



BRAC UNIVERSITY

ACCOUNTING MANUAL

December 2007

66 Mohakhali, Dhaka-1212

BRAC University
Accounting Manual
INDEX

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1. Introduction

BRAC University was established on February 26, 2001 under Clause 6(1) of Private University Act 1992, through receipt of approval and award of certificate from the Government of the Peoples Republic of Bangladesh, Ministry of Education. The registered office of the university is situated at 65-66 Mohakhali CA, Dhaka where the present campus of the university is also located. The University provides degrees in some branches of Arts, Social Science, Science, Engineering, Architecture and others. The University receives income from several sources including student fees and donations and spends them on furtherance of academic activities and research. It is essential for the University to maintain an effective accounting system to satisfy the requirements of various stakeholders including University Grants Commission, donors, suppliers and different regulatory bodies. A set of guidelines is needed to recognize/record transactions according to standard procedures and produce required reports.

2. Objectives

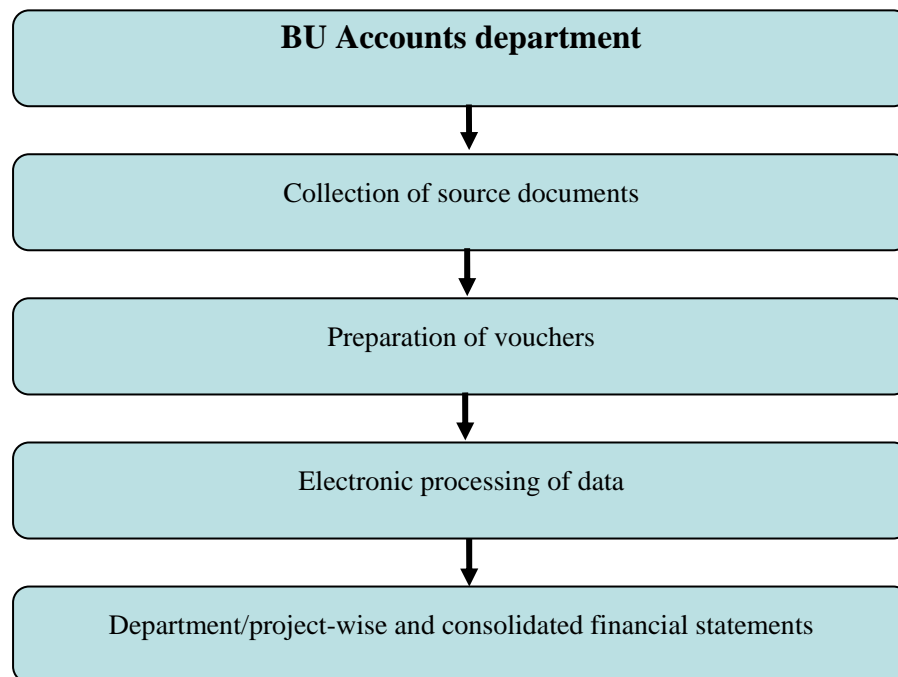
The Accounts manual is intended to:

1. Describe the systems and procedures that will guide the financial personnel and help them fulfill accountability requirement
2. Establish a uniform accounting record keeping system across the sections/departments of the university.
3. Ensure compliance of the requirements of Bangladesh Accounting Standards (BAS).
4. Guide utilization of fund effectively.
5. Assist University management by way of giving necessary financial information through proper system.
6. Ensure production of accurate financial reports to the user of the financial statement.

3. Overview of Accounting System

3.1 Flowchart of Accounting Function:

Established in 1992, BRAC University is one of the quality education providers in Bangladesh. It operates through academic departments and all incomes and expenses are related to departments. The flow chart of accounting activity of BRAC University is shown below:



3.2 Summary of Significant Accounting Policies

BRAC University prepares its financial statements on a going concern basis, under the historical cost convention. It follows the modified accrual basis of accounting for key income and expenditure items.

The significant accounting policies followed in the preparation and presentation of financial statements are summarized below.

3.3 Basis of preparation of Financial Statements

BRAC University maintains its books of accounts and records on the basis of departments or project, that is, each department or project is looked upon as a separate accounting entity having separate set of books. The Accounts department maintains records of all treasury, accounting, investment and management functions. All cash balances, including those meant for departments are held at one place and spent for or transferred to departments as required.

3.4 Donor Grants

Income from donor grants is recognized when they are received or BU has a right to receive. BRAC University's donor grants are primarily for funding of specialized programs, scholarships or research projects.

3.5 Revenue Recognition

Students' tuition fees

Revenue is recognized on accrual basis.

Students' fees - other

Includes admission fees, semester fees, fines etc. Revenue is recognized on accrual basis.

Sale of materials

Revenue is recognized on cash basis.

Interest on bank account and fixed deposits

Revenue is recognized as the interest accrues unless collectibility is in doubt.

Other income

All other incomes are recognized when BRAC University's right to receive such income has been reasonably determined and all conditions precedent are satisfied. Other incomes are recognized on cash basis.

3.6 Expenses

Expenses arise from goods and services being distributed to beneficiaries in accordance with the academic and research objectives and activities. BRAC University's administrative expenses are allocated to various departments/projects. Each department's share is calculated according to the aggregated number arrived by multiplying courses offered by it by the number of students.

3.7 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided for on a straight-line basis over the estimated useful lives at the following annual rates:

| Depreciation rates on fixed assets | | |
|------------------------------------|----------------------|-------------|
| Particulars | Rate of Depreciation | Life(years) |
| Furniture | 20% | 5 |
| Computer | 33.33% | 3 |
| Educational Equipment | 15% | 7 |
| Other equipments | 15% | 7 |
| Interior decoration | 33% | 3 |
| Library books | 33% | 3 |
| Vehicles | 20% | 5 |

No depreciation is charged on freehold land and construction work-in-progress.

3.8 Provision for Liabilities

Provisions for liabilities are recognized when BRAC University has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be

made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.9 Investments

Marketable securities will be recognized at cost and profits or losses on disposal will be recorded at the time of transactions. Long term investments in shares will originally be recognized at cost and subsequently adjusted to reflect market value. Investments in bonds/debentures will be recognized at cost but subsequently adjusted to amortized value.

3.10 Accounts Receivable

Accounts receivable arise principally from providing services to students. Accounts receivables are recognized when they are due.

3.11 Inventories

Currently BU does not assign any cost to inventories. Items charged to expenses are recorded in and issued out for control purposes. BU is planning to introduce inventory costing soon when inventories will be stated at cost. Cost will be determined using the weighted average, or FIFO or LIFO method as deemed appropriate for each situation.

3.12 Staff group and property insurance

BRAC University may insure properties against risks of fire, theft etc. A group insurance plan for its employees is currently under consideration. Once finalized, the scheme will be introduced. The insurance may be bought from an insurance company or covered from a self-insurance fund created for the purpose.

3.13 Employee Gratuity and Redundancy Fund

BRAC University makes provisions for an Employee Gratuity and Redundancy fund, on the basis of two months' basic salary for each completed year's of service for each permanent employee (based on the latest basic salary). For accounting purpose the provision is made on a monthly basis. Gratuity is to be disbursed upon retirement of employees whilst redundancy disbursements are to be made in the event of cessation of service from BRAC University on grounds of redundancy.

3.14 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case these costs are capitalized as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

3.15 Impairment of Assets

At each balance sheet date, BRAC University reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use.

An impairment loss is recognized as an expense in the statement of income and expenditure immediately. Reversal of impairment losses recognized in prior years is recorded when the impairment losses recognized for the asset no longer exists or have decreased.

3.16 Financial Instruments

Financial instruments are recognized in the balance sheet when BRAC University has become a party to the contractual provisions of the instrument.

- a. *Receivables*: Receivables are carried at anticipated realizable values. Bad debts are written off when identified, usually at the end of the year.
- b. *Payables*: Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.
- c. *Interest bearing Borrowing*: Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transactions costs.

3.17 Cash & Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash and bank balances and unpledged fixed deposits, against which bank overdrafts, if any, are deducted.

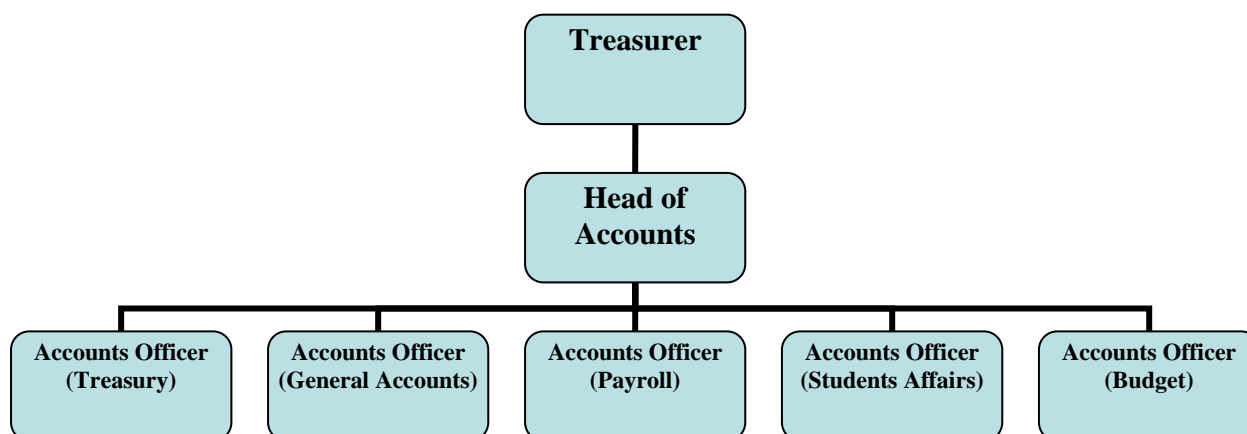
3.18 Bill-Voucher Preservation:

Except any legal and regulatory documents like deeds, agreements, books and records related to Income Tax, VAT, or any other legal documents which might be needed in future, all other documents, vouchers, bills, files, or registers shall be destroyed after of 5 (five) years. A committee will effect the disposal. A list of documents destroyed shall be preserved.

4. Sections of the Department

4.1 Organogram of Accounts Department:

BRAC University's Accounts department has the following organizational structure:



Head of Accountant bears overall responsibilities of the Accounts Department who works under the direct supervision of the Treasurer. Head of Accounts work in co-ordination with V.C., Treasurer and Registrar. For smooth operation, the Accounts Department of BRAC University has following units with distinct responsibilities:

- (1) General Accounts Unit
- (2) Treasury Unit
- (3) Students Affairs Unit
- (4) General Accounting Unit, and
- (5) Budget & MIS Unit

4.2 Functions of department units

4.2.1 Functions of Treasury Unit:

Treasury unit executes the following activities:

- Payment of all bills authorized by General Accounting unit.
- Receipt of cash against donation, various fees, and sales proceeds.
- Deposit of cash and cheques in banks.
- Withdrawal of cash from banks.
- Make final payment to staff/officials in the case of resignation, termination or retirement etc. (according to calculations made by the general accounts section).

- Meet up Utilities bill like gas, rent, electricity, water, telephone, Internet, Fax etc. as authorized by general accounts section.
- Administer IOU.
- Payment of scholarship to students according to the approved list.
- Act as custodian of money Receipt and other forms and registers used by the section.
- Preserve paid vouchers.

4.2.2 Functions of General Accounting Unit:

General Accounting Unit performs the following functions:

- Control operation of BU Bank Accounts.
- Prepare all vouchers including journal vouchers for internal transaction, transfer or any other provisions.
- Maintain effective operation of the computerized accounting packages.
- Prepare Bank Reconciliation Statement.
- Produce department-wise financial statements at the end of every month and preserve hard copies in file.
- Maintain consolidated financial statements on monthly basis.
- Reconcile inter department transactions.
- Maintain books, registers and documents required for smooth functioning of accounts section.
- Coordinate Annual External Audit and work with internal auditors.

4.2.3 Functions of Payroll Unit

Payroll unit performs the following functions

- Collect relevant information from HR and other departments/sections on salary and benefits, leave availed without pay, deductions etc. required for payroll preparation
- Input all required information in the Payroll software
- Prepare and check salary register
- Advise banks to transfer net salary to individual staff
- Prepare, check and distribute pay slips
- Maintain and preserve all records and information related to payroll
- Maintain the Payroll software

4.2.4 Functions of Students Affairs Unit

The Students Affairs Unit is responsible for:

- Receive Students Invoices raised by the Registrar Office for admission
- Set up students database in Students Account software based on information on Register's office advice
- Receive collection slips from bank showing deposit of admission fees
- Receive invoice raised by faculty on the basis of course chosen by students
- Input invoice information in Students Accounts software
- Receive copy of collection slip from bank
- Input information about money received based on the collection slip
- Keep all information regarding students payments, receipts dues etc.
- Preserve all records relating to various functions performed by the unit
- Maintain contact with registrar office and departments for relevant information and clarification
- Maintain students' scholarship policy and disburse scholarship to students

4.2.5 Functions of Budget and MIS Unit:

Budget and MIS Unit performs the following functions:

- Prepare budgets for individual departments with the help of concerned Departmental Coordinator Officer (DCO).
- Monitor budgets; calculate variances and identify causes of major variances in consultation with budget holders.
- Implement recommendations of internal and external auditors.

5. Computerized Accounting

5.1 Accounting packages:

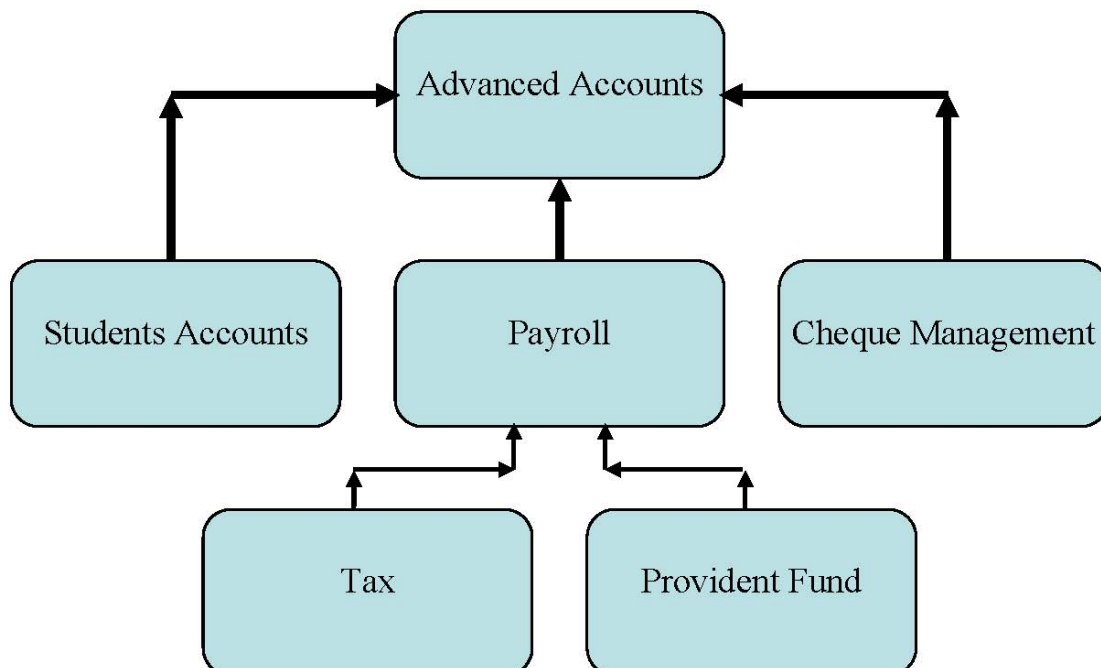
BRAC University's Accounts department uses three accounting packages to process information. They are:

- (1) Advanced accounts
- (2) Students Accounts
- (3) Payroll
 - a. Tax
 - b. Provident Fund

All three packages run independently. Students Accounts and Payroll packages generate important data which are manually transferred to Advanced Accounts. Efforts will be made to develop integrated software to reduce dependence on manual recording of data.

Payroll is a part of HR software. Payroll module has two sub-modules - Tax and Provident Fund. Calculated tax from Tax sub-module automatically gets transferred to Payroll while Provident Fund gets information from Payroll. In addition to the three packages referred above, there are two other small packages, which run independently. They maintain useful information and produces important registers. The packages are:

- (4) Fixed Asset Register
- (5) Cheque Management System



Fixed asset register is maintained to keep track of various information about fixed assets which are recorded in Advanced Accounts. They including cost, depreciation, location, identification number etc. Cheque Management is used to make and print cheques with inputted information. It is also used as acknowledgement for paid cheques.

6. Books, Forms and Register

BRAC University uses the following books, forms and registers to record and analyze transactions and institute an effective internal control:

Maintained in Advanced Account

1. Cash Book
2. General Ledger
3. Advance against expense Ledger
4. Advance against 3rd party Ledger
5. Advance against salary Ledger
6. Staff loan ledger
7. IOU form
8. Cash certificate

Maintained in Payroll

9. Salary register
10. Pay slip

Maintained in Students Account

11. Register for
 - a. Tuition fees
 - b. admission fees
 - c. fine
 - d. outstanding fees
 - e. advance fees
 - f. scholarship etc.

Maintained in Fixed Asset Ledger

12. Fixed asset register

Manual

13. Money receipt
14. Voucher forms:
 - Debit voucher
 - Credit voucher
 - Journal voucher
 - Transfer voucher
15. VAT/Tax deduction at source register

Register/forms 1 to 12 of the above list are computerized.

6.1 Cash book

The computerized cash book records all cash and bank transactions. Departments or projects are identified through a code system. The computerized cash book is more informative than traditional cashbook. The cashbook provides cash and bank balances at the end of the day. It also provides details of daily transactions and balance of each bank account. Three types of transactions are recorded in the cashbook, viz:

- ☐ Payments
- ☐ Receipts

❑ Transfers

The cash book preserves all cash and bank related transactions and can generate information in various forms. The output would include:

1. Transactions list
2. Cash transactions list
3. Cash register
4. Bank transactions list
5. Bank register
6. Cash certificate, etc.

Receipts, payments and transfer entries are recorded in the cash book along with related information. At the closing of each day the assigned accountant checks whether the physical cash balance including IOU is equal to total cash balance shown by the cash book.

The bank balance shown by bank register is checked with bank statement and if there is a difference, bank reconciliation is prepared on a monthly basis.

6.2 Cheque Register

The Cheque management System is used to enter the name of the payee, amount, cheque number and date of the cheque. The system prints cheque, which is delivered to the parties. A cheque register is printed which includes all relevant information of cheques issued in a particular period. The register has a column for recipient's name and signature. BRAC University is planning to upgrade the Advanced Account, which will make the Cheque Management System redundant. The function that this software performs now will be performed by the Advanced Account.

6.3 General Ledger

General ledger records both cash and non-cash transactions. Each department/project has its own general ledger book. The cash transactions are automatically transferred to the general ledger book. Non-cash transactions are separately entered through journal vouchers.

The format of general ledger is given below:

| | | | | | | |
|--|---------------|----------------------|-----------------|--------------------|------------------|------------------|
| BRAC UNIVERSITY Accounts Department | | | | | | |
| LEDGER From: _____ To: _____ BRANCH: BRAC UNIVERSITY (101) | | | | | | |
| Accounts Head: Name (code) | | | | | | |
| Date | Vr. No | Opposite Head | Cheque # | Particulars | Dr Amount | Cr Amount |
| OPENING BALANCE | | | | | | |
| | | | | | Total: | |
| Closing balance: b/d | | | | | | |

The ledger shows, as the first entry, the opening balance. The closing balance is shown as the last entry.

6.4 Salary Register

Salary is one of the largest parts of operating expenses of BRAC University. Details about salary/ payroll register are discussed in Payroll section of this Manual. Here only the format of the register is shown. Salary register is maintained project/department wise.

| BRAC University 66, Mohakhali, Dhaka Monthly Salary Register Month <u> 20 </u> Project/Department: | | | | | | | | | | | | | | | | | | | | | |
|---|------|------|--------|--------------|------------|------------|-------------|---------|---------------|-------|-------|----------------|--------|-----------|------|-------------|--------|-------|---------|-----------------|--------------------|
| PIN | PF # | Name | Design | Gross Salary | | | | | | | | Deductions | | | | | | | Net pay | Bonus Provision | Ttl Sal & benefits |
| | | | | Basic | House Rent | Medi Allow | Conv-eyance | Utility | Special Allow | Other | Total | Provident Fund | I. Tax | Transport | Loan | Without pay | Others | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| | | | | | | | | | | | | | | | | | | | | | |

6.5 Pay Slip

Pay slip portrays details of an employee's salary. Pay slip is prepared in three copies, one is for the staff, one remains with the counterfoil and the other is office copy, which is filed separately.

Following is the format of pay slip:

| BRAC University 66, Mohakhali, Dhaka Pay Slip Copy for <u>Person</u> / <u>Treasury</u> / Counter Foil | | | |
|--|-------------|------------------------|-------------|
| Salary for _____ 20_____ Payment mode: Cash/Bank Serial # _____ PIN _____ Name: _____ Designation: _____ PF # _____ | | | |
| Payment | Amount (Tk) | Deductions | Amount (Tk) |
| Basic Amount | | Provident Fund | |
| House Rent | | Income Tax | |
| Medical Allowance | | Transport | |
| Conveyance | | Loan Realization | |
| Utility | | Without Pay | |
| Special Allowance | | Others | |
| Other Amount | | Total Deduction | |
| Gross Salary | | | |
| | | | |
| Net pay | | | |
| | | | |
| Issued by _____ | | Received by _____ | |

6.6 Advance Ledgers

To carry out various activities, BRAC University has to procure goods and services for which advances to suppliers or to its own staff are required to be given. All of the advances are recorded in advance ledgers, which are subsidiary ledgers. Currently advance ledgers are manually maintained but will soon be computerized. There are two advance ledgers to record (i) Advance to staff against expenses and (ii) Advance to 3rd party against expenses.

The formats of advance ledgers are given below:

| BRAC University Accounts Department Advance to Staff Against Expenses Ledger (Accounts Code ____) | | | | | | |
|--|------|--------------------------|-----------------|-------------------|------------|-----------------|
| Report from ____ to ____ | | | | Print Date: _____ | | |
| Sl. No. | Name | Department & Designation | Opening Balance | Payment | Adjustment | Closing Balance |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | | | |

Prepared & Checked by

Authorized by

| BRAC University Accounts Department Advance against 3rd party Ledger (Accounts Code: ____) | | | | | | |
|---|---------------|---------|-----------------|-----------------------|------------------------|-----------------|
| Date from ____ to ____ | | | | Print Date: _____ | | |
| Sl. No. | Supplier Name | Address | Opening Balance | Advance for the month | Adjusted for the month | Closing Balance |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | | | |

Prepared & Checked by

Authorized by

6.7 Staff Loan

BRAC University confirmed staff can avail loan for different purposes according to the provisions of “Human Resources Policies and Procedure”. The Accounts Department maintains information of all such loans in loan ledger. The loan ledger is a subsidiary ledger and currently manually maintained but will soon be computerized. The following is a format of the loan ledger.

| BRAC University 65, Mohakhali, Dhaka Loan base type: STAFF LOAN (1) | | | | | | | | | | | | |
|---|----------|-----|------|-------------|----------------|-------------------|------------------|------------------------|----------|-------|----------------------------|--------------------------|
| SL No. | Loan No. | PIN | Name | Designation | Project /Dept. | Sanctioned amount | Disbursed amount | This month realization | | | Cum. Principal Realization | Principal balance amount |
| | | | | | | | | Principal | Interest | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| | | | | | | | | | | | | |

6.8 Voucher Forms

Voucher is the most basic document needed for recording financial transactions.

Elements of a voucher are:

- ☐ Name of the organization
- ☐ Number of voucher
- ☐ Nature of voucher
- ☐ Date of preparation
- ☐ Signature of those who originated, checked and authorized.
- ☐ Bill/cash memo and other supporting documents as attachments.
- ☐ Department/project code
- ☐ Heads of Account, Accounts code
- ☐ Amount in figures and words
- ☐ A brief narration about the transaction
- ☐ Recipient's Signature

BRAC University has four types of vouchers:

- ☐ Debit voucher
- ☐ Credit voucher
- ☐ Transfer voucher
- ☐ Journal voucher

6.8.1 Debit voucher

Debit voucher is prepared to record all cash and bank payments. This voucher is alternatively called payment voucher. The format of Debit voucher is given below:

| BRAC University | | Voucher No.: | |
|---|---------------|--------------------|--------------|
| Project/Dept | | Date: | |
| DEBIT VOUCHER | | | |
| Explanation | Accounts (Dr) | | Amount |
| | Title | Code | Taka Ps |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total Taka: | | | |
| <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 20%;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Cheque No </div> <div style="width: 20%;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Bank Name </div> <div style="width: 20%;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Prepared by </div> <div style="width: 20%;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Checked by </div> <div style="width: 20%;"> Please pay </div> </div> <div style="margin-top: 10px;"> Payment Received By Signature: _____ Name in Full: _____ </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 40%;"></div> <div style="width: 20%; text-align: center;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Cashier </div> <div style="width: 40%; text-align: right;"> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> Authorized By </div> </div> | | | |

6.8.2 Credit Voucher

Credit voucher is used to record cash and bank receipts. It is alternatively called receipt voucher. The format of credit voucher is given below:

| BRAC University | | | Voucher No.: | |
|------------------------------|-------------|-------------|---------------------|----------------------|
| Project/department: | | | Date: | |
| <u>CREDIT VOUCHER</u> | | | | |
| Head of accounts | Accounts No | Amount | | Particulars |
| | | Taka | PS | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total Taka | | | | |
| Payment Received By: | | | | |
| | | Cheque No | Bank Name | |
| Signature: _____ | | | | |
| | | Prepared by | Head of Accountants | Authorized Signature |
| Name in Full: _____ | | | | |

6.8.3 Transfer voucher

Cash transfer from one bank to another bank is recorded in the books of accounts through transfer voucher. This voucher is also used for cash/cheque deposit in and cash withdrawal from bank accounts. Bank statement, deposit slip and counter foil of cheques are supporting documents of transfer vouchers.

The format of transfer voucher is given below:

| | | |
|---|--------------------|---------------------|
| BRAC University Transfer Voucher | | |
| Transfer Type: _____ | | Voucher No.: _____ |
| Cheque Number: _____ | | Voucher Date: _____ |
| In Words: _____ | | Amount: _____ |
| Being the amount transferred as follows: | | |
| From: | To: | |
| Cash _____ | Cash _____ | |
| Bank Name _____ | Bank Name: _____ | |
| Branch: _____ | Branch: _____ | |
| Bank A/C No: _____ | Bank A/C No: _____ | |
| Prepared By | Head of Accounts | Authorized By |

6.8.4 Journal voucher

All non-cash transactions are recorded in the books of accounts through journal vouchers. Provident fund, income tax and other deductions from salary, expenses or income transfer from one project/department to another, depreciation on fixed assets etc. are recorded in the books of accounts through journal vouchers.

The format of journal voucher is given below:

| BRAC University | | Voucher No.: _____ | | |
|---|------|--------------------|----------------|-------------|
| Project/Department _____ | | Month: _____ | | |
| <u>JOURNAL VOUCHER</u> | | | | |
| Heads of Accounts | Code | Debit Taka | Credit Taka | Particulars |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total Taka | | | | |
| <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">_____ Prepared by</div> <div style="text-align: center;">_____ Head of Accounts</div> <div style="text-align: center;">_____ Authorized Signature</div> </div> | | | | |

6.9 Money Receipt

Money receipt is used to acknowledge cash or cheque. Receipts are prepared in three copies, which are used for the following purposes:

- Customer copy
- Voucher copy (attached with voucher)
- Filing copy

Following is the format of Money Receipt

| | |
|--|---|
| BRAC University 66, Mohakhali, Dhaka-1212 Tel: ----- Fax: ----- | |
| <u>MONEY RECEIPT</u> | |
| | SI No: _____ Date----- |
| Received with thanks from ----- ----- the sum of Taka----- ----- in cash/ by chequ no ----- being ----- | |
| <div style="border: 1px solid black; width: 200px; height: 25px; display: flex; align-items: center; justify-content: center;"> Tk. </div> | For BRAC University <div style="border-top: 1px solid black; width: 100%;"></div> Authorized Signatory |
| <div style="border-top: 1px solid black; width: 100%;"></div> Cashier | |

6.10 VAT/Tax Deduction at Source (VTDS) Register

According to IT ordinance 1984, it is mandatory to deduct tax from the bills of the suppliers, contractors, professional service providers etc. According to VAT Act 1991, the bill payer is required to deduct VAT against applicable payments as per prescribed rates. The finance section of Head Office records all these deductions in a subsidiary register, which is maintained manually but is expected to be computerized soon. The register, which is maintained party-wise is kept in the following format.

| BRAC University <u>VAT/Tax Deducted at Source Register</u> | | | | |
|---|------------------|------------|----------|----------|
| Party: ----- | | | | |
| Date | Bill Amount (Tk) | | VAT (Tk) | Tax (Tk) |
| | Current | Cumulative | | |
| | | | | |

6.11 Security Deposit Register

University's procurement activities are getting large both in volume and value. Big purchases will call for increased steps to safeguard university's interest. One mechanism to ensure quality of purchase and commitment of the supplier will be to take security deposits. Accounts section will maintain security deposit register to keep record of monies received from third parties (known as earnest money) against the work order issued by BRAC University procurement department. The format of the register will be as follows:

| BRAC University Finance & Accounts Department Security Deposit Register | | | | |
|--|-------------|----------------------|---------------------|----------------------|
| Supplier Name/ Code: ----- | | | | |
| Contract Person: ----- | | | | |
| Address/ Phone: ----- | | | | |
| Date | Particulars | Debit Amount (Tk.) | Credit Amount (Tk.) | Balance Amount (Tk.) |
| | | | | |
| <u>Prepared & Checked by</u> | | <u>Authorized by</u> | | |

6.12 IOU Form

Advance for short period is usually given to the staff for the purpose of purchasing goods or undertaking official travel. This short term advance is given through IOU (I Owe You). Advance through IOU does not require any accounting entry. IOUs are considered cash. At any point of time cash balance shown by cash book should be equal to cash in hand plus value of outstanding IOUs. IOUs are adjusted against bills submitted by staff. To prevent their misuse IOUs are issued after proper scrutiny, adjusted within a short period, partial adjustment is not allowed and, in case of delay in adjustment, money is recovered from staff salary.

Following is the format of IOU form:

| | | | | | | | |
|--|--|--|--|--|--|---|----------------------|
| Scroll | <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | | Receiving Date ----- |
| | | | | | | | Payment Date ----- |
| BRAC University I Owe You (IOU) | | | | | | | |
| Taka | <div style="border: 1px solid black; width: 100px; height: 20px;"></div> | | | | | | |
| Taka: (In word) ----- | | | | | | | |
| I am receiving this amount from BRAC for the following purpose: | | | | | | | |
| Purpose ----- | | | | | | | |
| ----- | | | | | | | |
| I shall pay this loan within ----- day(s) | | | | | | | |
| | | | | | | Signature ----- | |
| Departmental Approval----- | | | | | | Name ----- | |
| | | | | | | PIN | |
| | | | | | | <div style="border: 1px solid black; width: 40px; height: 20px; display: inline-block;"></div> - <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div> | |
| Approval of Finance Section ----- | | | | | | Designation----- | |
| | | | | | | Area/Department----- | |
| NB: All IOUs should be adjusted within the time mentioned above. Otherwise money will be recovered from salary. Advance must be settled at a time. | | | | | | | |
| ----- | | | | | | | |
| Scroll | <div style="border: 1px solid black; width: 40px; height: 20px; display: inline-block;"></div> | | | | | | |
| Loan Recipient Part I Owe You (IOU) | | | | | | | |
| Taka | <div style="border: 1px solid black; width: 100px; height: 20px;"></div> | | | | | | Receiving Date: |
| | | | | | | Payment Date: | |
| Taka: (In word) ----- | | | | | | | |
| Approved Signature | | | | | | | |

When IOUs are adjusted the lower part of the IOUs are given to the concerned person as a proof of adjustment.

6.13 Fixed Asset Register

Fixed Asset Register is maintained in Fixed Asset Ledger software. The register keeps detailed information of fixed assets including group, subgroup, voucher number, date, price, disposal details, depreciation, location etc. Various reports are available from the register. Two most important reports are Asset Ledger Summary and Asset details. The users can

decide what information they would include in these reports. An example of Asset Details report may look like the following:

| BRAC University | | | | | | | | | | | | |
|--|------------------|------|-------|------------------|------|-------|---------------|--------------------------------|----------|-------|------|------|
| Assets Details: From ----- to ----- | | | | | | | | | | | | |
| Group: Sub Group: Description: | | | | | | | | Rate of Depreciation (%) | | | | |
| AssetCode | Purchase Details | | | Disposal details | | | Closing Price | Location | | | | |
| | Voucher | Date | Price | Voucher | Date | Price | Closing price | Dept. | Building | Floor | Room | User |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | | | | | | | | | | | |

7. Control over cash

BRAC University's Accounts Department is responsible for receipts and disbursements of cash. Cash includes cash in hand, cash at bank, pay orders, drafts and other instruments. Cash is widely acceptable; its ownership is easily transferable and it carries high value in small quantity. These characteristics demand strict control over cash.

The control system employed by BRAC University has the following elements:

1. Use of voucher system. All receipts and payments require approval, which is effected through vouchers. Debit voucher is used for all payments and credit vouchers for all receipts.
2. Minimum cash handling: BRAC University discourages cash receipts and cash payments. Preferred mode of receipts and payments are cheques, drafts or bank transfers.
3. Minimum cash holding: Cash holding is limited to 50,000.
4. Surprise check of physical cash: Appropriate authority conduct surprise checks when cash is counted and compared with book balance.
5. Daily cash certificate: At the closing of the day, after all the transaction have been recorded in the cash book, daily cash and bank certificate is prepared that exhibits bank-wise closing balances, IOU and cash in hand with denomination. The certificate are signed and preserved in daily cash certificate file. A format of the certificate is reproduced on the next page. The certificate is computer generated.
6. Acknowledgement of all receipts: All receipts are immediately acknowledged by issuing serially numbered receipts.
7. Receipting all payments: All payments made by BRAC University require to be receipted by the payee.
8. Different authorization level: Depending on the nature and size of payment authorization level varies. High value, capital expenditure and unbudgeted payments require approval of higher authority.
9. Any payment is under strict scrutiny to check that:
 - a. Expenses are properly authorized
 - b. Procurement procedure is followed
10. Internal check system: An internal check system is in operation which ensures distribution of work in such a way that work of one is automatically checked by the another. The person receiving the cash, for example, does not authorize the receipt.
11. Bank reconciliation: Sometimes the balance shown by the bank statement differs from the cash balance of the ledger for various reasons. Reconciliation statement is prepared to explain the difference.

BRAC University
65-66 Mohakhali Dhaka-1212
Daily Cash Certificate

Date :

Project : Department : Accounts Code :

A) Cash in Hand

| Certified that total amount of cash in hand IOU and cash at Bank Shown amounting to BDT ----- (In word ----- -----) -----) on above date. | Notes & Coin | Quantity | Amount (Tk) | | | Paisa |
|--|--------------|----------|-------------|--|--|-------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

B) IOU

| IOU receiver's name | Recev. Date | Purpose | Amount (Tk) | | | Paisa |
|---------------------|-------------|---------|-------------|--|--|-------|
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| Total | | | | | | |

C) Cash at Bank

| Bank | A/c name | A/C No. | Amount (Tk) | | | Paisa |
|---------------------|----------|---------|-------------|--|--|-------|
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| Total | | | | | | |
| Grand Total (A+B+C) | | | | | | |

 Signature of Accounts In-charge
 Name:

 Signature of Treasurer
 Name:

8. Receipts

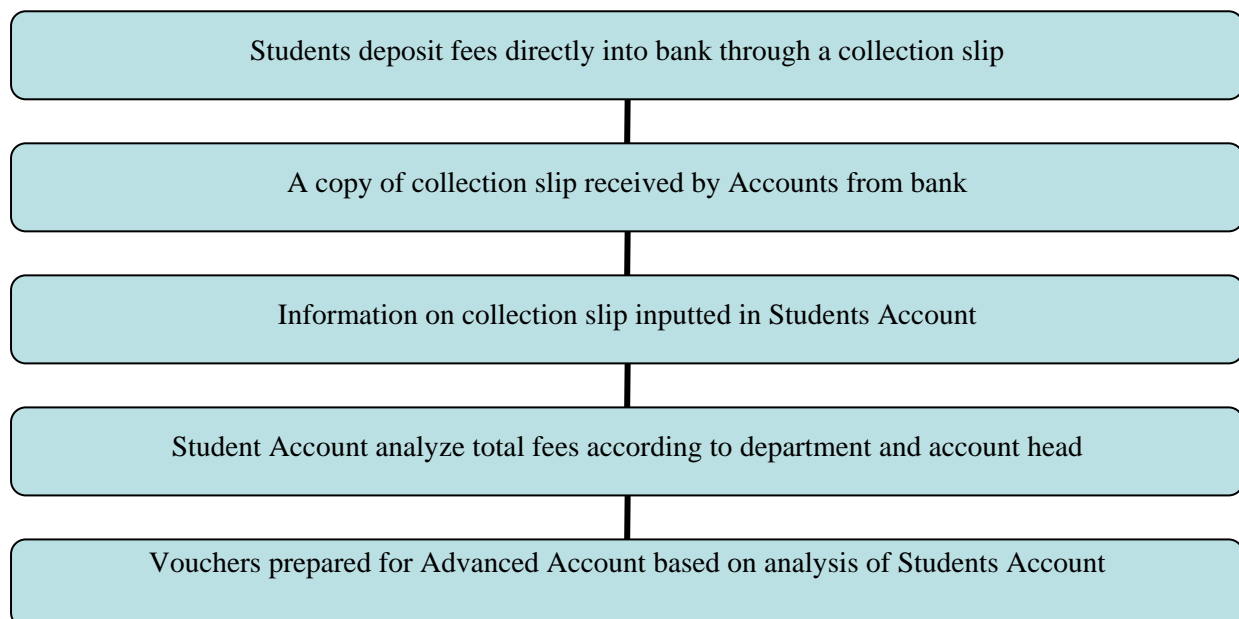
BRAC University's receipts are broadly classified as:

1. Receipt of course and other fees from students
2. Sale of books and other materials
3. Donations
4. Other income

Receipts are accounted for through credit vouchers. Appropriate head in the respective department/project is credited for the receipt.

8.1 Income from Students course and other fees:

Students are required to deposit fees direct into bank using a collection slip. The Student Affairs Section receives copy of collection slip from bank and enters information in the software called Students Account. The outputs of Students account form the input for accounting software called Advanced Account. The process is described below:



The Student Account provides information of collection under a number of heads including:

1. Admission fees
2. Tuition fee
3. Examination
4. Lab fee
5. Library fee
6. Student activity fee
7. Residential fee
8. Library deposit
9. Food
10. Convocation fee
11. Other

All the information is collected from collection slip and is crossed checked with Advising Note issued by the department. The collection slip is prepared in four copies. After the student deposit money in the bank, the collection slips are disposed to concerned parties. The first copy is for the registration office. Second copy is retained by the student. Third copy comes to the Accounts on the basis of which Students Affair section makes entry in Students Account. The fourth copy is kept by the bank. The following is a format of the collection slip:

| | | | | |
|--|-------------|---------------------------|----------------------|-----------------------------------|
| BRAC UNIVERSITY 66, Mohakhali, Dhaka-1212 SI .No. | | | | |
| COLLECTION SLIP This deposit slip will be allowed only for cash deposit or pay order or demand draft | | | | |
| Student Name : | | | Student ID : | |
| Semester : | | Year : | | Application ID: |
| Department : | | | Date : | |
| Bank Information : PRIME BANK LTD. A/C NO.31000772 | | | | |
| Name of Fees | Taka | Course Information | | Particulars of instruments |
| | | Course ID | Credits | |
| Admission Fee | | | | PO/DD/CH No: |
| Tuition Fee | | | | Bank /Br: |
| Lab Fee | | | | Date: |
| Library Fee | | | | |
| Student Activity Fee | | | | |
| Residential Fee | | | | |
| Library Deposit | | | | |
| Convocation Fee | | | | |
| Others | | | | |
| Total | | | | |
| In Words | | | | |
| | | | | |
| Deposited by | | | Authorized Signature | |

Course ID in the deposit slip is very important column. Course ID numbers identify the department and fees are accordingly allocated to concerned departments.

The accounting entry for recognition of income is:

Bank Dr.

Related Income head

Related income head would include admission fee, tuition fee, Laboratory fee, library fee etc.

8.2 Sale of materials

Materials that are sold include admission forms, books and other print materials. The costs of procurement of these materials are charged to expense. The following entry recognizes the sale:

Cash/Bank Dr
Income from sale of materials

8.3 Donation

BRAC University receives money from various donors to conduct research or run courses which are expensive and needs subsidy or pay scholarships. Donations are accounted for as per provision of IAS-20.

8.4 Other income

Other income for the university will include interest on bank deposits and investment income.

9. Payments

BRAC University's payments can be categorized as follows:

- ❑ Internal Payments
 - Salary Payment
 - Staff Final Payment
 - Payment of other expenses
- ❑ External Payment

9.1 Internal Payment

9.1.1 Salary Payment

Payroll is one of the largest payments that take place every month. BRAC University has Payroll wing which is responsible for preparation of payroll. Details about payroll have been discussed later under payroll section.

9.1.2 Staff Final Payment

Final Payment is made when a staff leaves BRAC University by way of resignation, termination, dismissal or redundancy. The staff needs to take clearance from his/her department in-charge and other relevant departments (transport, library, HRD etc.) to get final payment. The final payment includes gratuity, provident fund, leave pay etc. If the staff has an outstanding loan or other dues it is adjusted from the final payment. The terminal benefit is calculated according to the rules of Human resource policies. The gratuity and provident fund calculation process is described in details in "Gratuity" and "Provident Fund" sections of this manual.

9.1.3 Traveling and other Payment

This includes payment of traveling allowance, local conveyance, overtime bill, daily allowance and other reimbursements. Employees prepare their bills and get approval from their respective department heads. Then treasury section makes payment. Accountant prepares payment voucher. The voucher is approved either by the head of accounts.

9.2 External Payment

External payments are usually made against purchase of goods and services. They include office rent, food and accommodation fees for residential semesters, fixed assets, supplies etc. Purchases are made according to the rules of "Procurement Manual". The Supplier/Contractor, after performance of the contract, submits bill to procurement department which approves the bill after necessary verification. The bill is then forwarded to Accounts Department for payment. Before making payment, the Accounts department makes sure that applicable procedures and rules have been properly followed.

10. Payroll

Payroll is one of the largest components of BRAC University's annual expenditure. Accounts department manages the whole process of preparation and payment of salary.

10.1 Role of HR Department Regarding Payroll

The HR department is responsible for maintenance of all personal records of the employees. They include:

- a. nature of employment
- b. duration of employment
- c. regular and terminal benefits available
- d. leave entitlement and leave enjoyed
- e. type and date of separation
- f. change in terms of employment etc.

HR department feeds finance department with all information required for preparation of salary. Terms of appointments and changes in them are forwarded when they occur. A regular monthly statement is prepared on leave status. This information is provided from two registers maintained by HR - the attendance register and the leave register. .

All employees record their attendance by swiping the attendance time clock. The HR officer reviews the register and computes excess leave, if any, enjoyed by staff and reports it to finance by 25th of every month. Excess leave is treated as leave without pay. The HR department also provides other information having a bearing on calculation and payment of salary. All regular staff members of the university are entitled to paid leave for specific number of days.

10.2 Payroll Register

BRAC University maintains computerized payroll register. Human Resource Management System (HRMS) software maintained by HR provides necessary information that the payroll section requires to prepare this register. The Payroll is a module of HR software and is integrated. the Payroll maintains a Payroll register with detailed information, which includes:

10.2.1 Components of Gross pay:

- ☐ Basic amount (base salary)
- ☐ House rent
- ☐ Conveyance
- ☐ Medical allowance
- ☐ Utility
- ☐ Special allowance
- ☐ Other

10.2.2 Deductions:

Generally following deductions are made from the gross salary:

- ☐ Provident fund

- ❑ Income tax
- ❑ Transport
- ❑ Loan realization
- ❑ (calculated salary for leave) Without pay
- ❑ Others

The salary register is updated whenever there is a change in information. The assigned accountant gets all the relevant information from HR and, if required, gathers information from other departments, to update the payroll register. After updating the information, the accountant can generate the following reports:

- ❑ Salary analysis sheet / Salary register
- ❑ Pay slip (3 copies)
- ❑ Provident fund deduction list
- ❑ Income tax deduction list
- ❑ Project wise salary charge list
- ❑ List of salaries transferred to bank
- ❑ Loan listing (position of loans of which installments have been realized from salary)
- ❑ Other reports as required

10.2.3 Provident Fund

A confirmed employee is entitled to be a member of BRAC University contributory provident fund (PF). Every month the non-faculty staff contribute 10% and faculty staff 5% of their basic salaries, which is matched by the university. The accounting entries for provident fund are as follows:

(1) When employee contribution is realized from salary:

| | |
|------------------------|----|
| Salary and benefits | Dr |
| Provident fund Trustee | |

(2) When University's contribution is provided for

| | |
|------------------------|-----|
| Salary and benefits | Dr. |
| Provident fund Trustee | |

(3) When provident fund liability is settled (that is amount paid to PF)

| | | |
|------------------------|-----|--|
| Provident fund Trustee | Dr. | |
| Bank | | |

10.2.4 Income Tax

According to Income Tax Ordinance 1984 tax has to be deducted at source from salary that exceeds the taxable limit. The entire amount deducted is deposited to government account within prescribed time. The computerized payroll register automatically calculates individual tax liability. The liability is then evenly distributed over twelve months and realized from salary.

The accounting entries related to income tax are as follows:

- (1) When taxes are deducted from employees' salary:

| | |
|---------------------|----|
| Salary and benefits | Dr |
| Income Tax payable | |

- (2) On payment of tax to the Government

| | |
|--------------------|----|
| Income Tax payable | Dr |
| Bank /Cash | |

10.2.5 Transport

Transportation charges are realized from salary of those staff, which avail staff car facilities to come to office and go back home. The university does not have adequate vehicles to provide this service. So it uses BRAC vehicles for which the staff pays. The transport department of BRAC determines the charges and inform Accounts department. Usually, the bill from BRAC comes in the first week of the next month whereas salaries are prepared in the last week of the current month.

The accounting entries for deduction of transport charges, and later pay off BRAC are:

- (1) When transport charges are realized from salary:

| | |
|------------------------|----|
| Salary and benefits | Dr |
| Provision for expenses | |

- (2) When Bill is paid:

| | |
|------------------------|-----|
| Provision for expenses | Dr. |
| Bank | |

10.2.6 Loan

Installment of loans taken from University or Provident Fund are realized by deducting from salary according to the terms and conditions of loans. Following accounting entries are made to record loan disbursement and loan realization.

- (1) When loan is given

| | |
|-------------|----|
| Staff loan | Dr |
| Cash / Bank | |

- (2) When loan is realized from salary

| | |
|-------------------------------------|----|
| Salary and benefits | Dr |
| Staff loan [for principal realized] | |
| Interest Income | |

10.2.7 Without Pay

This is deduction of salary against leave without pay. If a staff takes leave in excess of entitlement proportionate amount is deducted from his or her salary. Amount of deduction for leave without pay is calculated in the following manner:

Gross salary/20 X Excess leave in days

No accounting entry is required for this deduction. The deduction reduces the amount to be debited to salary and benefits.

10.2.8 Festival Bonus

All permanent employees get festival bonus twice a year. Each bonus is equal to one-month's basic salary. Those who have not completed one year get bonus on pro rata basis calculated in the following manner:

Basic salary X No of months worked/ 12 months

Bonuses are paid fifteen days before the festivals as follows.

| Bonus | For | Festival |
|--------------|------------|-----------------|
| Bonus – 1 | All | Eid-ul-Fitr |
| Bonus – 2 | Muslims | Eid-ul-Azha |
| | Hindus | Durga Puza |
| | Christians | Christmas day |
| | Buddhists | Buddha Purnima |

Provision for bonus is made on a monthly basis. Entries that recognize provision and disbursement of bonuses are:

(1) At the time of making provision

Salary and benefits Dr
 Provision for festival bonus

(2) At the time of payment

Provision for festival bonus Dr
 Bank / Cash Account

11. Staff Group and Property Insurance

BRAC University is yet to insure its fixed assets against risks of fire, theft etc. A proposal to give insurance coverage by the university itself through creating an insurance fund is under consideration. But the risk may be shifted to outside companies in exchange of premium. The inventories of supplies and salable materials are not substantial, and may not be insured in near future. Till now members of University staff are not covered under any kind of insurance. A proposal to implement group insurance for regular staff is under consideration. The University may insure the staff under a self insurance fund or may buy coverage from insurance companies.

Depending on how the risk is covered, this manual recommends the following alternative accounting entries:

| Self-insurance by the University | Outside coverage |
|--|---|
| <u>(1) Property Insurance:</u> | <u>(1) Property Insurance:</u> |
| When insurance fund is created Insurance Expense Dr. Insurance Fund | When insurance coverage is bought Insurance Expense Dr. Cash |
| When a property is damaged Insurance Fund Dr. Accumulated Dep Dr Property | When claim is made against damage Insurance receivable Dr. Accumulated Dep Dr Property |
| When property is replaced Property Dr. Bank | When claim is received Bank Dr. Insurance receivable (if there is a difference between claim lodged and received it is closed to income statement) |
| <u>(2) Staff group insurance</u> | <u>(2) Staff group insurance</u> |
| When insurance fund is created Salary Dr. Insurance fund | When insurance premium is paid Salary & benefits Dr. Bank |
| When a claim is settled Insurance fund Dr. Bank | When claim is received Bank Dr. Salary & benefits |

12. Gratuity

Gratuity is calculated from the date of joining to the date of separation of an employee. All regular and service staff get gratuity at their resignation, retirement, redundancy or termination. Gratuity entitlement is determined as per provision of the HR policy reproduced below:

Gratuity Entitlement

| Length of service | Resignation/ Termination | Retirement | Redundancy | Dismissal |
|--|---|--|--|------------|
| Less than 3 years | No benefit | No benefit | No benefit | No benefit |
| 3 years or more but less than 10 years | 1 month basic salary for each completed service year | 1 ½ months basic salary for each completed service year | 2 ½ months basic salary for each completed service year | No benefit |
| 10 years or more | 1 month basic salary for each completed service year (Maximum 25 gratuity) | 2 months basic salary for each completed service year (Maximum 50 gratuity) | 2 ½ months basic salary for each completed service year (Maximum 50 gratuity) | No benefit |

Note: (1) Basic salary is the last basic salary.

Calculation of Gratuity

The amount of gratuity available to a staff is calculated applying the following formula:

Length of service in complete years X Basic salary X Number of gratuity per year (subject to maximum entitlement)

Gratuity provision is made on a monthly basis.

The following accounting entries recognize the provision and payment of gratuity:

(1) When provision is made:

| | |
|---------------------------------------|-----|
| Salary and benefits | Dr. |
| Employee gratuity and redundancy Fund | |

(2) When gratuity is paid

| | |
|---------------------------------------|-----|
| Employee gratuity and redundancy Fund | Dr. |
| Cash/Bank | |

13. Contributory Provident Fund

Any confirmed staff can become member of the Provident fund. Every month non-faculty staff contribute 10% and faculty staff 5% of their basic salaries and the university matches these amounts. When a staff leaves Brac University by way of resignation, retirement, termination or redundancy he/she receives the money of provident fund according to the following provisions:

Provident Fund Rules - Brac University (BRACU)

| Provident fund membership | Resign | | Redundancy/Retirement/ Terminate | | Dismissal | |
|--------------------------------------|------------------------------|-------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Self contribution & Interest | BRACU contribution & Interest | Self contribution & Interest | BRACU contribution & Interest | Self contribution & Interest | BRACU contribution & Interest |
| Less than 1 year | Full amount | Nil | Full amount | Full amount | Full amount | Nil |
| 1 year or more but less than 3 years | Full amount | Half of contribution amount | Full amount | Full amount | Full amount | Nil |
| 3 years or more | Full amount | Full amount | Full amount | Full amount | Full amount | Nil |

In case of death of a staff the nominee gets full amount standing in credit in PF account.

Provident Fund is a separate accounting entity from BRAC University. A Board of Trustees administers the fund. The university deducts contributions of employees from their salary and hands over the money together with its own contribution to Provident Fund Trustee. The accounting treatments for PF related transactions have been dealt in Payroll section. Final payment of provident fund to staff is accounted for in Provident Fund's book and University books are not affected.

14. Advances

Procurement of goods and services are essential part of university activities. Goods are usually procured from outside suppliers while services are bought from both within the organization and outside. The employees are the internal service providers. Often money has to be advanced against procurement of goods and services. This advance may be given directly to the supplier of goods and services or to staff when staff does the procurement as per procurement policy. In case of university staff, the advance is adjusted either against the bill or against salary. In case of outside suppliers, advances are adjusted against bills submitted by them.

14.1 Types of Advances

(a) Advances to Staff

Advance against salary (interest free, through IOU)

Advance against conveyance and transportation expenses (through IOU)

14.2 Advance against purchase of goods (through IOU)

(b) Advances to Third Party

Advance against purchase

Advance against house rent

Advance to the contractors

14.2.1 Advance against salary (Interest free, through IOU)

Employees are entitled to draw half-month's salary as advance, if they go on leave before and, are not expected to return, by the scheduled date of salary. The advance payment is made through IOU form. The staff fills IOU form and gets own department's recommendation before submitting it to the Accountants for approval. The advance is adjusted from current month's salary.

Salary advances are approved according to the following table of authority.

| Limit | Designation /Level of Staffs |
|-----------------|------------------------------|
| Upto Tk. 5,000 | Head of Finance/Accounts |
| Above Tk. 5,000 | Treasurer |

Advances are recorded in IOU register. The register is maintained in serial order. Whenever a new IOU is entered in the register it is assigned the next serial number and this number is written on the IOU. Then the IOU is paid. At the time of repayment/adjustment, cashier writes down the date of adjustment and signs the lower part of the IOU form, tears it and gives it back to the staff.

14.2.2 Advance against conveyance and transportation expenses (against IOU)

BRAC University employees including the teachers undertake internal and international travel for official purposes. An employee is entitled to certain conveyance allowance to meet travel expenses. The staff can take advance against the allowance. This advance, given through IOU form, is adjusted against traveling and transportation bills usually within seven days from the date of advance or return from the journey. But the adjustment period can be

extended where there are genuine reasons. The advance must be adjusted at a time, that is, no installments are allowed to adjust.

14.2.3 Advance against Purchase (against IOU)

Various kinds of materials and services are procured to carry out academic and administrative activities. Small and urgent purchases are usually done through procurement committees and in cash. In these cases procurement committee members take advances through IOU. The advances are later adjusted against bills.

IOUs are considered cash and no accounting entry is required when such advance is given. When IOUs are adjusted the related accounts heads are debited and cash is credited for the amount spent (which may be more or less than the advance).

14.2.4 Advance against Purchase (Advance to Suppliers)

Sometimes advances are given to the suppliers. The amount of advance and terms of adjustment are agreed between the university and the supplier before an advance is given. Often advances are secured by obtaining bank guarantee from the supplier. The accounting entries for suppliers' advances are:

(1) When money is advanced:

| | |
|------------------------|-----|
| Advance to third party | Dr. |
| Cash/Bank | |

(2) When supplier's bill is paid or settled:

| | |
|-----------------------------|-----|
| Related account head | Dr. |
| Advance against third party | |
| Cash/Bank | |

14.2.5 Advance against House Rent

When hiring space for official use, the university often needs to pay several months rent in advance. House rent advances are subject to the following conditions:

- ❑ Advances can be given only when prior approval to rent and pay advances has been agreed by the management.
- ❑ An agreement between the university and the owner has been signed. Advance can be given only as per terms and conditions of the agreement.

The accounting entry related to advance payment is as follows:

| | |
|----------------------------------|-----|
| Advance to 3 rd party | Dr. |
| Bank/Cash Account | |

Advance to 3rd party is recorded in Advance Ledger. The advance is adjusted as per terms and conditions of the agreement. If the advance is adjusted by deduction from house rent, the following accounting entry is made:

| | |
|-----------------------------------|-----|
| House rent | Dr. |
| Advance to 3 rd party. | |

14.2.6 Advance to the Construction Contractor

BRAC University may appoint contractors to construct office buildings and staff residence. Once a contract is finalized the contractor usually asks for advance. The University does not have a procedure on advance on construction.

The accounting entry passed in the book for advance is:

| | |
|----------------------------------|-----|
| Advance to 3 rd party | Dr. |
| Cash /Bank | |

Sometimes contractors submit bill against partially completed construction works. Advance payment prior to such bill is adjusted before payment of the bill. As per condition of agreement, security money is deducted from the bill. Usually the security money is 10%.

At this stage accounting entries are:

| | |
|--|-----|
| Building construction Account (100% of the bill value) | Dr. |
| Security deposit (10% of the bill value) | |
| Advance to 3rd party [adjustment of earlier advance] | |
| Bank/Cash Account. | |

When the security money is to be returned depends on the agreement. Sometimes it is paid back within a short period after completion of work. Sometimes it is held for several months. The accounting entry to record the refund of security deposit is:

| | |
|---------------------|-----|
| Security Deposit | Dr. |
| Bank / Cash Account | |

15. Staff Loan

The university staff can avail different kinds of loans as described below:

15.1 Staff Loan against Salary (Interest Bearing)

A permanent staff can avail loan against his/her salary. Intending employee will have to apply to the loan committee formed by the Vice Chancellor. Loan committee determines the loan amount, term, installment etc. The value of each installment has to be less than 20% of staff's monthly salary. The loan is adjusted in agreed monthly installments.

The staff loans are subject to the following conditions

The applicant must be a confirmed employee of BRAC university.

He/she must be a member of provident fund.

The loan entitlement is the higher of one month's salary and self contribution to provident fund (including interest on self contribution).

The assigned accountant keeps detailed record of the loan in "Staff Loan Ledger".

Accounting entries pertaining to loan disbursement and realization are:

(1) When loans are disbursed

| | |
|-------------------|-----|
| Staff loan | Dr. |
| Bank/Cash Account | |

The advance is realized in installments by making deduction from staff salary.

(2) When installments are deducted from salary

| | |
|---------------------|-----|
| Salary and benefits | Dr. |
| Staff Loan. | |
| Interest on loan | |

15.2 Special Loan

BRAC University confirmed staff working for minimum of 5 years can apply for special loan. Loan committee approves special loan.

Depending on the purpose special loan can be of two types:

For purchasing land or constructing house

For medical treatment or other important needs

Loan committee can approve maximum of five lac taka for the first category and one lac taka for the second category. The Vice Chancellor can approve upto 2 lac. If the loan amount is above 2 lac Governing Board approval is needed.

15.3 Loan against Provident Fund

University's confirmed employees who are members of provident fund and have worked for the university for seven years or more can avail loan against own contribution to provident fund. The staff can take loan up to 80% of his/her provident fund amount. But if the loan is taken to buy BRAC constructed apartment, loan up to 100% of own contribution to PF can be availed.

The university maintains a loan ledger for each kind of loan.

16. Bad loans and receivables

16.1 Loans to staff.

Staff loans are less likely to become bad. Therefore no provision is made in the book for bad and doubtful staff loans. In case a staff loan becomes bad, it is directly written off. The accounting entry that recognizes this is:

| | |
|------------------|-----|
| Bad debt expense | Dr. |
| Staff loan | |

The bad debt expense is closed to income statement.

16.2 Bad Accounts Receivables

Accounts receivable arise from dues from students. No provision is made for bad and doubtful accounts receivable. When specific accounts turn bad they are directly written off. The entry passed in the book is:

| | |
|---------------------|-----|
| Bad debts | Dr. |
| Accounts receivable | |

The bad debt expense is closed to income statement.

17. Investment

BRAC University currently does not have any investment in shares or securities. It has some excess funds, which is kept with bank as fixed deposit.

BRAC University's investment policy will be as follows:

17.1 Short term investment

Short term investment will be recognized at cost. Any profit or loss will be recognized at the time of sale/disposal. The entries for purchase and sale of shares or bonds will be:

1. Purchase of marketable securities

| | |
|-------------------------------------|-----|
| Investment in marketable securities | Dr. |
| Bank | |

2. Sale of marketable securities

(a) Sale at profit:

| | |
|-------------------------------------|-----|
| Bank | Dr. |
| Investment in marketable securities | |
| Gain on sale of investment | |

(b) Sale at loss

| | |
|-------------------------------------|-----|
| Bank | Dr. |
| Loss on sale of investment | Dr. |
| Investment in marketable securities | |

17.2 Long term investment

Long term investments may be in shares and securities. All investments will initially be recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments in shares of listed companies will subsequently be measured at fair value, with unrealized gains or losses recognized in the statement of income and expenditure. Fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

Other long-term investments, which are intended to be held to maturity, such as debentures and private debt securities, will be subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Apart from the amortization process which is dealt with through the statement of income and expenditure [income is increased or decreased by the amortization of discount or premium], any gain or loss is recognized in the statement of income and expenditure when the investment is disposed of or suffers a permanent diminution in value.

The Accounting entries in relation to investment in shares and securities will be:

- (1) When securities are purchased

| | |
|--------------------------------------|-----|
| Investments in securities and others | Dr. |
| Bank/Cash | |

(2) When securities are sold (profit)

| | |
|---|-----|
| Bank /Cash | Dr. |
| Investment in securities and others | |
| Income from sale of investments in securities and other | |

(3) When securities are sold (loss)

| | |
|--|-----|
| Bank/ Cash | Dr. |
| Loss on investments in securities and others | Dr. |
| Investments in securities and others | |

(4) When dividend income is accrued on securities and others

(a) If investment was purchased at face value

| | |
|--|-----|
| Accounts receivable | Dr. |
| Income from investments in securities and others | |

(b) If investment was purchased at premium

| | |
|---|-----|
| Accounts receivable | Dr. |
| Income from investments in securities & others [Dividend less amortization] | |
| Investment in securities and others [amortized amount] | |

(c) If investment was bought at discount

| | |
|---|-----|
| Accounts receivable | Dr. |
| Investment in securities and others [amortized amount] | |
| Income from investment in securities [dividend plus amortized amount] | |

(5) When dividend is received

| | |
|---------------------|-----|
| Bank | Dr. |
| Accounts Receivable | |

(6) When there is a diminution in market price of shares and debentures of listed companies

| | |
|--|----|
| Loss on investments in securities and others | Dr |
| Investments in securities and others | |

17.3 Investment in Fixed Deposit

As stated earlier, BRAC University currently invests in fixed deposits. Such investments are fixed interest bearing investment. Following are the accounting entries passed in books in respect of these investments.

(1) When investments are made

| | |
|----------------|-----|
| Fixed Deposits | Dr. |
| Bank / Cash | |

(2) When interest income is accrued

| | |
|----------------------------|-----|
| Accounts Receivable | Dr. |
| Income from fixed Deposits | |

(3) When fixed deposits are encashed

| | |
|---|-----|
| Bank / Cash Account | Dr. |
| Fixed Deposits | |
| Accounts Receivable | |
| Income from fixed deposits [portion not earlier recognized] | |

18. Donor Fund Accounting

BRAC University receives a considerable amount of donations for various projects/ departments. Following the provisions of IAS-20, the university accounts for the donor funds through the following account heads:

- ❑ Donation received in advance
- ❑ Donor fund – Investment in fixed assets
- ❑ Donor Grants

18.1 Donation

All grants irrespective of their nature and purpose are credited to this account. Later funds are transferred to other accounts according to use. To record receipt of grant the following entry is made in the general ledger:

| | |
|------------------------------|----|
| Bank | Dr |
| Donation received in advance | |

18.2 Donor Fund – Investment in Fixed Assets

When the donation is used for buying or building fixed assets, the fund is transferred from 'Donation' to 'Donor fund – Investment in fixed assets'. This is treated as deferred income. At year-end income is recognized from this fund to the extent of depreciation charged on the asset.

The accounting entries are:

(1) When donation is utilized for fixed assets

| | |
|---|-----|
| Donation received in advance | Dr. |
| Donor fund – Investment in fixed assets | |

(2) When depreciation is charged

| | |
|---------------------------------------|-----|
| Donor fund-Investment in fixed assets | Dr. |
| Donor Grants | |

(Equivalent to depreciation on donor funded fixed assets)

18.3 Donor Grants

Recurring expenses related to donor fund are transferred from 'Donation' to 'Donor Grants'

The accounting entry is:

| | |
|------------------------------|-----|
| Donation received in advance | Dr. |
| Donor Grants | |

19. Fixed Assets

An asset which meets the following criteria is recognized as fixed asset:

- ❑ Its expected life is more than three years.
- ❑ Its cost exceeds Tk. 2000
- ❑ It is tangible
- ❑ Economic benefit is generated from it
- ❑ Management recognizes it as fixed asset

BRAC university fixed assets portfolio includes the following:

- (a) Land
- (b) Building and construction
- (c) Furniture & Fixture
- (d) Computer
- (e) Educational equipment
- (f) Other equipment
- (g) Interior decoration
- (h) Library books
- (i) Vehicles etc.

19.1 Procurement of Fixed Assets

BRAC university purchases fixed asset according to procurement manual. Fixed asset is always recorded at original cost plus any other capitalized cost. The accounting entries for transactions in relation to fixed assets procurement are:

(1) When fixed asset is purchased

| | |
|---------------------|----|
| Fixed assets | Dr |
| Cash/Bank/Creditors | |

(2) When fixed assets are under construction

| | |
|------------------|----|
| Work in progress | Dr |
| Cash /Creditors | |

(3) When construction is completed and certified for use

| | |
|------------------|----|
| Fixes assets | Dr |
| Work in progress | |

(4) When advance is given for purchase of fixed assets

| | |
|----------------------|----|
| Advance to 3rd party | Dr |
| Cash/Bank | |

(5) When advance against fixed assets is adjusted

| | |
|----------------------|----|
| Fixed assets | Dr |
| Advance to 3rd party | |

19.2 Fixed Assets Register

The detailed particulars of fixed assets are maintained in fixed assets register. The register is updated whenever there is a change in or addition to information maintained in it. The following information is kept in the fixed assets register:

- ❑ Date of purchase/sale/transfer/depreciation
- ❑ Voucher number
- ❑ Group of assets
- ❑ Description of assets
- ❑ Depreciation rate
- ❑ Quantity of assets
- ❑ Cost of assets
- ❑ Cumulative depreciation
- ❑ Written down value of the assets
- ❑ Location
- ❑ Identification mark
- ❑ Other information (if any)

19.3 Depreciation

Fixed assets lose their value over time (in other words, they depreciate), and must be replaced once the end of their useful life is reached. All fixed assets of BRAC University are depreciated under straight-line method. Under this method an asset's expected economic life is ascertained in terms of year. Then the total cost of the assets is divided by the number of years. If any salvage value is considered for an asset on its expiry of expected life, this amount is deducted from the cost to arrive at the depreciable amount. Depreciation is expressed in terms of percentage of cost of the related assets.

When depreciation is charged the following entry is passed in the book:

| | |
|--------------------------|----|
| Depreciation Expense | Dr |
| Accumulated depreciation | |

19.4 Sale/Disposal of Fixed Assets

If any fixed asset gets permanently unusable, broken or obsolete or is no longer necessary then the asset is sold. For selling the asset, prior approval is required from appropriate authority, which is described in annexure 1 (point 26) of Human Resources Policies and Procedure.

The following accounting entries are required to recognize disposal of assets:

(1) If sale price is equivalent to book value:

| | |
|--------------------------|-----|
| Cash/Bank | Dr. |
| Accumulated depreciation | Dr. |
| Fixed assets | |

(2) If sale price is more than Book value:

| | |
|------------------------------|-----|
| Cash/Bank | Dr. |
| Accumulated depreciation | Dr. |
| Fixed assets | |
| Gain on sale of fixed assets | |

(3) If sale price is less than Book value

| | |
|------------------------------|-----|
| Cash/Bank | Dr. |
| Accumulated depreciation | Dr |
| Loss on sale of fixed assets | Dr |
| Fixed assets | |

20. Accounts Receivable

Accounts receivable arises principally from services provided to the students. Based on number of courses chosen by a student the concerned department issues invoices. The students are required to pay the course fees and other fees in the bank through a prescribed deposit slip. A copy of the paid deposit slip comes to the Accounts for recording. The students Affairs section uses a software called Students Account. Information received from department and that on the deposit slip are both entered in the software. Accounts receivable arises when deposits are less than the invoice value. At year-end a list of accounts receivable is obtained from the Students Account and total receivables posted in the Advanced Accounts Package. The entry passed is:

Accounts Receivable Dr.
Respective income head

Receivables are shown on Balance at fair value and no provision is shown for bad receivables.

Other receivables may arise from insurance claim, interest accrued on bank deposits or investment in securities.

21. Inventory

Each department of BRAC University maintains inventory of supplies. There are also inventories of forms, syllabus and other education materials which are sold to students.

Currently the university does not assign any value to inventories. When acquired supplies and salable materials are charged to expenses. To institute control over supplies and materials, they are handed over to designated persons. Supplies are issued as required and a register is maintained to record receipts and issues. Saleable materials are sold and money is deposited to Accounts. A register is maintained to keep records of materials received, sold and lying in hand unsold.

The volume of saleable materials BRAC University is increasing gradually. At one point the inventory would be too large in value to ignore. In this case, the inventory would be valued at cost under weighted average or FIFO or LIFO method. The accounting entry to receive and issue inventory would be:

1. When received:
Inventory Dr.
Bank/Accounts payable
2. When issued
Cost of sales of saleable materials Dr.
Inventory

The following formats are recommended for Printing and Stationery and Salable Materials stock registers.

BRAC University
Stock Register
Printing and Stationery

Name of Articles:

| Date | Particulars | Receipts/ MR No. | Unit of Articles (Pcs, doz) | Quantity Received | Distribution/ Issue | Issue Challan Ref. | Quantity Balance | Remarks |
|------|-------------|---------------------|-----------------------------------|----------------------|------------------------|--------------------------|---------------------|---------|
| | | | | | | | | |

BRAC University
Stock Register
Saleable Materials

Name of Articles:.....

| Date | Receipts/ Issued Challan No. | Receipts | | | Issued | | | Balance | | | Remarks |
|------|------------------------------------|----------|------|-------|--------|------|-------|---------|------|-------|---------|
| | | Qty | Rate | Value | Qty | Rate | Value | Qty | Rate | Value | |
| | | | | | | | | | | | |

21.1 Stocktaking

At the end of the year, or as frequently as decided by the management, physical count of inventory is conducted. A standardized pre-numbered form is used to record stock count. The inventory team counts all the stock items and records in the form. When counting is done obsolete or damaged items are identified and separated. After all the items are counted, the team compares the counted balance with the register balance.

Any loss of inventory identified at this point is recorded with the following entry:

| | |
|-------------------|-----|
| Loss on inventory | Dr. |
| Inventory | |

22. Allocation of Administrative Cost

Administrative costs are indirect costs. They cannot be directly related to a department or project but need to be allocated in a convenient and logical manner. BRAC University administration includes the following services:

1. Library
2. HRD
3. Accounts
4. Savar campus
5. Registrar's office
6. Vice Chancellor's office

BRAC University allocates administrative costs to projects/departments according to their number of courses sold multiplied by the number of students. The following formula is used for the purpose:

Specific department's share of cost = (Admin cost/sum total of courses offered multiplied by number of students in each course x specific department's total of courses offered multiplied by number of students in each course).

23. Internal Financial Monitoring

Internal financial monitoring includes all the procedures and actions taken by the Accounts Department to:

- Ensure reporting and financial calculations in compliance with different accounting policies.
- Ensure accurate and reliable operating data and accounting reports.
- Protect BRAC University's assets against theft and waste.
- Conduct various financial analysis to find performance of different projects/departments

Monitoring is a collective responsibility and every member of Accounts department is involved in it.

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24. Financial Reports and Statements

Financial reports and statements are the ultimate products of the financial management system. All financial transactions generated throughout the year are recorded in a set of books in the computerized accounting system. The system facilitates accountant to prepare financial reports and statements as per the requirements of the stakeholders.

Financial reports contain a typical presentation of financial data. Sometimes for better clarity, these reports also include narrations. Statutory financial statements are prepared in accordance with accounting concepts, convention and other applicable standards. But in other cases, reports are prepared based on the requirements of the users. However, the financial data for both the cases are generated from same set of books.

24.1 Reporting Standard

Reports are prepared on the basis of and keeping in mind the following principles:

- ❑ ***Completeness and Clarity:*** All essential facts are clearly displayed in reports. The requirements and intent of prescribed reports are fully and clearly served. Reports are maintained on a consistent basis from period to period.
- ❑ ***Accuracy and Reliability:*** The data in the reports are accurate. All steps are taken to avoid bias, presentation of misleading information, or the obscuring of significant facts and relationships.
- ❑ ***Timeliness:*** Reports are produced promptly. Scheduled reports are produced in accordance with the time allotments specified.
- ❑ ***Status of Reports:*** Reports, analyses, and related work papers form an integral part of the formal accounting records from which they are compiled. They are maintained so as to be clearly and readily accessible for repeated reference to the information compiled and the methods employed.

24.2 User of BRAC University's Report

Following is the list of users of BRAC University's financial reports:

Internal users:

- ❑ University Management

External Users:

- ❑ University Grants Commission
- ❑ Donors
- ❑ Government of Bangladesh
- ❑ Financial Experts/ Researchers
- ❑ Regulatory Bodies
- ❑ Others

To meet the requirements of above users, the reports are prepared under the following groups:

- ❑ Internal reports
- ❑ Statutory reports
- ❑ Donor reports

24.3 Internal Reports

Accounts Department generates various reports and statements for the internal users at regular interval.

Following are the examples of internal reports:

1. Weekly fund position
2. Monthly Profit & Loss Statement, Balance Sheet and Cash Flow Statement
3. Monthly budget variance (consolidated)
4. Quarterly budget variance (department-wise)
5. Other need-based reports

The Advanced Account is capable of producing Income Statement and Balance Sheet at any point of time.

24.4 Statutory report

Statutory report is prepared annually. This report is certified by public auditors.

24.5 Donor reports

Donor reports are usually prepared quarterly but frequency may be less or more according to agreement reached.