstanding balances, whenever there is the need to do so in order to clean the books of accounts of the WACCU. This policy specifically deals with debit and credit balances in the books of accounts which are dormant, long outstanding and cannot be substantiated. The details are explained in the table below.

Position	**Authority Limit for Write-Offs**
b) Manager	Balances up to 0.1% of the net assets of the W as at the immediate past financial year.
c) Supervisory C'ttee	Balances up to 0.25% of the net assets of the WACCU as at the immediate past financial yea
d) Board of Directors	Balances above 0.25% of the net assets of the WACCU as at the immediate past financial yea

NOTE: In cases of write off, WACCU Accountant must initiate the process with a memorandum to the Manager for further action.

2.4.14 Petty Cash: This policy aims at ensuring proper handling and accounting treatment of petty cash which is usually subjected to various misuse or fraudulent practices. The petty cash shall be used for minor expenses such as taxi fares, traveling and transport expenses, cleaning expenses, etc.The details are as follows:

1. a) Petty Cash ceiling shall be fixed and revised, when necessary, by the Manager.
2. b) The ceiling for a single transaction that can be paid out of petty cash shall be fixed by the Manager.

3. c) The Manager shall from time to time issue memoranda on the issues relating to the revision of petty cash ceiling and the revised limit of a single transaction that can be paid out of the Petty Cash.
4. d) A Petty Cash Book or a similar record shall be maintained for the recording of all Petty Cash transactions.
5. e) Petty Cash replenishment is made only by the use of cash on hand.
6. f) Before any replenishment is made, the Petty Cash Position must be balanced by the Petty Cashier.
7. g) Surprise checks must be conducted on the Petty Cash and Petty Cashier by the Accountant or another senior staff.
8. h) At any point in time, the sum of all petty cash vouchers and petty cash on hand must equal the size of the imprest.
9. i) The Accountant should never keep the petty cash.

2.4.15 Reconciliations and Account Schedules: Reconciliations and account schedules provide an assurance about the arithmetic accuracy of the balances of control accounts in the General Ledger and this policy seeks to enforce their preparation. The details are as follows:

1. a) All bank reconciliation statements shall be prepared on monthly basis.
2. b) At least account schedules shall be prepared quarterly. The account schedules to be prepared quarterly shall include but not limited to the following:
3. i) Non Current Assets
4. ii) Inventory of stationery items

iii) Other Debtors/Receivables

1. iv) Staff debtors
2. v) Prepaid Expenses
3. vi) Treasury Bills

vii) Other Investments

viii) Sundry Creditors

1. ix) Accrued Expenses
2. x) Any other Balance Sheet figure
3. c) The prepared schedules should be properly filed either on account basis or period basis.

CHAPTER 3

BASIC ACCOUNTING CONCEPTS, TERMINOLOGIES AND ACCOUNTING ENTRIES

This chapter seeks to document the explanation of key accounting principles and terminologies that tend to feature in daily practical work and to provide guidelines on practical accounting entries that are needed for frequent and common transactions which arise during routine work.

3.1 UNDERSTANDING OF ASSETS, LIABILITIES, EXPENSES, INCOMES, EQUITY, ETC

3.1.1 Assets: Assets are the items or properties which are owned by the union. Assets include tangible and non-tangible items. Assets are in 3 broad categories namely i) Non Current assets, ii) Current assets and iii) Intangible/fictitious assets.

1. a) **Non Current Assets**: these are assets which have lifespan of more than one year. Examples have been stated under the chart of accounts.
2. b) **Current Assets**: these are assets which have lifespan of generally 12 months or less. Current assets also include claims on other parties. Examples of such claims include prepayments. Examples have been stated under the chart of Accounts.
3. c) **Intangible /fictitious assets:** In some institutions, these types of assets are stated as other Assets under current assets. These are expenditures which have been capitalized and have to be amortized over say 3-5 years .An example is the cost of massive renovation on an office building for GHc30,000 and the board has decided to capitalize it and amortise it over 3 years. This item will be treated as follows:

Year	Amount to be shown in the P & L statement	Amount to be shown in the balance as asset
1	GH¢ 10,000	GH¢ 20,000
2	GH¢10,000	GH¢10,000
3	GH¢10,000	GH¢0

3.1.2 Liabilities: These are financial obligations on the Union which must be paid soon or later. There are 2 main categories of liabilities namely long-term liabilities and short-term or current liabilities.

1. **a) Long-Term Liabilities**: These are borrowings which should be paid say from more than one year and beyond.
2. **b) Current liabilities**: These are obligations on the union which should be paid at anytime or within the next 12 months. Examples are members' saving and accrued bills such as electricity bills. Other examples have been given under the chart of accounts.

3.1.3 Capital: This is the amount which has been raised when members or shareholders buy shares

3**.1.4 Reserves**: Reserves consist mainly of un-appropriated or undistributed profits from operations. These reserves may be indicated as operating reserve, building reserve or statutory reserve (i.e. the level of reserve which must be kept as required by CUA guidelines)

3.1.5 Expenses: These are the costs of operation which have been **incurred within the period under review** in order to generate revenue under the review period.

3.1.6 Income: These are revenues which have been earned **within the period under review.**

3.2 UNDERSTANDING OF THE ACCRUAL OR MATCHING CONCEPT OF ACCOUNTING
One concept that is either overlooked or not properly applied is the accrual or matching concept of accounting. This concept requires that in order to ascertain the operating results (profit or loss) for a period, the period's incurred expenses should be matched against the period's income. It is the application of this principle which requires that prepaid expenses should be deducted from total expenses, and accrued expenses should be added to total expenses.

3.3 BASIC ENTRIES TO BE PASSED TO INCREASE/DECREASE ASSETS, LIABILITIES, EXPENSES, INCOMES, EQUITY,ETC
The following principles are mandatory principles which must be complied with in order to have good and accurate accounting entries and account balances:

Amounting item and the nature of balance it must have	Entries to pass to increase the balance	Entries to pass to decrease balance
Fixed assets and current assets such as loans, cash, & investment: These must always have either debit balances or zero. They should never have credit balances	Pass a debit entry to these accounts	Pass a credit entry to these accounts
Expenses: These must always have either debit balances or zero. They should never have credit balances		Pass a credit entry to these accounts

Accounting item and the nature of balance it must have	**Entries to pass to increase the balance**	**Entries to pass to decreas balance**
Long term and Current Liabilities such as members' savings: These must always have either credit balances or zero. They should never have debit balances	Pass a credit entry to these accounts	Pass a debit entry to these accounts

Incomes: These must always have either credit balances or zero. They should never have debit balances	Pass a credit entry to these accounts	Pass a debit entry to these accounts
Capital such as members' sharers: These must always have either credit balances or zero. They should never have debit balances	Pass a credit entry to these accounts	Pass a debit entry to these accounts
Reserves: These must always have either credit balances or zero. They should never have debit balances	Pass a credit entry to these accounts	Pass a debit entry to these account

3.4 TREATMENT OF ACCRUED EXPENSES AND ACCRUED INCOMES

	Accrued expense	**Accrued income**
Treatment in the P & L or Income statement	Add it to expenses	Add to incomes
Treatment in the balance sheet	Show it as a current liability	Show it as a current asset

3.5 TREATMENT OF PREPAID EXPENSES AND INCOMES

	Prepaid expense	**Income received in advan**
Treatment in the P & L or income statement	Deduct it from the current period's expenses	Deduct it from the current period's incomes
Treatment in the balance sheet	Show it as a current asset because the union has a claim on this amount	Show it as a current liability because it is claim on the ur

3.6 TREATMENT OF GRANTS/DONATION IN FINANCIAL STATEMENTS

Generally speaking, there are 2 types of grants, namely revenue grant and capital grant.

3.6.1 **Revenue Grant**: This is a donation that has been received to support the organization's operating expenses. This grant must be shown in the Income Statement as follows:

Financial Income	**2007 GH¢**
Interest on loans	140,000
Interest on financial investments	50,000
Other financial income	10,000
Total financial income	**200,000**
Non financial income	
Total operating income	**220,000**
EXPENSES	
Cost of funds	
Provision for loans	38,000
Personnel cost	42,000
Organizational cost	20,000
Security cost	15,000
Admin cost	20,000
Total expenses	**150,00**
Net operating surplus	70,000
Non-operating income	
Revenue grant	14,000
Net surplus	84,000

Accounting entry for revenue grant

When such a grant is received, the following entries should be passed:

Debit cash/bank account and credit revenue grant account

3.6.2 Capital Grant: This is the type of donation which has been received for the purpose of acquiring capital assets or fixed assets

Disclosure: This type of grant should be shown in the balance sheet after reserves, as illustrated below:
Extract of a Balance sheet

FINANCED BY	
Current liabilities	60,000
Members' savings	750,000
Members' shares	120,000
Reserves	100,000
Capital Grant	70.000
Total liabilities and shareholders' funds	**1,100,000**

Accounting entries for capital grant: a capital grant may be received either in cash or in kind in the form of a fixed asset-car, computer, motorbike, etc

1. a) when a fixed asset is received: debit the fixed asset account and credit capital grant account;
2. b) when a capital grant is received in the form of cash, the following entry should be passed: debit cash/bank account and credit capital grant account; and
3. c) when the fixed asset is bought later, the following entry should be passed: credit cash/bank account to throw the balance to zero, and debit the fixed asset account.

The balances that will remain in the books of accounts are the debit balance in the fixed asset account and the credit balance in the capital grant account.

3.7 CAPITALIZATION AND AMORTIZATION OF EXPENDITURES

There are certain expenditures which cannot be written off against one year's account because they are very huge and also their benefits will go beyond one year. In such a case the expenditure may be capitalized and amortized over say 3-5 years. An example is the cost of massive renovation on an office building for GH¢ 30,000 and the board has decided to capitalize it and amortize it over 3 years. This item will be treated as follows:

Year	Amount to be shown in the P & L statement	Amount to be shown in the balance as asset
1	GH¢ 10,000	GH¢ 20,000
2	GH¢10,000	GH¢ 10,000
3	GH¢ 10,000	GH¢ 0

Another example is the case of conducting a market research and feasibility studies for the purpose of launching some products in a new community. The cost may be so much that it may be capitalized and amortized over 3-5 years.

In most cases, the balance to be shown in the balance sheet is described as “deferred expenditure”

Disclosure in the Notes to the account: There should be a note to the accounts to indicate how many years the expenditure will be amortized.

3.8 PRIOR-YEAR ADJUSTMENTS

Prior year adjustments are adjustments which arise from material errors and change in accounting policy. Such adjustments should have been made in a previous year’s account but they were noticed after the previous year’s accounts have been signed by the auditors and the board. In such a case the adjustment must go through the current year’s account.

Illustration: Mr. and Mrs. Tizaayel both had a loan totaling GH¢100,000. The loan was long overdue. The Union made full provision of GH¢ 100,000 against the loan in 2006. Unknown to everybody, Mr. and Mrs. Tazaayel, now resident in UK, had paid the loan on 23rd December 2006 and the money hit the Union’s account at ADB on 30th December 2006. The Union’s 2006 accounts were prepared and signed by the board on 31st December 2007. During the course of doing bank reconciliation, the payment was detected on 14th May 2007.

Solution: The loan loss provision of GH¢ 100,000 should not have been made in 2006 but it had been made and it had reduced the 2006 profit/surplus by GH¢100,000. This error must be corrected through a prior adjustment in 2007, as illustrated below

Appropriation of Net Surplus as at 31st December 2007

Current year’s surplus-assumed	153,000
Add prior-year adjustment	100,000
Adjustment surplus	**253,000**
Appropriations will then be done based On the 253,000	

3.9 AGED ANALYSIS OF LOANS AND PROVISIONING FOR LOAN LOSSES

When loans have been classified by their ages, provision must be made for loan losses, and the following entries must be passed:

Debit loan loss provision-later to be sent to the debit side of the Income Statement, and Credit accumulated loan loss provision A/C. As the years go by, this account balance keeps growing.

In the balance sheet the loans figure will be shown at net value, i.e. the gross loans figure less the accumulated loan loss provision A/C. The accumulated loan loss provision A/C is also called a contra-asset account because it must be deducted from the asset account

3.10 TREATMENT OF DIVIDEND DECLARED AND DIVIDEND UNCLAIMED

1. a) When dividend is decided the following entries must be passed:

debit the surplus account and credit Current Appropriation A/C.

1. b) As the dividends are paid out to members, the following entries are passed:

debit the Current Appropriation A/C and credit members 'savings accounts with WACCU.

1. c) At any point in time the balance on the Current Appropriation A/C is treated as a reserve in credit union accounting system, even though it should be treated as a current liability. Its balance reduces gradually as the dividends are paid out

3.11 TREATMENT OF BONUS SHARE ISSUES

When dividend has been declared and there are cash flow problems, shares can be given out as dividend in order to increase the capital base of the union. When bonus shares are issued, the following entries must be passed:

Debit the Appropriation A/C and

Credit Members' share A/C (to increase the balance). The credit should have gone to cash in order to reduce it

3.12 MAINTAINING OF SHARE REGISTER

There is the need to ensure that the share register is well maintained. Any bonus shares issued to members should cause an increase in the number of shares of members.

3.13 RESERVES

Reserves are funds which are within an organization which support the capital base in order to increase the financial strength to finance the organization's assets. In the credit union accounting system the reserves consist of the following:

- Statutory reserve: This is beefed up by 25% of the current year's surplus
- General reserve: This is beefed up by 10% of the current year's surplus
- Balance on appropriation account: This is the residue after taking care of the statutory, the general and other special reserves.
- Capital grant-this is a capital surplus
- Revaluation reserve, if any-this is also a capital surplus
- Other special reserves such as building fund: They are created after taking care of the statutory and general reserves.

Accounting entries for the creation of a reserve account or increasing the reserve account balance: Debit the appropriation account and credit the particular reserve account.

Accounting entries with respect to special reserve such as a building fund

Please note that the balance on the building fund only serves as a guide to the limit of how much should be spent on the building project

Phase/activity	Account to be debited	Account to be credited
Expenses during building	Building work-in-progress	Cash/bank
When building is finished	Building account	Building work-in-porgress To throw it to nil
When building is finished	Building fund or reserve account	General reserve because th reserve is no longer require

CHAPTER 4

CASH AND BANK MANAGEMENT SYSTEM

4.1 Purpose

The purpose of this chapter is to describe the system and procedures to be followed, and the documentation to be used in accounting for cash receipts and payment. It also seeks to ensure that appropriate and adequate procedures and internal control systems are in place to efficiently and effectively capture cash receipts and payments into the accounting and financial Management system at WACCU as well as to ensure rigorous control of cash, and prompt monthly summary reports. This chapter applies to control of all cash, cheques and negotiable instruments received into or paid out of the Union's resources.

4.2 Responsibility

The Accounts Department shall be responsible for the Accounting and Financial Management functions of the WACCU. This means that the Union shall have its set of financial accounting to be consistent with generally accepted accounting principle and adequate to form the basis for financial reporting. One Accounting staff shall be responsible for receiving money from customers and other third parties, issuing official receipts for every collection into the Union.

The Accountant shall be responsible for the cross-checking of deposit slips with physical cash before collections are distributed into the various accounts.

4.3 Forms Used

The forms to be used for cash and bank transactions are mainly the following:

- Official receipts of the WACCU
- Bank Pay-In-Slips for Cash
- Bank Pay-In-Slips for Cheques
- Cheque Books

4.4 Description of Procedure

The main features of the system are as follows:

1. i) Receipt of money;
2. ii) Depositing money into the Union's bank account or vaults; and

iii) Payment/Disbursement

4.5 Receipt of Money

Collection of all revenue proceeds shall be based on well authenticated and serially numbered WACCU's Official Receipts and bills (Where appropriate). The collections could be in any of the following form:

- By cheques and other negotiable instruments
- Through bank transfer;
- Cash

4.5.1 Receipt of Cash, Cheques or Other Negotiable Instruments

Some funds may be received directly in the cashier's office; others are transferred directly between the remitter's bank account and that of the Union.

Whenever payment is made by cheque or other negotiable instrument by a customer or any other third party the Accountant shall ensure that:

- The following details are entered on the reverse side of the cheque or instrument including full name of drawee, address, telephone number, the purpose of the payment, unless these items appear on its face;
- The cheque bears the current date;
- Cheques are not post-dated;
- The amount written in the body of the cheque or negotiable instrument is in agreement with the words on the cheque or instrument;
- The cheque bears a signature; and

- The person is informed that charges will be applied for each cheque that is dishonored subsequent to its deposit.

4.5.2 Procedure for Processing of Collected Dishonored Cheque

On customer's cheque being dishonored due to insufficient funds, post-dated, no signature etc, the bank shall debit WACCU's Account and inform the Accountant accordingly. The Accountant shall process a journal voucher supported by the Bank's Debit Advice and make the following entries in the Accounts:

Debit Member's Account

Credit Returned Cheque Account

Where the cheque has been returned because the payee has insufficient funds and therefore the cheque is not to be represented this time, then the Accountant shall raise a Debit Note on the payee with the value of the cheque and the appropraite levy in respect of bank commission and charges. The following entries shall be made in the books of account:

Debit Debitors Control Account (and personal account to The payee)

Credit Other Income-Returned Cheques Account (being The levy)

4.5.3 Collection through Bank Transfer

All bank transfers made by customers or other third parties shall be supported by authenticated bank Credit Transfer Slip before Official receipts are issued out on such payment.

4.5.4 Official Receipts

Serially numbered Official Receipts (OR) shall be issued for all monies collected either through cash, cheques, other negotiable instruments or banks Credit Transfer Slip.

All monies collected or received by Accountant shall be paid into the Union's Bank Account or vaults as the case may be either the same day where possible or the next working day.

4.5.5 Procedure for Depositing Money in Bank Accounts

The staff responsible for depositing money into the bank account shall prepare two copies of pay-in-slips or deposit slips for each bank and physically make payment in WACCU's bank accounts. The Accountant or his assignee shall cross-check all pay-in-slips with the physical cash and the entries made in the books of account and sign the pay-in-slips for doing that.

4.5.6 Security of Money

The Manager shall ensure that cash holidays are kept to the absolute minimum consistent with the efficient discharge of financial business by:

- Prompt lodgment of collections in bank account (s) established for the purpose of receiving monies for the Union; and
- Using bank accounts for holding cash balance and making payments by cheque where possible.

4.6 Payments

Payments at the WACCU shall be based on well-authenticated and serially numbered payment vouchers (PVs). The PV shall contain the following details:

- Voucher number,
- Date of approval and authorization;
- Brief details of transaction, quoting payee and any LPO/ invoice number;
- Gross amount payable;
- Tax withheld
- Net amount payable

A PV shall be valid for payment if it is approved by the Manager or his/her delegated authority and have the supplier's invoice and other source document attached.

Accounting entries for payment shall be as follows:

With the amount on the PV:

Debit Appropriate Asset, Liability or Expense Account (whichever is applicable)

Credit Appropriate Bank / Cash Account (with net amount paid)

Credit Withholding Tax Account (with the tax amount deducted)

4. **7 Imprest and Petty Cas**h

The petty cash Account shall be maintained on imprest basis. With this system, an initial amount shall be provided to the petty cashier. The amount shall be debited to an Imprest Petty Cash Book and all payments credited. The petty Cashier shall be reimbursed periodically after the submission of an authorized re- imbursement claim.

1. **a) Responsibility for petty cash custody, Payment and Controls**

The petty cashier shall make payments out of petty cash and be responsible for the custody of petty cash. The Accountant shall conduct periodic surprise checks to ensure proper control and accountability.

1. **b) Petty Cash Approval Process**

All payments from the imprest shall be made on the basis of the following approval procedure:

- Petty cash voucher, with relevant supporting documents attached, shall be prepared;
- All petty cash vouchers shall be approved by the MANAGER or his/her delegated authority.

1. **c) Petty Cash Reimbursement**

The petty cashier shall complete a Petty Cash Reimbursement Form, and attach all supporting petty cash vouchers to it. He /she shall forward the form together with all the attachments to the MANAGER for checking and authorizing reimbursement. The MANAGER shall request the Accountant to process the amount for the reimbursement of the imprest.

1. **d) Petty Cash Reconciliation**

The Petty Cashier shall reconcile the Petty Cash Book with the physical cash daily. The Accountant/other senior staff shall conduct surprise checks to ensure proper control and accountability.

4.8 Reports

4.8.1 Cash Position Report

The Accountant shall prepare Daily and Weekly Cash Position report for submission to the MANAGER every morning at 8:00 am for the daily report and every Monday Morning at 8 am for the weekly report. The Cash Position report is a summary of the Union's cash holdings with the various banks and in the office safe.

The Cash Position Report shall contain the following particulars:

- Date of report;
- Columns for various banks and office cash;
- Particulars of the previous day-

1. i) Opening cash/bank balances
2. ii) Total payments made (per bank)

iii) Total receipts

1. iv) Total deposits made (per bank)
2. v) Closing cash/bank balance

This report will give the MANAGER an idea as to the cash situation of the Union.

4.8.2 Bank Reconciliation Statement

The Accountant shall prepare monthly bank reconciliation statements for each of the banks and all outstanding items investigated and necessary entries made in the accounts.

Every bank reconciliation statement shall contain the necessary information including:

- Bank lodgment recorded in the Union's cash book, but not reflected in the bank statement covering the same period;
- Cheque payment made to third parties and recorded in the Union's cash book, but not presented to the bank for payment by beneficiaries of the cheques, and hence not shown in the bank statement for the same period;
- Transactions, other than bank charges, interest, commissions, errors, charged or credited by the bank to the Union and reflected on the bank statement without showing on the cash book.

4.8.3 Controls Over Cash Security Documents

1. a) Official Receipts and Invoices shall be serially numbered.
2. b) Unused Official Receipts, Invoice and Cheque Books Shall be in such a manner that there would be limited access to them
3. c) Registers shall be kept for Official Receipts, Invoices and Cheque Books such that there can always be an audit trail on who used/issues them.

A **specimen of Register for Official Receipts is shown below.**

Receipt Books Serial Nos.	**Date issued**	**Issuer**		**Receiver**	
0001-0100	**1st Feb 2007**	**Name**	**signature**	**Name**	**Signatu**
0101-0200					
0201-0300					
0301-0400					
0401-0500	**14th May'08**				
0501-0600					
0601-0700					
0701-0800					
0801-0900					
0901-1000					
1001-1100					

1101-1200			
1201-1300			
1301-1400			

4.9 THE CASH FLOW STATEMENT

The **Cash Flow Statement** shows where the institution's cash is coming from how it is being used over a period of time.

This information is important for both internal and external decision makes because the UNION must manage its cash well if it must survive and prosper.

Classification of the Cash flow Statement: Cash flow statements classify the **cash flows** into operating, investing and financing activities so they provide more useful information about the types of activities that are generating and using the cash.

- **Operating activities**

Operating activities are the services provided (income-earning activities).Decision-makers are especially interested in this chapter of the statement of cash flows because the UNION must generate cash from their operating activities to remain in existence.

- **Investing activities**

Investing activities include expenditures that have been made for resources intended to generate future income and cash flows. Decision-makers are especially interested in this section of the statement of cash flows because it describes how the UNION is preparing for the future. If the UNION is spending cash for productive assets, it should be able to grow. The information in the investing section helps decision-makers understand what the UNION has done.

- **Financing activities**

Financing activities include obtaining resources from and returning resources to the owners; obtaining resources through borrowings (short-term or long-term) as well as donor funds. Decision-makers are interested in the financing section because the sources of cash used by the UNION can affect the future. For example, excessive borrowing can burden the UNION with too much debt and reduce its potential for growth.

Cash flow projections are necessary for planning purposes and the cash flow statement reports on the historical events of the UNION.

A decrease in current assets does not necessarily indicate cash inflows. It is worthy to note that revaluations are book entries and does not constitute cash inflows.

SPECIMEN CASH FLOW STATEMENT

	2002
Net Operating Profit	**44.5**
Depreciation	5
Other Accounts (Prepaid)	(5)
Increase in Investment	(35)
Increase in Advances	(20)
Decrease/Increase in Loan	(10)
Increase in Deposit and Current Accounts	(33)
Increase in Creditors, Accruals & Other Accounts	(27)
Net Cash Inflow from Operating Activities	**(81.5)**
Taxation	**(10)**
Investing Activities	
Assets Acquired During the year	0
Financing	
Issue of Ordinary Shares	15
Net cash flow from financing activities	**15**
Net Actual Increase (Decrease) in Cash in hand and Short Term Funds	**(76.5)**
Beginning Year Cash Balance	**233**

Ending Year Cash Balance	156.5

CHAPTER 5

REVENUE AND ACCOUNTS RECEIVABLE MANAGEMENT

5.1 Purpose

The purpose of this chapter is to describe the system and procedures to be followed, and the documents to be used for approving, processing, accounting for revenues from customers and other third parties. This chapter concerns the procedure and control of all revenue sources of the Union.

5.2 Responsibility

The Accountant shall be responsible for maintaining and up-dating the Accounts Receivable Control Account and the Accounts Receivable Ledger. The Accountant shall have the additional responsibility of reconciling the Accounts Receivable Control Account and the Accounts Receivable Ledger. An Accounting staff shall be responsible for maintaining and up-dating the Accounts Receivable Ledger

Accounting for interest incomes: When loans are paid and interest is charged, the following entry must be passed:

Debit the cash account, and

Credit the Interest income account

5.3 Age classification of loans and Provisioning for Loan Lossas

Extent of delinquency	% of loan loss Provision
Current Loans	1%
1-3 months	10%

4-6 months	30%
7-9 months	60%
10-12 months	100%

5.4 Bad Debt/Loan loss provision

Bad Debts here refer to debts, which appear doubtful and or irrecoverable and for which provision has to be made against. The debt provision shall either be a full provision on specific debts or general provision on all debts. The accounting entries to be made in the books of accounts regarding provision (specific and general) for bad debts are stated below:

1. **a) Provision for Bad Debt/loan loss:**

Debit Provision for bad debt expense account

Credit Loan Loss Reserve

1. **b) Bad debt**

Debit Bad Debt Account

Credit Debtors Control Account in the General Ledger (the specific debtors' personal accounts in the debtors' ledger shall be credited accordingly)

5.5 Investment Account

The Union may invest its surplus cash into short-term investments. The Union shall maintain an Investment Register in a format below:

Date of investment	Maturity date	Details of investment	Cost of investment GH¢	Remarks

Where such investments are made, the following entries shall be made:

Debit Investment Account and Credit Bank Account

5.6 Investment
Where investment incomes are received (via a bank credit advice slip), the following entries must be made:

Debit Bank Account

Credit Investment Income Account

Where an investment has been re-invested on a maturity date, one option is to note the re-investment in the remarks column of the investment register. This option is more appropriate where the terms of re-investment have not changed. Another option is to pass accounting entries especially when the terms of the re-investment have changed. Under this option the following entries shall be passed:

*Debit Bank account and

*Credit investment account to reverse the earlier entry

*Debit investment account with the total amount and

*Credit bank account with the re-investment with the original investment

*Credit Investment income with the interest component

1. b) **Redemption on maturity date**

Where an investment has been redeemed on its maturity date, the following entries shall be made:

Debit bank account with total amount i.e. principal and interest

Credit investment income with the interest portion

Credit Investment Account with the principal invested

5.7 Reports

5.7.1 Debtors' Age Analysis Schedule

The Loans Officer shall prepare a monthly Debtors' Age Analysis schedule for management review and action. The Debtors' Age Analysis shall contain information including:

1. i) Name of the debtor;
2. ii) Original amount of debt;

iii) Amount paid so far;

1. iv) Outstanding balance; and
2. v) Age of outstanding balance

This Age Analysis Schedule can be used for reporting of unpaid loans by members that can be described as debtors.

5.7.2 Bad Debt schedule

The Accountant shall prepare a monthly Bad Debtors Schedule for management review and action. The Bad Debtors' Schedule shall contain information including:

*Name of the debtors:

*Outstanding balance

*Age of debt

*Action taken to recover balance;

*Outstanding balance to be written off; and

*Reasons for the write off.

CHAPTER 6

PROCUREMENT AND ACCOUNTS PAYABLE MANAGEMENT

6.1 Introduction

Procurement at WACCU refers to the purchase of goods and services for the Union. The procurement is limited to the purchase of small items and repeat orders to meet additional requests of the same product. Goods include stores, supplies and equipment. Services include the services of External Resource persons, consultancy service; and other services

6.2 Purpose and Scope

The purpose of this chapter is to describe the system and procedures and documentation to be used for authorizing, processing and accounting for procurement of goods and services. The main objective of the procurement management system is to ensure economy, efficiency, transparency, accountability and consistency in procurement management of the Union. The contents of this chapter apply to all the elements of procuring including:

*Purchase Requisition

*Purchase Order Process

*Accounting and recording of purchases

6.3 Responsibility

*The procurement Committee shall be responsible for approving all procurements at WACCU;

*The MANAGER shall be responsible for authorizing all procurements at WACCU;

*A designated Accounts Officer shall be responsible for procurement of all items in the Union;

*The Accountant shall keep proper records of all procurements and accounts payable system as illustrated in Appendix D.

6.4 Forms Used

The forms used in procurement are mainly the following:

*Purchase Requisition

*Proforma Invoice

*Local Purchase Order

*Purchase Invoice

*Way bills

6.5 Description of Procedure

Most of the procurement of goods and services of the Union are locally based. Procurement is done through direct contracting in accordance with the procedure described below.

6.5.1 Purchase Requisition

Goods and service requirement of the Union shall be based on the Union's annual budget. The Officer responsible for stores shall submit his/her requirements for the quarter to the Procurement Committee. The Procurement Committee shall meet, consider the request vis a vis the annual budget, prioritize the needs of the Union and approve the requisition as modified. The requisition shall require the authority of the MANAGER to make it valid for processing. In the case of ad hoc procurement, person(s) requiring goods or services shall prepare, sign and submit their needs in the form of memo to the Manager through the store keeper. If the MANAGER deems the items to be necessary and within his /her control he/she shall approve it.

6.5.2 Pro Forma Invoice

The Officer responsible for procurement shall invite quotations from at least three suppliers of the items to be procured for the Procurement Committee to evaluate (in case of quarterly bulk purchases) and to the Manager (in case of adhoc procurements).

The necessary particulars including the following shall be considered in the evaluation process before a final supplier of the goods or service is selected:

*Price;

*Quality;

*Delivery time and specifications;

*Delivery date; and

*After sale service

6.5.3 Local Purchase Order

The Officer responsible for procurement shall order goods or service from the selected persons using serially number and authenticated Local Purchase Order (LPO). The LPO shall include the following details.

* Date

*Accounts code

*Description of item and specifications;

*Quantity of item and

*Date of delivery.

The Officer responsible for procurement shall follow up with supplier to ensure prompt delivery.

6.5.4 Purchase Invoices

Purchase invoice shall be submitted to the Officer responsible for procurement and the store-keeper for certification of the order and endorsement for the receipt of the goods into stores. The endorsed purchase invoice shall be passed on to the Accounts Department for recoding and payment.

6.5.5 Payments: payment of the supplier shall be in accordance with the procedures outlined in the chapter on CASH AND BANK MANAGEMENT of this manual.

6.6 Accounting Entries

The Accounts Department shall use the purchase invoice to effect payment in the Union’s books of accounts as shown in chapter 4 in this manual.

6.7 Reports

Quarterly schedule of outstanding balances due suppliers shall be prepared and submitted to management for their action. The report shall contain:

- Supplier's name
- Date of supply
- Amount outstanding
- Due Date of payment
- Overdue days

CHAPTER 7
INVENTORY MANAGEMENT AND CONTROL SYSTEM

7.1 Purpose

The purpose of this chapter is to describe the system and procedures and documentation to be used for authorizing, processing and accounting for store receipts, issues and maintenance of goods in the Union's store. The main objective of the Inventory Management System is to ensure economy, efficiency, transparency, accountability and consistency in stores administration. The contents of this chapter relate to the receipt, maintenance, issue and recording of all inventory categories of the Union.

7.2 Responsibility

The storekeeper shall be responsible for receiving, safeguarding/maintaining, issuing out and controlling the goods delivered into the Union's stores.

7.3 Forms Used

The forms to be used in this section are mainly the following:

- Supplier's Waybill
- Goods Received Note (GRN)
- Store Issue Voucher (SRV)
- Log Book

7.4 Description of Procedure

7.4.1 Receipt of Goods

* All goods delivered shall be accompanied by supplier's Waybill and invoice

* On arrival of goods at the store, the goods shall be verified against specification in LPO to ensure that the correct material has been delivered;

* A designated Accounts Officer or a member of the Procurement Committee, shall inspect all goods delivered at the Union's premises to ensure that all procurement conform to specification approved and stated in the LPO.

* After inspection of goods and they being found satisfactory, the Waybill and suppliers Invoice shall be stamped and signed by the Inspector to confirm that:

1. i) Goods actually received are in accordance with waybill and Invoice;
2. ii) Goods on Waybill and Invoice agree with specification in LPO issued to supplier;

iii) Goods are not defective.

- The storekeeper shall also sign copies of Supplier's Waybill to confirm receipt of the goods;
- Where goods are found unsatisfactory in term of being defective, improperly specified, or with different prices compared to LPO, the storekeeper shall reject the order immediately without accepting items into stock;
- Where the goods are short-delivered compared to LPO, the storekeeper has the right to reject the order immediately without accepting items into stock. Where the goods are short-delivered compared to LPO, the storekeeper at his/her discretion, may accept partial deliveries subject to supplier's commitment of fulfilling the remaining order based on the same terms;
- The Procurement Officer shall prepare claims in respect of any shortages from a supplier before payment is made;
- The Storekeeper shall then issue a Good Receipt Note (GRN) signed by him/her to acknowledge receipt of the items into stores; and
- The Store-keeper shall use the GRN to make entries into the receipt side of the stores log book

7.4.2 Issue of Goods

* All employees requiring items shall support their request by the completion of a Requisition Form, duly authorized by their superiors or sectional heads.

* All issues of items from the stores to beneficiaries shall be made upon submission of authenticated Store Requisitions (SR) to the Store-keeper.

* The store-keeper shall also use Store Issue Vouchers (SRV) to make issues out of the stores and make entries in the issue column of the log book

7.5 Accounting Entries

The Invoice backed by GRN shall be recorded in the books of account as follows:

Debit Store control Account (in the General Ledger)

Credit Creditors Control Account in the General Ledger (and crediting the individual ledger account of the supplier in the creditors ledger, if the supply was made on credit

Where cash payment was made, the following entries shall be made:

Debit Store Control Account (in the General Ledger)

Credit Bank or Cash Account

Copies of SIVs shall be submitted to the Accounts Department for the following accounting entries to be made in the books of account:

Debit Appropriate General Ledger Account (depending on the category of item issued out)

Credit Stores Control Account (in the General Ledger)

7.6 Report

Monthly stock movement report shall be submitted to the Manager by the Accountant.

CHAPTER 8
NON CURRENT ASSETS MANAGEMENT AND CONTROL

8.1 Purpose

The purpose of this chapter is to describe the system, procedures and documentation to be used for authorizing, processing, and accounting for non current Assets acquisition, maintenance and disposal. The objectives of non-current Assets Administration are to ensure that all non-current assets;

- Acquired have the necessary approved authority;
- Disposed off have passed through the appropriate approval procedure;
- Exist at their identifiable location;
- Have been stated in the accounts at cost(for first time acquisition) or fair values (for subsequent years) and consistent with accounting principle;
- Appropriately be depreciated

8.2 Scope

Non-current Assets are those assets with long life and not kept for resale or conversion into cash. In the case of WACCU the non-current assets include:

- Land
- Buildings;
- Furniture and fittings;
- Office equipment;
- Motor vehicles; and
- Machinery

8.3 Responsibility

The Union's Accountant is responsible for ensuring that details of Non-Current Assets are properly recorded in both the Non-Current Assets Register, and the General Ledger; and Depreciation Charges are correctly calculated;

The procurement committee is responsible for recommending the acquisition of Non-current Assets for the approval of the appropriate authorization body

8.4 Documents Used

* The documents used for the acquisition of non-current assets are similar to those under procurement

* The documents used for the payment of acquired non-current assets are similar to those under payments

*A Journal Voucher shall be used to pass entries for depreciation charges. Entries into the software not backed by source documents must be printed out for approval and filing.

8.5 Description of procedures

Procedures for the acquisition of non-current assets are already covered under procurement procedures in chapter 8 of this manual.

8.6 Accounting Entries on Non-Current Asset Acquisition

The Non-Current Asset may be acquired for cash or on credit. The appropriate accounting entries shall be as follows;

- **Non-Current Asset acquired by paying cash/cheque**

Debit Appropriate Non-Current Asset account (e.g. office Equipment A/C),

Credit Cash/ Bank Account

- **Non-Current Assets acquired on credit**

Debit Appropriate Fixed Assets Account (e.g. office Equipment A/C),

Credit supplier's Account

- **Fixed Assets received from Donors as a Grant**

Debit Appropriate Non-Current Assets Account (e.g. Office Equipment A/C), Credit Capital Grant Account

The details of each of the non-current asset shall be maintained in the non-current Assets Register. The total of each non-current Asset category shall consistently tally with the appropriate non-current Asset Account in the general ledger

8.7 Non-Current Assets Register

Non-Current assets purchased must be properly recorded in a Non-Current Assets Register, which shall contain particulars including:

- The date of acquisition
- Model or description of the asset
- Suppliers of asset
- Location
- Asset identification number;
- Asset serial number, where available
- Cost /valuation of assets;
- Depreciation method and rates;
- Accumulated depreciation; and
- Net book value

8.8 Disposal of Non-Current Assets

Non-Current Assets which are no more required by the Union and those regarded as unserviceable shall be sold out to third parties upon approval of the Board of Directors. Proceeds from the disposal shall be received and banked in accordance with the procedure shown in chapter 4 of this manual.

8.8.1 Accounting Entries on Disposal

Remove the cost and the accumulated depreciation of the fixed asset from the books on disposal:

1. a) Removal of the Cost of Asset

Debit Assets Disposal Account

Credit Non-Current Asset Account (ie the asset disposed off)

1. b) Removal of Accumulated Depreciation

Debit Accumulated Depreciation

Credit Non – Current Disposal Account

1. c) A Fixed Asset may be disposed off for cash or on credit. The appropriate accounting entries shall be as follows:

Disposal for cash/Cheque

Debit the Cash Book, and

Credit the Disposal of Assets Account

Disposal on Credit

Debit the purchaser's Account, and Credit the Disposal of Assets Account. The balance on the Disposal of Assets Account shall be transferred to the Profit and loss Account. A debit balance on the Disposal Account shall be a charge (i.e. debit) to the Profit and Loss Account and a credit balance shall be added to the other income (or credited) to the Profit and Loss Account.

8.9 Depreciation Charges and Accounting Treatment

Depending on the prevailing depreciation policy and the type of non-current asset, a certain quantum of depreciation charge shall be made.

The following entry shall be made to account for depreciation charges:

Debit depreciation Expense account and

Credit accumulated depreciation account

8.10 Reports

Monthly Non-Current Assets schedule containing the following details shall be prepared by the Accountant for the review of the Manager:

- Non-Current Assets acquired during the month
- Non-Current Asset disposed off during the month; and
- Non-Current Assets that had changed locations during the month.

CHAPTER 9

PAYROLL ADMINISTRATION

9.1 Purpose

The purpose is to describe the system and procedures to be followed, and documentation to be used in preparing and analyzing the monthly payroll for the staff of the Union. The main objective of the payroll administration is to provide an excellent means of handling employee remuneration issues including:

- Prompt and timely payment;
- Accurate payment calculation and
- Prompt communication on all matters relating to employee's remuneration.

This subject matter involves all areas in payroll administration including:

- Engagements;
- Dismissals/resignation;
- Payroll preparation;
- Payroll payments and
- Payroll recording.

9.2 Responsibility

The Manager shall be responsible for reporting to the Accountant all engagements, termination, changes in employee's rates of pay and deductions to be made from each month's wages.

The Accountant shall be responsible for the proper implementation of payroll accounting procedures, and for the control of deductions. The Accountant shall be responsible for the preparation of the monthly payroll of the Union. The Manager and the Accountant are responsible for approving and authorizing payroll vouchers for payment respectively.

9.3 Description of procedure

The procedures to be followed and the documentation required in accounting for payroll are described below under the following heading:

- Engagement of new staff;
- Employee permanent records;
- Payroll preparation;
- Payment of wages;
- Payment of payroll deductions;
- Accounting entries
- Reports

9.4 Engagement of new staff

Particulars of new staff shall be communicated to the Accountant through a copy of the engagement letter. The new employees are required to provide the Accountant with their Social Security Numbers. If this is the employee's first job he/she is required to fill the Social Security registration form.

9.5 Employee permanent records

The Manager shall maintain permanent employee record for each staff of the Union. The information including the following shall be kept and regularly up-dated for each staff:

- Employee name and number;
- Social security number;
- Qualification and education;
- Employee's next of kin;
- Date of engagement and confirmation;
- Job title and description;
- Current rate of pay, allowances and statutory standard deduction; and
- Date of discharge and reason for discharge

9.6 payroll preparation

The procedure to be followed in payroll preparation is stated below:

- On the 20th each month, the Manager shall pass on all information relating to the payroll to the Accountant for processing;
- The Accountant shall prepare the payroll with the following details for each staff:

The basic pay;

Social Security contribution;

Income tax deduction;

Loan deduction;

CCUP deduction;

Other deductions; and

Net pay.

- The Accountant shall prepare individual pay slips for the staff;
- On completion of the payroll, a summary payroll report shall be prepared to form the basis of posting into the payroll

9.7 Payment of wages: The net pay that has shown on the payroll, are prepared and credit to the staff salary accounts in WACCU. The staff are then given individual pay-slips.

9.8 Payment of payroll Deductions

The payroll deductions are classified into two groups:

1. a) Those requiring payment to be made to third parties (statutory deductions) and
2. b) Those involving a book transfer between accounts (i.e. loans and advances to staff).

The aggregate value of each type of deduction shall be shown on the monthly payroll summary. There is a separate control account in the General ledger for each of deductions. Each month, the deductions are posted to the credit of these accounts by means of journal voucher for payroll.

For those deductions payable to third parties, the Accountant shall prepare a payment voucher at the relevant time each month. The amount payable shall include both the employees' deduction and employer's contribution where applicable.

9.9 Payroll Accounting Entries

A payroll-posting summary shall be prepared each month for posting into the General Ledger payroll accounts. The following entries shall be passed in the General Ledger:

Description	DR	CR
Salaries	X	
Allowances (a roll for each allowance)	X	
Deductions:		
Social Security deduction (to SSNIT)		X
Provident fund deduction (PF)		X
Income Tax Deduction (to IRS)		X
Trade union Congress Deduction		X
Loans and Advances Deduction (a roll for		
each loan and advance category		X
Net Salary Payable (i.e. net pay)		X
SSF Employer's Contribution-13.0%	X	
CCUP Employee contribution	X	

SSF Employee's (to SSNIT)-5.5%	X
CCUP Employers contribution (to CCUP)	X

9.10 Payroll controls

All additions of names to the payroll must be backed by a letter from the Manager. All deletions from and other amendments to the payroll must be backed by a letter from the Manager. When the payroll is ready, it should be checked by the Manager and the Auditor before payments are made by the Accountant

9.11 Reports

The following monthly reports shall be produced for Management's review:

- Payroll reconciliation-that is reconciling the current payroll with that of the previous month and giving reasons for any differences identified; and
- Payroll summary report-as basis for posting into the General Ledger.