‘Basic Financial Management Skills’

for

Elementary, Community and Primary Schools

Schools Work Better
When the Accounts are in Good Order

capacity building activities for primary schools
booklet 5

Department of Education and
Department for Community Development
Acknowledgements
This booklet was developed by BEDP with the support, effort and commitment made by the Basic Education Development Project Training Committee, consisting of: Loanna Mave, Nopa Raki, Teacher Education and Staff Development Division, Peter Kants, Joe Eka, Annemarie Kona and Elizabeth Solon, Standards Division staff, Isiop Iason, Jennie R Kome, Maryanne Retaw, Helen Walangu, Wawala Kali, Silvenus Vaso and Dianah Kenehe Papua New Guinea Education Institute, Willie Jonduo and Genua Toea, National Literacy and Awareness Division, Jack Simbou, Standards Division staff, Dept of Community Development and Carsten Klink, Training Coordinator Catholic Education Agency Bougainville. We would like to also acknowledge the support given by the National Inservice Committee and Divisions of the National Department of Education who assisted with the editing of the booklets.
SECRETARY’S MESSAGE

This school–based capacity building series of booklets is a step towards strengthening the management of primary schools. This series contains activities to strengthen the ability of community members, primary school Boards of Management (BoM), head teachers, inservice coordinators, and teachers to better carry out their responsibilities. The school-based activities in these booklets support and strengthen work-place skills and knowledge and help develop individual personal development.

Teachers, Boards of Management and communities can decide which capacity building activities are needed and the approach they will use.

Primary school teachers and school community members can use these capacity building activities for their personal and professional development. These capacity building activities can be undertaken by groups or individually. The Papua New Guinea Education Institute will provide accreditation to their students on the completion of assessment tasks.

The capacity building activities in this booklet will help you to:
- Understand the Financial Management Act;
- Identify your school income;
- Learn how to Budget your school funds;
- Maintain your school financial records;
- Maintain Petty cash records and;
- Learn about funds acquittals and financial reporting

With the transfer of more responsibilities to Head Teachers and School Boards, it is important that both understand the laws governing the spending of public funds. This booklet aims at strengthening your abilities to efficiently manage your school finances; it will also help you to be accountable for funds made available to you and to be transparent when handling school funds.

I commend these activities to you.

Dr Joseph Pagelio
Secretary for Education
## Basic Financial Management

<table>
<thead>
<tr>
<th>Topic</th>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Glossary</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td><strong>1 Financial Management Act (FMA)</strong></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Reading 1.1 – Accountability in School Financial Management</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td><strong>2 Consequences of breaching the FMA</strong></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Reading 2.1- Theft and Misappropriation of School Funds</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Reading 2.2- Consequences</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Reading 2.3- The Salary Cash Advance</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td><strong>3 School Income</strong></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td><strong>4 School Budget</strong></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Reading 4.1- Budgeting our School Funds</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Reading 4.2- Preparing a Quarterly Budget</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Reading 4.3- An example of a School Budget</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td><strong>5 Maintaining Financial Records</strong></td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>Reading 5.1– Keeping Records of our School Financial Activities</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Reading 5.2- Payment Vouchers</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Reading 5.3- School Fee Records</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Reading 5.4- Combined Cash Book</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>Reading 5.5-Correcting Errors in the Combined Cash Book</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>Reading 5.6- Recording and Receipts</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>Reading 5.7- Bank Reconciliation</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>Reading 5.8- The use of Journals for Funds</td>
<td></td>
<td>29</td>
</tr>
<tr>
<td><strong>6 Maintaining Petty Cash records</strong></td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>Reading 6.1-Maintaining a Petty Cash record</td>
<td></td>
<td>31</td>
</tr>
<tr>
<td><strong>7 Funds Acquittal and Financial Reporting</strong></td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>Reading 7.1- Funds Acquittal</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>Reading 7.2- Acquittal examples</td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>Reading 7.3- Preparing a Financial Report</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td><strong>Evaluation Sheet and example</strong></td>
<td></td>
<td>38</td>
</tr>
</tbody>
</table>
Overview

School-Based **Financial Management** capacity building activities

In this booklet there are 7 topics that can be run as a cluster workshop or at individual schools.

**Goal:** These activities are developed to help you understand the financial management procedures that relate to the Financial Management Act (FMA). This will help your school, BOM and community be accountable for any funds made available to them.

**Rationale:** With the transfer of more financial responsibilities to Head Teachers and school BOMs, it is important that both understand the laws governing the spending of public funds. These sessions aim at strengthening your abilities to efficiently manage your school finances, and help you to be accountable and transparent in handling school funds.

You will do this through a series of study readings, discussions, case studies, sharing results, debates and role plays. In this package there are seven self instructional sessions that you can run as a cluster workshop or at your individual school.

**Content:** In this booklet there are seven topics:
1. Financial Management Act (FMA) – 2 hrs
2. The Consequences of breaching the FMA – 2 hrs
3. School Income - 2 hrs
4. School Budget – 3hrs

**Facilitator:** If you have a large group, select one person to facilitate each topic.

**Participants:** The capacity building activities are for teachers, HT and BoM members and interested P&C representatives in the school.

**Materials:** This workbook, BOM hand book, BoM Flipchart, butcher paper and marking pens.

**Optional:** You will need the Financial Management flipchart butcher papers marking pens to run these activities

**Signposts:** The capacity building activities use the following signposts:

- FREE work in pairs or groups (tok tok wantaim)
- 📖 read the information in the book or flipchart (redim)
- 🖊️ write a response (rait)

There are model answers in the book.

Your answers are different so there are no model answers.

**Assessment:** Students enrolled in Diploma Education Primary Inservice (DEPI) studies can get credits if they submit their work to an assessor.
<table>
<thead>
<tr>
<th>No</th>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income</td>
<td>Money received by your school. This money may be school fees, Fundraising, school canteen funds, donations, subsidies, donor funds, grants, etc.</td>
</tr>
<tr>
<td>2</td>
<td>Expenditure</td>
<td>Money spent</td>
</tr>
<tr>
<td>3</td>
<td>Accountable</td>
<td>Being responsible and answerable to your community and country for money entrusted to you and spending money according to legal guidelines</td>
</tr>
<tr>
<td>4</td>
<td>Budget</td>
<td>A plan of how you will spend your income</td>
</tr>
<tr>
<td>5</td>
<td>Acquittal</td>
<td>Is reporting and providing evidence on how you spent the money, (what the funds were spent on and when it was spent.)</td>
</tr>
<tr>
<td>6</td>
<td>Financial records</td>
<td>Are records of school income and expenditure, and school assets.</td>
</tr>
<tr>
<td>7</td>
<td>Petty Cash</td>
<td>Is the ready cash on hand to meet immediate or emergency purchase of items. (K200.00 is the recommended limit)</td>
</tr>
<tr>
<td>8</td>
<td>Financial report</td>
<td>This is a report containing information about how you have used all school funds in any given period.</td>
</tr>
<tr>
<td>9</td>
<td>Public Financial Management Act.</td>
<td>This is an Act of Parliament that sets the legal requirements for how government organizations such as schools should manage their funds.</td>
</tr>
<tr>
<td>10</td>
<td>Combined Cash Book</td>
<td>Is a book containing a record of all funds used by the school. This record includes dates, details of transactions, cheque numbers, receipts, and a progressive balance of funds received and funds spent.</td>
</tr>
<tr>
<td>11</td>
<td>Receipt</td>
<td>This is a written record of funds received by the school.</td>
</tr>
<tr>
<td>12</td>
<td>Invoice</td>
<td>Is a written record that has details of goods and services purchased by the school. Invoices are needed for acquittal purposes.</td>
</tr>
<tr>
<td>13</td>
<td>Reconciliation of accounts</td>
<td>To reconcile means to bring together in agreement. A school reconciliation is when the school combined cash book balance matches the school bank statement balance.</td>
</tr>
<tr>
<td>14</td>
<td>Statement of account</td>
<td>Is a record of all financial transactions that have taken place over a period of time. This could be a bank or service provider statement.</td>
</tr>
<tr>
<td>15</td>
<td>School subsidies</td>
<td>Are funds given by the Government to the school.</td>
</tr>
<tr>
<td>16</td>
<td>Quarterly Budget</td>
<td>Is a financial plan broken up into four quarterly periods on how you are going to spend funds for your school.</td>
</tr>
<tr>
<td>17</td>
<td>Quotation</td>
<td>Before goods are purchased, the provider can provide a written statement of the costs of the items or services required. This is a quotation.</td>
</tr>
<tr>
<td>18</td>
<td>Cash Advance</td>
<td>Is money given in advance to be used for a specific purpose. E.g. travel.</td>
</tr>
<tr>
<td>19</td>
<td>Misappropriation</td>
<td>To dishonestly misuse funds for an improper or illegal purpose.</td>
</tr>
<tr>
<td>20</td>
<td>Breaching Financial Management Act</td>
<td>Failure to obey, keep or follow the laws in the Financial Management Act. This can result in court action.</td>
</tr>
</tbody>
</table>

Aim: To understand how you will manage your school funds using the Financial Management Act and the Education Act.

Outcome: By the end of the activities you will have discussed and interpreted the legal aspects of relevant school financial regulations.

Materials: This booklet, Basic Financial Management Flipchart pages 3-4, BOM hand book, butcher paper, and markers.

Content: The Public Financial Management Act 1999\(^1\) provides guidelines to those managing funds so that you can spend and collect money according to procedures laid down by the government. The act states that the head teacher is the accountable financial officer. He or she is given the responsibility of running the school accounts or school financial records. The Education Act also requires that the Head Teacher and Board of Management to be accountable for money made available to it by the state, education authority or by the public.

The BOM needs to work with the Head Teacher who is the accountable officer under the Financial Management Act 1999. The Head Teacher can delegate some financial management powers to the BOM who will assist in the management of school funds and will approve planned school expenditures in the school budget.

An accountable officer is one who is answerable or will be held responsible if money is misused or not used according to the Financial Management Act. The head teacher should be prosecuted by the police if he or she does not use funds according to the Financial Management Act. As the accountable officer the head teacher can delegate some financial responsibilities to the BOM; however this will not discharge the head teacher from his or her duty as the accountable officer.

The head teacher has the responsibility of making sure that school funds are spent and acquitted according to the requirements of the Financial Management Act.

As the accountable officer the head teacher’s financial responsibilities include:

- Collection and recording of school income
- Assisting in the preparation of a school budget
- Maintenance of auditable records of all school expenditure
- Preparation of quarterly financial reports for BOM meetings and community
- Ensuring that resources are efficiently utilized
- The safe keeping of all financial records
- Ensuring that the Financial Management Act is followed.

Exercise 1: In pairs or small groups read ‘Accountability in School Financial Management’ and list any issues and required actions. The whole group discusses any issues or required actions raised.

Exercise 2: Agree on a list of any financial issues that your school needs to address. Develop financial rules that all teachers, BOMs, students and the community will follow when dealing with financial activities and develop penalties if school funds are misused. Complete this exercise below:

<table>
<thead>
<tr>
<th>Suggested BOM financial issues</th>
<th>Suggested BOM financial rules</th>
<th>Suggested BOM financial penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>No records of school fees collected and no receipts issued</td>
<td>Record all school fees collected and receipt them using school stamps on the receipts.</td>
<td>Be advised to keep record of fees collected or be replaced. If found guilty refer to Police or Village courts.</td>
</tr>
</tbody>
</table>

Conclusion: Submit this activity to the school BoM for endorsement, and ask them to decide how to communicate the rules to all who deal with your school funds. Advise your District Education officer and the PEB of your school financial rules.

\(^1\) Financial Management Act 1999
Reading 1.1

Accountability in School Financial Management

Accountability and transparency in decision-making are very important for proper financial management. Financial accountability occurs when accurate and proper records are maintained on how school funds are used. This is achieved when all decisions and supporting documents relating to the school financial transactions are kept in a well-maintained filing system.

Financial transparency is achieved when decisions made relating to expenditure are honestly recorded and are open to public inspection.

Some ideas for good financial management in schools are:

- the school budget is followed and reasons for changes are provided;
- proper written records or documents are kept of all financial transactions;
- proper and timely acquittals and reports are made;
- shared decision making and reporting procedures are carried out;
- having only one bank cheque account for small schools with three signatories (HT BOM Chair and BOM Treasurer);
- financial expenditure decisions are collectively made and tabled at BOM meetings.

Managers of school funds have the responsibility to report to all interest groups on how the school funds have been used.

The 'interested' groups include the following:

- the Agency (Mission or Government)
- the BOM
- District Education Office
- the District Administrative Office
- parents
- students
- P&C
- community including women
- Provincial Division of Education.
- Providers of the funds e.g. NDoE, donors, etc.

According to the Public Financial Management Act of 1999, the head teacher is the accountable officer. The Act outlines procedures to follow when collecting school income and how to document expenditure.

The act says:

6. Accountable officers

(1) A person who
   (a) is an officer, or
   (b) authorizes the collection or payment of public monies or accounts for stores, whether or not he is an officer,
   is an accountable officer for the purposes of this act.

(2) An accountable officer shall comply with the provisions of this Act in respect of all matters for which he is responsible and for all public monies and stores in his possession or under his control, and shall duly account for them.

In primary schools income is:

- all fees paid to the school;
- all grants and subsidies (National, Provincial, District, LLG, AID donors, etc.);
- all funds raised internally within school, including funds raised by self-help projects;
- all gifts and donations.

According to the PFM Act these revenues are considered public money and must be applied according to set procedures.

The important points to remember about the Public Finances Management Act are that the head teacher is:

- the school’s accountable officer.

---

2 Pg 6 Section 6, Financial Management Act 1999 6
• is responsible for running the school’s account(s) which involves:
• the collection of revenue
• the raising of expenditure (vouchers) after examining requests and ensuring that funds are available.
• the maintenance of auditable records
• the preparation of monthly financial statements;
• responsible for ensuring that resources are efficiently utilized;
• responsible for working with the BOM Chairperson and BOM Treasurer to establish school bank accounts
with all three as signatories.
• responsible for the safe keeping of records;
• liable to be prosecuted under section 6(2) of the Act if he or she fails to carry out the above financial
responsibilities.

Powers of Departmental Heads

(a) to obtain full and free access at all reasonable times to all accounts and records of accountable officers
that relate to, directly, to
(i) the collection, receipt, expenditure or issue of public money; and
(ii) the receipt, custody, disposal, issue or use of stores or other property of the state,
And inspect and inquire into and call for any information arising from those accounts and records; and
(b) where he has reason to believe that an accountable officer has been or may have been in breach of this
Act or the Organic Law on Provincial Governments or Local Level Governments, summarily suspend that
accountable officer from all financial duties and responsibilities.

The Education Act gets its authority from the Public Finances Management Act.
The Education Act 1999 also requires the school BoM to be accountable for money made available to it by the
state, education authority, or the public, following financial procedures prescribed in the Public Finances
Management Act.

This requires that the following documents and records be maintained:
• cheque account records, cheque book and bank statements;
• receipt books for all income;
• proof that head teacher has actually examined request for funds and authorised payment for available school
funds;
• expense vouchers covering all payment transactions;
• combined cash book (CCB);
• bank reconciliation records;
• monthly financial reports;
• annual budget;
• stock/inventory records (school assets);

It is recommended that each school establish simple financial rules which all school staff, school Boards of
Management and community members will follow when handling school funds. These rules could be further
developed by Head teachers and submitted to the PEB for approval. The PEB could provide assistance with
monitoring and enforcing penalties if rules are not followed.

Example

<table>
<thead>
<tr>
<th>Suggested school/BOM Issues</th>
<th>Suggested school/ BOM Rules</th>
<th>Suggested school/ BOM Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>No record of fees collected and no school receipts issued</td>
<td>Receipts with school stamp must be issued for all school fees, grants and other income received.</td>
<td>HT be assisted or reminded to keep records or be replaced. And if the HT is found guilty of misuse of funds, the HT be referred to police</td>
</tr>
<tr>
<td>Non acquittals</td>
<td>All staff, community and BOM members who use school funds must submit an acquittal for the required amount received.</td>
<td>Will repay funds not acquitted or be charged by the village courts, or police.</td>
</tr>
</tbody>
</table>
TOPIC 2: Consequences of Breaching the Financial Management Act

Aim: To understand what actions are required when teachers or BOMs misuse school funds.

Outcome: By the end of the activities you will understand and be able to explain the legal consequences if the Financial Management Act or Education Act is breached in regards to school financial practices.

Materials: This booklet, Basic Financial Management Flipchart pages 5-6, butcher papers and markers.

Content: It is a criminal offence if public funds are stolen or misused. The officer concerned needs a criminal investigation and may be taken to court for breaching the Criminal Code.

Exercise 1: In pairs or small groups, read the following reading on pages 11-13. Discuss the reading and identify practices that need to be improved in your school. Report back to the whole group.

Exercise 2: Case study: Legal aspect of financial management
You are the incoming head teacher of Kulau Primary School. It is your first day at the school office. One of the BOM members tells you that last year Mr. Joe Mula a grade six teacher had stolen K2,000.00 from the school. He has not repaid the money and is now teaching in Kasu primary school which is in a different district to Kulau Primary school.
In this situation what should you do?
In pairs or small groups check what the act says in the reading, discuss what action should be taken, and report to the rest of the group.

Exercise 3: Case study: Legal aspect of financial management
Susan transferred to NCD from Madang Province without obtaining a proper release from Madang Provincial Education Office. Therefore she has not received her salary for the last five fortights. She approaches you as head teacher of the school to borrow K500.00 which she promises to repay when she gets her pay.

In pairs or small groups:

- Identify what section 9 of the PFM Act of 1999 and the Secretary’s Circular which refers to the above situation. What do the documents say should happen about a case like Susan’s?

- Suggest some actions that you could take to assist Susan who is in real need of money. Remember, if you do not help her, Susan might leave the school and chase up her pay and the students will suffer.

Conclusion: Report to the whole group what action should be taken.
Reading 2.1

Theft and Misappropriation of School Funds

The Department is very concerned about the incidence of theft and misappropriation of funds in some education institutions. This circular is to warn teachers against such practices and to explain what happens to teachers who misuse school funds. It must be emphasized that the number of teachers who are known to be involved in theft is small when compared to the total number of teachers employed, but unfortunately these teachers have a very bad effect on the good name of the teaching profession.

1. What are school funds?
These are self-generated funds which are managed by school authorities.

These funds include:
(a) general school funds
(b) canteen funds
(c) various subject/department funds
(d) project funds
(e) other self-generated funds
(f) school fees

These funds are generally managed by the teacher in charge of the particular activity under the direction of the school's Board of Management.

2. The nature of the problem
The problem of theft and misappropriation of school funds is not improving. Some teachers are using school funds dishonestly.

Teachers who have been reported for misusing school funds will be investigated. Some of these cases include teachers who have "borrowed" school money. Borrowing school funds whether with the permission of the head teacher or the governing body is punishable by law. The law says that it is stealing.

Recently a community school headmaster borrowed K200 from school funds to buy himself a refrigerator. After he had paid the money back, it was reported to the police who charged him with stealing. He admitted having used school funds, and the judge found him guilty and imposed a fine of K500.

It can be seen from this case that simply because someone borrows money and pays it back does not make it right. It is still an offence. Teachers must not borrow money from school funds. A head teacher who allows a teacher or another person to borrow from school funds can also be charged with an offence.
Reading 2.2
Consequences

It is against the laws of this country to use school funds for personal use. The following punishments will apply:

Legal: A teacher suspected of stealing or misappropriating school funds is subject to both criminal investigation and departmental investigation. He or she will be investigated by the police and also be investigated under disciplinary provisions of the Teaching Service Act. The teacher may be taken to court for a breach of the Summary Offences Act or the Criminal Code.

Financial: If a teacher is found guilty of misappropriating public money the courts may order that a heavy fine be imposed. As well as this a teacher may find that if he or she has been suspended they will receive no salary. They may also find that the Teaching Service Commission demotes them to a lower level. All of these punishments mean that the teacher will suffer financial loss.

Dismissal and De-registration: A teacher who is found guilty of stealing money from school funds may also be considered for dismissal and cancellation of registration. If he or she is de-registered they will immediately be dismissed from the Teaching Service and will never be employed in the Teaching Service again. Their chances of getting employment with other departments will suffer because their employment record will be given to the new department.

Professional Shame: Teachers who steal money from the school bring shame to the teaching profession and their family. It makes teacher a topic of public gossip. The teacher and the teaching profession is given a bad name. Parents become angry because they do not tolerate stealing and they expect teachers to set a high example. Parents sometimes refuse to enroll their children in schools where they believe teachers are misusing school funds.

The above spells out the consequences of teachers stealing school funds. It is a very bad practice especially when it is done by people who are placed in a position of trust and who have had public money spent on their training to become good professional people. A teacher's function is not only to impart knowledge and skills, but to set high standards of behaviour.

Teachers who steal school funds must expect to suffer the consequences. Authorities at the provincial level are requested to help in the process by honestly and urgently attending to the investigation of reported misuse of school funds. The Audit Branch of both Provincial and the Education Department has been instructed to fully investigate reported cases and to take appropriate action.

Members of the Teaching Service must ensure that the good name of the profession is upheld. Let us all work together to improve the reputation of the teaching profession and for the good name and development of our country.

Let us all join together to fight corruption in PNG!
Reading 2.3
The Salary Cash Advance

It is illegal to lend public moneys. It is therefore illegal, for instance, for a head teacher to lend money from any school account to a teacher who is not being paid.

The Public Finance Management Act allows only one form of Cash Advance to personnel, called the Salary Cash Advance.

A teacher who requires a Salary Cash Advance has to request the Provincial Education Adviser (PEA) to apply on their behalf for a Salary Cash Advance with the National Staff and Payroll Section. The PEA in turn will send their request to the OIC - National Staff and Payroll Section, explaining the need for the Advance. The following information has to be provided:

1. Reason(s) for the Salary Cash Advance
2. Particulars of the officer, namely:
   (i) Complete name
   (ii) File number
   (iii) Resumption Date
   (iv) Location
   (v) Position Number
   (vi) Acting/Substantive level

This information will then be used by the National Salaries and Payroll Section to determine if the teacher can be given a Salary Cash Advance, taking into account the teacher's current deductions.

Going through the National Salaries and Payroll Section to obtain a Salary Cash Advance is likely to be a lengthy procedure, particularly at the start of the school year, which is the time of the year when cash advances are most commonly needed. It is understood that the Bureau of Management Services in some provinces has an established procedure for raising cash advances, similar to that described above. Head teachers could therefore submit the same information to the PEA, but request that the advance be raised through BMS.

Suggestions to help teachers who are waiting to be paid

1. One alternative solution to the problem requires a high degree of cooperation and goodwill amongst the staff, but operates successfully and legally in a few schools. Staff who are receiving their fortnightly salary voluntarily make contributions to a fund, which is used to advance cash to teachers who are not yet on the payroll. Teachers pay back the advance, once they start receiving their salary.

2. Another alternative solution is to seek written approval from the Assistant Secretary or Provincial Secretary to use school money for cash advances to teachers facing genuine financial difficulties due to non-receipt of salary. The request must include specific details of arrangements for repayment, and must be signed. The head teacher and the teacher may agree that the head teacher will hold the teacher’s cheque until it cashed and monies owed are repaid. If money owing is not paid, the head teacher should get a letter from the BOM, and then notify the School Inspector.

3. School communities can raise funds with the assistance of their church to buy basic food supplies for new graduates until they receive their pay. In some communities parents bring food for their teachers each week while they are waiting for their pay to be processed.
**TOPIC 3: School Income**

**Aim:** To identify the types of income received by your school and how these should be used.

**Outcome:** By the end of the activities you will have identified and listed the types of income received by the school each year and discussed how these should be used.

**Materials:** This booklet, Basic Financial Management Flipchart pages 7-8, butcher paper and markers.

**Content:** School income is money received by your school. This money may be collected as parents fees, school generated funds, donations, parents and citizen’s funds, government’s subsidies, support grants from provincial governments, District and LLG grants, from aid donors, provincial support funds, individual contributions, fund raising, etc.

**Exercise 1:** The BOM chair person, treasurer and head teacher will list and discuss:
- all money collected this year at your school;
- who gave the money;
- what is it meant for;
- what the funds are going to be used for.

**Use the table below to list your school income:**

<table>
<thead>
<tr>
<th>Income</th>
<th>How much Total amount</th>
<th>Who gives this money</th>
<th>When does it come in</th>
<th>What will it be spent on?</th>
<th>How has this money been spent?</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees</td>
<td>K14,000.00</td>
<td>Parents</td>
<td>Jan/Mar</td>
<td>Basic school materials</td>
<td>On textbooks and consumables</td>
</tr>
<tr>
<td>School subsidy</td>
<td>K14,000.00</td>
<td>NDOE</td>
<td>Feb/June</td>
<td>Infrastructure maintenance</td>
<td>On repairing a teachers house</td>
</tr>
<tr>
<td>Fund raising</td>
<td>K2,000.00</td>
<td>P&amp;C</td>
<td>Parents</td>
<td>School projects</td>
<td>Garden fencing</td>
</tr>
<tr>
<td>Maintenance grants</td>
<td>K 3,000.00</td>
<td>BEDP</td>
<td>Term 2</td>
<td>Infrastructure maintenance</td>
<td>On new blackboards for classrooms</td>
</tr>
<tr>
<td>TOTAL</td>
<td>K33,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Exercise 2:** The head teacher, Treasurer and the BOM chair person will explain the list they have prepared with the rest of the group. The group will discuss how funds are used, how they accounted for and how this money is reported to the community.

**Exercise 3:** In groups, discuss major projects such as a new library that is needed for your school. Discuss ways the community, parents and BOM could use to raise money for this project. Discuss how and when you can do it.

**Conclusion:** The Head teacher and BOM members will prepare the same information as an action plan to present to their community.
TOPIC 4: School Budget

Aim: To understand the process of budgeting.

Outcome: By the end of the activities you will have helped prepare a school budget.

Materials: This booklet, Basic Financial Management Flipchart pages 9-10, butcher paper and markers.

Content: A budget is a financial plan of how you intend to raise your money and how that money will be spent. Doing a budget plan means looking into the future and identifying the work that needs to be carried out, the income you expect to receive, and how you will spend that income. It is important that your expenditure does not exceed the total income. If the proposed expenditure (money out) is more than the income (money in) then:

- increase the income
- reduce the expenditure

An example of a budget plan is shown below:

<table>
<thead>
<tr>
<th>Source of Income (money coming in)</th>
<th>Amount</th>
<th>Area of Expenditure (Money going out)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee sale</td>
<td>K200.00</td>
<td>Trade store food and goods</td>
<td>K100.00</td>
</tr>
<tr>
<td>Wife’s garden produce</td>
<td>K50.00</td>
<td>Kerosene</td>
<td>K50.00</td>
</tr>
<tr>
<td>Fish sale</td>
<td>K50.00</td>
<td>Children school fees</td>
<td>K50.00</td>
</tr>
<tr>
<td>Wife’s bilum sale</td>
<td>K100.00</td>
<td>Medical</td>
<td>K25.00</td>
</tr>
<tr>
<td>Husband’s carving</td>
<td>K50.00</td>
<td>Clothes</td>
<td>K100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Savings</td>
<td>K100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Church contribution</td>
<td>K25.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>K450.00</strong></td>
<td></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Exercise 1: Read pages 16-18. Then individually, prepare your family’s budget, following the example.

Exercise 2: In small groups, prepare a school budget using the income (K33,000) from the table on page 14.

Exercise 3: Take the school budget from Exercise 2 and break it up into a four quarters budget using the example in Reading 4.2.

Conclusion: Groups report to the whole group. Select which group prepared the best budget and give reasons for your choice. Revise this budget with ideas from the other groups. This budget can be presented to the BOM for their consideration.
Reading 4.1
Budgeting Our School Funds

When preparing a budget for your school consider the following:

- What the school budget was for the previous year
- What your School Learning Improvement Plan (with TIP, 3 Yr SIDP, and SCIP) activities are
- What funds will the school already have in the bank
- What funds the school expects to receive over the year
- What operational funds are needed
- What funds are needed for new projects
- What contingency funds the school should hold for emergencies
- How much money is needed to operate your school
- What are the most cost effective expenditure options
- What are your school priorities

Other considerations

- It is a good idea to begin preparing the new budget well before the end of the year.
- The BOM treasurer, Chairperson and head teacher should do the budget together with input from other BOM members
- Ensure the numbers in the budget are accurate, and do not budget on unrealistic expectations of income or expenditure
- If financials records are well kept, this information is very useful in preparing budgets and reporting income and expenditure
- In a budget, your total expenditure should be less than your total income

Some items which may be included in your school budget are:

- stationery
- equipment for subjects: mathematic, English, science, social science, Making a Living Physical Education, etc.
- Library Books
- infrastructure and maintenance
- transport
- petty cash
- teacher inservice activities
- miscellaneous items/ contingency funds
- telephone

The Head teacher/treasurer of the school must identify the sources of income from which the school is most likely to obtain funds. For example school fees for the past two years are K100.00 per child, and there are 200 children attending the school. This means the school should generate K20,000.00 in school fees over the following year if it manages to collect all the school fees owed to it. In addition to school fees there will need to be added expected income from other sources including school subsidies, fundraising, school canteen and maintenance grants, etc. The total of all the income will establish the limit to your operational and project spending for the year. This will mean the expenditure budget will need to be less than your total income.

Your budget must be flexible and should be easily adjusted. This is done to allow for changes in prices of goods, unexpected damage to school equipment or facilities. It should also allow for special needs at the school. For example, if a new library or a new classroom is needed, then additional fund raising activities should be carried out. Contingency funds should be in your budget for these expenses. Budgets can be reviewed during the year and adjusted if the income is different to what was expected.
**Reading 4.2**

**Preparing a Quarterly Budget**

Revision of the budget may be done each quarter to allow for changes during the year. When doing the budget categorise items into high and low priorities. High priorities have to be given preferences in allocating funds.

The BOM must be involved in preparing the school budget. This budget has to be approved and endorsed the BOM. After the BOM’s approval the Budget should be presented and explained to the school community which would include, women, men and youth. Staff of the school should also be aware of the school budget.

The Annual Budgets can be broken down into quarters or terms. The income and expenditure will not be the same each quarter. For example, in the first term there may be more income from school fees. There may be also greater demand on expenditure items in the first term.

Below is a sample yearly budget for Kulau Primary school that is broken down into 4 quarters or terms.

<table>
<thead>
<tr>
<th>Items</th>
<th>Yearly Budget</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Fees</td>
<td>6900</td>
<td>2725</td>
<td>1725</td>
<td>725</td>
<td>1725</td>
</tr>
<tr>
<td>Grants</td>
<td>3050</td>
<td>762.50</td>
<td>762.50</td>
<td>762.50</td>
<td>762.50</td>
</tr>
<tr>
<td>Donations</td>
<td>800</td>
<td>400</td>
<td>100</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Fund-raising</td>
<td>500</td>
<td>250</td>
<td>125</td>
<td>125</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>11250</strong></td>
<td><strong>4137.50</strong></td>
<td><strong>2712.50</strong></td>
<td><strong>1712.50</strong></td>
<td><strong>2687.50</strong></td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Maintenance</td>
<td>5,000</td>
<td>0</td>
<td>3,500.00</td>
<td>0</td>
<td>1,500</td>
</tr>
<tr>
<td>Teacher Inservice</td>
<td>380</td>
<td>80</td>
<td>0</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Stationery</td>
<td>1500</td>
<td>1000</td>
<td>250</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Library Books</td>
<td>4370</td>
<td>4370</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>11,250</strong></td>
<td><strong>5450</strong></td>
<td><strong>3,750</strong></td>
<td><strong>450</strong></td>
<td><strong>1,600</strong></td>
</tr>
</tbody>
</table>

**Extra activity for preparing a School Budget**

Complete a quarterly or term budget for the following items. Remember to budget for items for when they are needed during the year, and how it is easier to purchase some items together at the beginning of the year:

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Yearly Budget</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making a Living</td>
<td>1850</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Equipment</td>
<td>1500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classroom maintenance</td>
<td>10546</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment replacement</td>
<td>1200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teacher Inservice</td>
<td>450</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationery</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student exercise books</td>
<td>5000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chalk</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library Books</td>
<td>5000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>K27,546</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Reading 4.3
An example of a school budget
Below is an example of a school budget, study it as this would have similar income and expenditure items as your school.

RANARA PRIMARY SCHOOL BUDGET FOR 2005

**Part “A” Income**

<table>
<thead>
<tr>
<th>Item</th>
<th>Kina</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees</td>
<td>35,565.00</td>
</tr>
<tr>
<td>Subsidy Grants</td>
<td>6,200.00</td>
</tr>
<tr>
<td>House rentals</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Donations</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Fund raising</td>
<td>5,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>K57,765.00</strong></td>
</tr>
</tbody>
</table>

**Part “B” Expenditure**

<table>
<thead>
<tr>
<th>Item</th>
<th>Kina</th>
</tr>
</thead>
<tbody>
<tr>
<td>New teacher’s house</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Office maintenance</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Classroom maintenance</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Teacher’s house maintenance</td>
<td>7,000.00</td>
</tr>
<tr>
<td>New lawn mower</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Students, Text book</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Petty cash fund</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Transport</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Ancillary staff</td>
<td>2,500.00</td>
</tr>
<tr>
<td>Stationeries/exercise book.</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Projects</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Sporting equipment</td>
<td>500.00</td>
</tr>
<tr>
<td>Contingencies</td>
<td>3,265.00</td>
</tr>
<tr>
<td>Teacher inservice</td>
<td>2,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>K57,765.00</strong></td>
</tr>
</tbody>
</table>

The budget was endorsed by the school Board on the 24th January 2005 and will be discussed further in the parents meeting on Monday 07th February 2005 for final approval by the parents.

Vini Arihafa
Head teacher

Aim: To learn how you can use and maintain proper records of school funds.

Outcome: By the end of the activities you will have practiced recording school financial information.

Materials: This booklet, Basic Financial Management Flipchart pages 11-14, butcher papers and markers.

Content: Maintaining financial records is important for the purpose of monitoring expenditure and keeping records of school income.

The different types of records kept by a school as record of school financial activities are:
- Cheque account records, cheque book, passbook, deposit slip and bank statements
- Receipt book for all income
- A record of all payment of goods purchased by the school. i.e. receipts, invoices, statements of account, files for all payment transactions
- Combined cash book
- Bank reconciliation statements
- Petty cash records
- Quarterly financial reports (for BOM meetings)
- Annual budget
- Stock/inventory records (for asset management)

A statement of account is information provided by the bank of your school banking activities. This information should be used to check your Combined Cash Book to see if there are any un-presented cheques.

The most important record of school financial records is the Combined Cash Book (CCB). It shows the details of every financial transaction as well as on what school money is spent on and where it comes from. Each quarter, the school check the records in the CCB with the bank statement of account to see if they balance. It is an opportunity to correct any errors and to reconcile the school financial records.

Exercise 1: Look at the example of a simple Combined Cash Book below. Discuss where you find payments and receipts, and which areas represent the budget of the school.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Chq/DS</th>
<th>Receipts</th>
<th>Payments</th>
<th>Balance</th>
<th>School Fees</th>
<th>Subsidies</th>
<th>Text Books</th>
<th>Stationery</th>
<th>Maintenance</th>
<th>Build Project</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/3</td>
<td>School fees</td>
<td>DS5</td>
<td>3,452.00</td>
<td></td>
<td>4,905.56</td>
<td>3,352.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancelled cheque</td>
<td>529</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Steamships-Timber</td>
<td>530</td>
<td>159.90</td>
<td>4,745.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>159.90</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Town Bookshop</td>
<td>531</td>
<td>61.30</td>
<td>4,684.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61.30</td>
</tr>
<tr>
<td></td>
<td>Fees Refund</td>
<td>532</td>
<td>-100.00</td>
<td>4,584.36</td>
<td>-100.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>3,352.00</td>
<td>221.20</td>
<td>3,352.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>159.90</td>
<td>61.30</td>
</tr>
</tbody>
</table>
Exercise 2: In pairs or small groups develop a combined cash book for a women’s association.

You could use the following details below to complete a Combined Cash Book on butcher paper.
On the 31/12/07 the women association had a remaining balance of K 30,278.00
On the 30/01/08 the chair person received K130.00 as membership fees from Mary.
On the 25/03/08 the association deposited a total of K20,300.00 as membership fees collected from all the women.
On the 10/02/08 the association purchased a new Computer costing K4,000.00 the cheque no. 137904.
On the 15/03/08 a LLG office reimbursed funds totaling K200.00 the cheque no.569372. On the 19/04/08 the association bought two sheets of roofing iron which totaled K60.00, the cheque no. was 137803. You also paid your carpenter K134.00 with a cheque no 135890.

Exercise 3: Use the following examples below and enter them into the Combined Cash Book on page 24

Carefully enter all data of each payment or income in both Cash Book Side and Item Analysis Side before you proceed to the next transaction. Remember: In “real life” the columns in your CCB will be named after the items of your school’s budget. When you are finished summarize the expenditure and receipts of each column and prepare a brief financial report for the term/quarter. It should include
- the balance at beginning and end of the quarter
- the total payments and total receipts
- the total payments and receipts for each budget item (the total of each column in the Item Analysis Section of the CCB)
This kind of quarterly report should be presented at each BOM meeting.

Transactions
1. On 1/1/2007 your bank account shows a balance of K 590.10
2. On 17/1/2007 the treasurer deposits K 1,280.00 school fees into the school’s bank account (receipt numbers 000001 to 000045)
3. On 23/1/2007 a parent pays outstanding school fee of K 470.00 with a cheque numbered 10005678. Receipt 000046 was issued.
4. On 24/1/2007 the head teacher receives the amount of K 150.00 as petty cash.
5. The chairman buys roofing irons worth K 589.00 for the maintenance project of the school. The Payment Voucher for this transaction has the number 000648.
6. On 28/1/07 purchase of curriculum books for religious instruction lessons, worth K 77.00. Voucher number is 000649.
7. A second lot of cash school fees (total of K 780.00) is banked on the 2/2/2007. Receipt-numbers count from 000047 to 000055.
8. A third lot of cash school fees amounting to 280.00 is banked on the 10/2/07. Receipt-numbers are 000056 and 000057.
9. On 11/2/07 curriculum books “Science in Melanesia” are purchased for K 140.00. Expense Voucher number: 000650.
10. On 13/2/2007 the annual subsidy of K 2,089.75 from Department of Education was received.
11. After acquitting K 142.30 of her petty cash advance the head teacher receives the same amount again on 27/02/07. Voucher number: 000651.
Further difficult transactions:
13. Your school receives a letter from BEDP on 1/3/2007. It says that a grant of K 9,898.50 for maintenance will be deposited into your school account within this month. **Cannot be taken up into the CCB, since there is no proof of actual payment. A deposit slip or copy of our bank statement would be needed.**
14. On 2/3/2007 the head teacher spends K 24.00 for stationeries out of her petty cash funds. **To be taken up in the Petty Cash Book, not into the CCB. This amount was already included in the initial petty cash advance of K150.00.**
Exercise 4: Some of the transactions we entered into our CCB were wrong. Read Reading 5.5 first. Then continue using the same CCB as in exercise 3, and correct the following entry.

15. According to your bank statement the cheque received on the 23/1/2007 with the number 10005678 was dishonored on the 12/2/2007 To be taken up as a negative number (“negative receipt”) in the receipt column on cash book side, and in the s/fee column on item side.

Exercise 5 (Bank reconciliation): Read Reading 5.7 first. Please explain in your own words: What is bank reconciliation and why do we need to do it.

After reading the explanations please reconcile the following CCB with the cheque account records. You can find the previous quarter’s records in Reading 5.7.

Conclusion: The whole group completes the exercise and discusses their responses as to how their school financial recording can be improved by using a combined Cash Book.
**Reading 5.1**

**Keeping Records of Our School’s Financial Activities**

**What are financial records?**
The different types of records kept by a school as record of school financial activities are:
- Bank statement and cheque book (or passbook), deposit slip
- Receipt book for all income
- Receipts, invoices, statements of account, files for all payment transactions
- **Expense vouchers** covering all payment transactions (payments of goods and services purchased by the school).
- **Combined Cash Book**
- **Bank Reconciliation statements**
- **Petty Cash records**
- Monthly financial reports
- **Annual Budget**
- Stock/inventory records- asset management

**Reading 5.2**

**Payment Vouchers**

All payments done by the school must be authorized by the signatories.
Proof that these payments have been authorized must be kept safe together with the other financial documents.
For this purpose every time someone wants to purchase something for the school he/she has to fill a Payment Voucher for this transaction and get the signatories to sign the voucher.

A Payment Voucher is similar to a Petty Cash Voucher (see notes on petty cash page 31). The main difference is that approving petty cash payments is the sole responsibility of the head teacher, hence only the head teacher signs a petty cash voucher. All other payments should be authorized by the head teacher and one, two, three BoM members.

The Payment Voucher should clearly state all details of the payment, like
- purpose (what will be purchased)
- amount in Kina
- place of purchase
- who authorized the payment (including the signatures of head teacher and the other signatories)

The voucher should be numbered. Receipts and other supporting documents should be attached to it and stored away safely for later reference.

**Reading 5.3**

**School Fee Records**

It is the responsibility of the BOM to set deadlines for full and part payment of school fees.
There are two common ways of collecting fees:
- Direct payment to the school
- By depositing into the school bank account

Only one person should be responsible to collect, receipt and record school fees!

When you collect school fee you have to immediately issue a receipt to the parent. It helps if you have separate receipt books for each grade or class. If parents deposit money directly into the school account, they have to bring you the deposit slip as proof of payment. All fees money received must be deposited into the school account as soon as possible. All school money must go through the Bank.

In schools a number of different systems to record school fees paid exist.

Things to remember when you record school fees
- First determine how much money a particular child actually has to pay during this school year (you need this information for your planning, too!)
- Secondly create space to record payments and part-payments of school fee for every child.
- Thirdly record how much school fee for a particular child is still outstanding.
Reading 5.4
Combined Cash Book (CCB)

What is a Combined Cash Book?
The CCB is the most important of your financial records. All schools should maintain a Combined Cash Book (CCB). The CCB is a cashbook that allows the schools to monitor and control their budget. The CCB has one column for each budget item. All school income must be recorded in the Combined Cash Book, whether the school receives the amount directly or it is deposited into the school account at the Bank. All payments must be entered into the CCB as soon as they occur. Remember: Little and often is the secret of good bookkeeping!

It is the school treasurer’s work to do the bookkeeping in the CCB, but like all financial records the CCB should be kept on the school ground. Like all other school records the CCB has to be available for BoM members and any other community member to examine at each of the BoM meetings.

The Combined Cash Book consists of two parts, the Cash Book section and the Item Analysis section.

Cash Book Section: The Cash Book includes date, particulars (details of transaction), cheque number or deposit slip number, amount of receipts or payments and remaining balance. i.e.

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULARS</th>
<th>CHQ/DS</th>
<th>RECEIPTS</th>
<th>PAYMENTS</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BBF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/3</td>
<td>School fees rec# 003 – 017</td>
<td>DS5</td>
<td>3452</td>
<td>00</td>
<td>11938</td>
</tr>
<tr>
<td>9/3</td>
<td>Cancelled cheque</td>
<td>529</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/3</td>
<td>Steamships-Timber</td>
<td>530</td>
<td></td>
<td>159</td>
<td>11778</td>
</tr>
<tr>
<td>12/3</td>
<td>City Pharmacy-medicine</td>
<td>531</td>
<td></td>
<td>90</td>
<td>11717</td>
</tr>
<tr>
<td>19/3</td>
<td>Fees Refund</td>
<td>532</td>
<td></td>
<td>61</td>
<td>11717</td>
</tr>
</tbody>
</table>

If the Cash Book is properly kept the balance brought forward (BBF) from the previous month is K8,486.26
plus all receipts of the current month is K3,452.00
minus all payments of the current month is K321.20
equals the ending balance of the current month is K11,617.06

Item Analysis Section:
The Item Analysis Section analyses your school’s progress in following your budget. Therefore it is also called the Budget Analysis Section.

Every column in the Item Analysis Section represents one “item” of your school’s budget! The Item Section of the CCB will give a clear picture of where the money goes and where it comes from. It will assist the head teacher and the BoM treasurer in monitoring the progress of the school finances. It provides the information needed for the required monthly and quarterly reports. And it provides the information needed to prepare next year’s budget!

On page 24 you will find a sample for a Combined Cash Book. Your own Combined Cash Book will probably be different.

Further Reading: Some donors require their funds to be accounted or reported in separate subcategories. On page 30 (Reading E) you will find a short introduction on the use of journals for those funds.
Sample **Combined Cash Book** – as recommended by PNGEI

**Combined Cashbook** - School ____________________ Province___________ Month _________ Prepared by: _______

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Chq</th>
<th>Dep</th>
<th>Balance</th>
<th>Fees</th>
<th>Grants</th>
<th>Projects</th>
<th>Others</th>
<th>Stationeries</th>
<th>Sub Mat.</th>
<th>Library</th>
<th>Ebl. Mat</th>
<th>Transport</th>
<th>Main</th>
<th>Grants</th>
<th>Petty</th>
<th>Cash</th>
<th>Elect</th>
<th>Misc</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Reading 5.5  
Correcting Errors in the Combined Cash Book

It sometimes happens that when recording transactions in the CCB an error happens. Or a cheque that was deposited into the school account and taken up in the CCB is dishonored.

Never use white-out when correcting errors. Just draw a single line with a ruler. Transparency!

Sometimes it makes more sense to raise a correction entry.

<table>
<thead>
<tr>
<th>Cash Book Section</th>
<th>Item Section (Budget Analysis)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receipts</td>
</tr>
<tr>
<td>Date</td>
<td>Chq/DS</td>
</tr>
<tr>
<td>4/5/07</td>
<td>s/fee</td>
</tr>
<tr>
<td>6/6/07 Correction</td>
<td>from</td>
</tr>
<tr>
<td>6/6/07 Re-enter</td>
<td>s/fee</td>
</tr>
<tr>
<td></td>
<td>s/fee</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the following entry the treasurer had deposited K 876.50, but accidentally did not record the fifty Toea in the CCB. Later on he raised another entry in the CCB, adding the fifty Toea:

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Chq/DS</th>
<th>Receipts</th>
<th>Payments</th>
<th>Balance</th>
<th>School Fees</th>
<th>Subsidies</th>
<th>Text Books</th>
<th>Stationeries</th>
<th>Maintenance</th>
<th>Build Project</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/7/07</td>
<td>s/fee</td>
<td>27</td>
<td>876.00</td>
<td>1,000.00</td>
<td>876.00</td>
<td></td>
<td></td>
<td>97.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase exercise</td>
<td>456</td>
<td>97.00</td>
<td>903.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97.00</td>
</tr>
<tr>
<td></td>
<td>Correct entry 1/7/07</td>
<td>27</td>
<td>0.50</td>
<td>903.50</td>
<td>0.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td>27</td>
<td><strong>876.50</strong></td>
<td><strong>97.00</strong></td>
<td><strong>876.50</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Recording and Receipts

Every transaction entered into the Combined Cash Book has to be able to be traced back to a “supporting document”. In other words: You have to keep all your school’s receipts and deposit slips. The receipts and deposit slips should be kept in the same order that they are entered into the CCB. A common method is to chronologically glue all receipts and deposit slips to a piece of paper and file it away.

Bank Reconciliation

To reconcile means to bring together in agreement. A bank reconciliation statement compares the school’s records with the bank’s record of the accounts. Bank reconciliation ensures
- that you have done no mistakes in entering your payments and receipts into the CCB
- that the bank did not accidentally deduct money from your school’s account
Bank reconciliation statements are usually required to be carried out monthly by a responsible officer.

Why could there be the differences between bank statement and cashbook?
There are several reasons for differences between the bank statement and a month’s entries in the combined cashbook. These are:

- some entries appear in your CCB, but not in the bank statement
- cash withdrawn and/or deposited not being cleared until the next day
- cheque deposited in the bank are often not cleared for 7 to 14 days
- some entries from the bank statement do not appear in your CCB until you enter it
- interest paid by the bank will appear on the bank statement but will not be shown in the Combined Cash Book
- any bank charges (e.g. bank fees) appear on the bank statement but not in the combined cash book
- there may be incorrect entries in the bank statement or in the combined cashbook

A model of statement of account for January 2007 is provided below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/01/2006</td>
<td>Balance B/F</td>
<td></td>
<td></td>
<td>2,000.00</td>
</tr>
<tr>
<td>25/01/2006</td>
<td>Cash deposit</td>
<td></td>
<td>2,500.00</td>
<td>4,500.00</td>
</tr>
<tr>
<td>26/01/2006</td>
<td>Cash deposit</td>
<td></td>
<td>1,850.00</td>
<td>6,350.00</td>
</tr>
<tr>
<td>27/01/2006</td>
<td>Withdrawal chq.no102.</td>
<td>600.00</td>
<td></td>
<td>5,750.00</td>
</tr>
<tr>
<td>28/01/00</td>
<td>Interest</td>
<td></td>
<td>19.75</td>
<td>5,769.75</td>
</tr>
<tr>
<td>30/01/2006</td>
<td>Cheque Deposit</td>
<td></td>
<td>5,000.00</td>
<td>10,769.75</td>
</tr>
<tr>
<td>31/01/2006</td>
<td>Bank charge</td>
<td>2.50</td>
<td></td>
<td>10,767.25</td>
</tr>
</tbody>
</table>

Closing balance January 2006 10,767.25

Some of the entries you will not yet find in your CCB. Which ones?
So called bank entries like interest (K 19.75) and bank charges (K 2.50).

Steps in a bank reconciliation
To complete bank reconciliation, follow these steps:
1. Obtain the bank statement or get your passbook be updated
2. Tick or mark each entry on the bank statement against the corresponding entry in the combined cashbook.
3. Any amount that does not appear in the CCB but in the bank statement must be entered into the CCB.
   - any bank charges, e.g. bank fees, cheque book fees, etc. (deduct these)
   - any deposits recorded on the bank statement, which for whatever reason have not been recorded in the cashbook (add these)
   - any cheque incorrectly debited (deduct these) and deposits incorrectly credited (add these) to the account.
   - any re - presented cheque (deduct these)
   - any errors in cashbook entries.
4. Any amount appearing in the CCB but not in the bank statement must be marked with an asterisks (*) or O/S, meaning outstanding.
When reconciling accept the bank statement figures as correct, even if you think they may not be entirely correct.
Below is the cashbook section of the CCB for Kia Primary School, which has been adjusted.

### COMBINED CASHBOOK – CCB MONTH OF JANUARY 2002

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Income collected</th>
<th>Payments</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/02</td>
<td>Balance brought forward</td>
<td></td>
<td></td>
<td>200.00</td>
</tr>
<tr>
<td>24/01/02</td>
<td>School fees</td>
<td>2,500.00</td>
<td></td>
<td>2,700.00</td>
</tr>
<tr>
<td>25/01/02</td>
<td>School fees</td>
<td>1,850.00</td>
<td></td>
<td>4,550.00</td>
</tr>
<tr>
<td>26/01/02</td>
<td>Bought stationery chq 101</td>
<td></td>
<td>600.00</td>
<td>3,950.00</td>
</tr>
<tr>
<td>27/01/02</td>
<td>School subsidy</td>
<td>5,000.00</td>
<td></td>
<td>8,950.00</td>
</tr>
<tr>
<td>28/01/02</td>
<td>Sponsor Walkathon</td>
<td>250.00 o/s</td>
<td>150.00</td>
<td>9,200.00</td>
</tr>
<tr>
<td>31/01/02</td>
<td>Office furniture chq 102</td>
<td></td>
<td>600.00 o/s</td>
<td>9,050.00</td>
</tr>
<tr>
<td>31/01/02</td>
<td>stationery chq 103</td>
<td></td>
<td></td>
<td>8,450.00</td>
</tr>
<tr>
<td>01/02/02</td>
<td>Interest earned*</td>
<td>19.75</td>
<td></td>
<td>8,469.75</td>
</tr>
<tr>
<td>01/02/02</td>
<td>Bank charges*</td>
<td>2.50</td>
<td></td>
<td>8,467.25</td>
</tr>
</tbody>
</table>

*Interest and bank charges included from bank statement and balance adjusted

Below is the bank statement for the same month of January 2002 after ticking against the CCB.

### Bank of South Pacific Buka Branch

**CUSTOMER: KIA PRIMARY SCHOOL, P.O. BOX 2985 Buka**

**STATEMENT OF ACCOUNT FOR JANUARY 2002**

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/01/02</td>
<td>Balance brought forward</td>
<td></td>
<td></td>
<td>200.00 Cr</td>
</tr>
<tr>
<td>25/01/02</td>
<td>Cash deposit</td>
<td>2,500.00</td>
<td></td>
<td>2,700.00 Cr</td>
</tr>
<tr>
<td>26/01/02</td>
<td>Cash deposit</td>
<td>1,850.00</td>
<td></td>
<td>4,550.00 Cr</td>
</tr>
<tr>
<td>27/01/02</td>
<td>Withdrawal chq 101</td>
<td>600.00</td>
<td></td>
<td>3,950.00 Cr</td>
</tr>
<tr>
<td>28/01/02</td>
<td>Interest</td>
<td></td>
<td>19.50</td>
<td>3,969.75 Cr</td>
</tr>
<tr>
<td>31/01/02</td>
<td>Withdrawal chq 102</td>
<td>150.00</td>
<td></td>
<td>3,819.75 Cr</td>
</tr>
<tr>
<td>31/01/02</td>
<td>Cheque deposit</td>
<td>5,000.00</td>
<td></td>
<td>8,819.75 Cr</td>
</tr>
<tr>
<td>31/01/02</td>
<td>Bank charges</td>
<td>2.50</td>
<td></td>
<td>8,817.25 Cr</td>
</tr>
</tbody>
</table>

Closing balance = K8,817.25

**Completing the reconciliation** The bank reconciliation is done by using the format set out below.

### Bank Reconciliation Statement for the Month of January

1. Insert final balance from bank statement **A** K8,817.25
2. List deposits made not shown on bank statement **K250.00**
3. Add B to A **A+B = C** K9,067.25
4. List withdrawals not shown on bank statement **K600.00**
5. Subtract D from C **C-D=E** K8,467.25

**Balance E (K8,467.25) is in agreement with your CCB balance (K8,467.25).**
Bank reconciliation with passbook account
The concepts and procedures of bank reconciliation for passbook accounts are similar to those for cheque accounts. But the passbook gets updated and is in agreement with the ledger account as soon as the transaction occurs.

- There is no bank statement printed out very month.
- Interest earned is directly added to the bank ledger account and passbook.
- Any direct deposit is added direct to the bank ledger amount and passbook.
- There are no bank charges or fees for passbook accounts
- All withdrawals are made by a withdrawal slip.

Steps in completing passbook reconciliation
- Enter any interest earned or deposits into the Combined Cash Book (CCB).
- Tick off all entries in the CCB in agreement with passbook (do not tick the passbook).
- CCB balance should now be in agreement with passbook.

Example CCB Transactions

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Income</th>
<th>Payments</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/01/07</td>
<td>BBF</td>
<td></td>
<td></td>
<td>150.00</td>
</tr>
<tr>
<td>15/01/07</td>
<td>School fee</td>
<td>360.00</td>
<td></td>
<td>510.00</td>
</tr>
<tr>
<td>20/01/07</td>
<td>School fee</td>
<td>480.00</td>
<td></td>
<td>990.00</td>
</tr>
<tr>
<td>23/01/07</td>
<td>Funds from LLG</td>
<td>2500.00</td>
<td></td>
<td>3490.00</td>
</tr>
<tr>
<td>28/01/07</td>
<td>Stationeries</td>
<td>500.00</td>
<td></td>
<td>2990.00</td>
</tr>
</tbody>
</table>

Example Passbook Transactions

<table>
<thead>
<tr>
<th>Date</th>
<th>Detail</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/01/07</td>
<td>Balance brought forward</td>
<td></td>
<td></td>
<td>150.00</td>
</tr>
<tr>
<td>27/01/07</td>
<td>Interest</td>
<td>1.23</td>
<td></td>
<td>151.23</td>
</tr>
<tr>
<td>27/01/07</td>
<td>Deposit – cheque K2500 – 14 days clearance</td>
<td>*3340.00</td>
<td></td>
<td>3491.23</td>
</tr>
</tbody>
</table>

*Note that the deposit is the receipts total of K3340 only, of which the cheque valued at K2500 will take 14 days to clear.

Example of CCB adjusted according to passbook entries

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Income</th>
<th>Payments</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/01/07</td>
<td>BBF</td>
<td></td>
<td></td>
<td>150.00</td>
</tr>
<tr>
<td>15/01/07</td>
<td>School fee</td>
<td>360.00</td>
<td></td>
<td>510.00</td>
</tr>
<tr>
<td>20/01/07</td>
<td>School fee</td>
<td>480.00</td>
<td></td>
<td>990.00</td>
</tr>
<tr>
<td>23/01/07</td>
<td>Funds from LLG</td>
<td>2500.00</td>
<td></td>
<td>3490.00</td>
</tr>
<tr>
<td>28/01/07</td>
<td>Stationeries</td>
<td>500.00</td>
<td></td>
<td>2990.00</td>
</tr>
<tr>
<td>28/01/02</td>
<td>Interest earned</td>
<td>*1.23</td>
<td></td>
<td>2991.23</td>
</tr>
</tbody>
</table>

*Entered from passbook and balance adjusted which is in the agreement
Note that there should be no marks or ticks in the passbook.
**Reading 5.8**  
**The Use of Journals for Funds**

Some funds have to be accounted for and reported separately from other school funds. In this case create a “Journal” for this fund only – in addition to your Combined Cash Book.

Examples of funds that require a journal:
- some government grants or subsidies have to be reported separately to the government
- some projects like BEDP require a three year plan, base line data survey form, original copies of receipts and acquittals for items bought with the funds provided.
- sometimes the LLG or District needs a report on the use of their funds

Remember: If you keep the funds in the same account with the other school funds, you should also record them in the CCB as well as in the journal.

A journal is similar to the cashbook side of your CCB. You record:
- date, particulars, cheque-number, receipt-number, etc
- amount of funds coming in
- amount of payments done from those funds
- the remaining balance
- name of fund and donor, etc.

To make it easy for you, many donors have their own reporting formats, where you list all payments of that one fund. You can use this report form as your journal.

**Example for a simple Journal:**

<table>
<thead>
<tr>
<th>Name of fund:</th>
<th>Date of initial transfer:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date</strong></td>
<td><strong>Particulars</strong></td>
</tr>
<tr>
<td>------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TOPIC 6: Maintaining Petty Cash records

Aim: To understand the purpose of Petty Cash and how to record petty cash accounts.

Outcome: By the end of the activities you will have practiced receipting, petty cash, prepared petty cash vouchers and record petty cash transactions in a petty cash book.

Materials: This booklet, Basic Financial Management Flipchart pages 15-16, butcher papers and markers.

Content: Petty cash account is to be used by your school only for the purchase of small value items. It is a small amount of ready cash on hand to meet the immediate or emergency purchase of items needed by the school. A maximum amount of K200.00 is recommended.

Exercise 1: Individually read ‘Petty Cash’ on page 21. Then complete the following two exercises:

Filling in a Petty Cash voucher:
Kulau Primary school operates a petty cash account, the librarian requested some glue. Before the school secretary gives petty cash to the librarian, the payment must be authorised by the head teacher. The person who is to receive the money must sign the voucher before they receive it.

You are the librarian, use the above information to complete the petty cash voucher below:
Date of purchase 11/07/06 at Theodist limited
The amount: K15.00
Item purchased: a tin of glue for the library
The glue was requested and purchased by Ms. Mena
Authorised by: the head teacher Mr. Laki Potty.

<table>
<thead>
<tr>
<th>Kulau Primary school</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty Cash request voucher No. 36</td>
</tr>
<tr>
<td>Date: ________________</td>
</tr>
<tr>
<td>Paid to ________________</td>
</tr>
<tr>
<td>The amount of: ________________ K</td>
</tr>
<tr>
<td>Being for ________________</td>
</tr>
<tr>
<td>(Signature of person receiving this cash)</td>
</tr>
</tbody>
</table>

Exercise 2. Complete this Petty Cash Book, using the information provided below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Voucher No.</th>
<th>Receipts</th>
<th>Payments</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/07/06</td>
<td>Petty cash amount</td>
<td>200</td>
<td></td>
<td>200.00</td>
<td></td>
</tr>
<tr>
<td>02/07/06</td>
<td>Sewing</td>
<td>76</td>
<td>30.00</td>
<td>170.00</td>
<td></td>
</tr>
</tbody>
</table>

Petty Cash transactions:

July, Petty cash advance
1. 05/07/07 Voucher 38 issued for postal stamps K10.75
2. 06/07/07 Voucher 39 Head teachers meeting K5.00
3. 08/07/07 Voucher 40 tea & biscuits for staff meeting with inspector K12.10
4. 010/07/07 Voucher 41 children’s excursion to agriculture project K50.00
Reading: 6.1
Maintaining a petty Cash record

Petty cash account is a small amount of money kept in the school and used only for the purchase of small value items. It is a small amount of ready cash on hand to meet the immediate or emergency purchase of items needed by the school. A maximum amount of K200.00 is recommended. A petty cash fund is often maintained by many schools as a convenience to those individuals who are required to make small cash payments for goods and services. A petty cash fund will provide the necessary funds quickly and easily.

Such a fund is nothing more than setting aside a specific amount of cash to be topped up every so often as it is used. Control of the petty cash fund must be the responsibility of one and only one designated individual who must at all times be prepared to account for the cash or its use. Having a number of individuals with access to the petty cash fund often results in mismanagement or misappropriation of the funds. When requests for reimbursement come in, the petty cash treasurer verifies that the request is legitimate, collects any possible receipts and pays out the cash. He/She also needs to fill out a voucher and have it signed by the payee.

Petty cash may not be used on the following:
- payroll payments liquor
- leases and rentals
- travel expenses
- Entertainment expenses and
- Personal obligations.

All expenditure from the petty cash fund must be documented using a manual receipt. Make sure that supporting documentation is adequate and must include:
  - the date
  - name of receiver of the fund
  - item(s) purchased
  - unit price
  - total cost, and
  - the signature of the person who purchased the items indicating receipt of the goods or services

Maintain documentation
Receipts are retained with the fund until they are submitted with the request for reimbursement. Petty Cash reconciliation can be very time consuming. However there are a number of reasons why it is important to keep on top of your petty cash.

Petty Cash Management
For your own security, and to comply with auditing and tax requirements, you must ensure a receipt or docket is used for every petty cash draw. Place the receipt in the envelope where the Petty Cash is kept.

NB: keep the cash in a safe, locked place. Only one person should be responsible for accessing and dispensing petty cash.

Every time you need to draw petty cash out, record the details on the front of the envelope, and calculate the new balance. When the balance gets low, draw a cheque for Petty Cash to top up the amount to the agreed level (e.g. with a float of K200, a balance of K23 means drawing a cheque for K177).

If you get in the habit of managing your petty cash regularly, it will not get out of control. Here is one suggestion: Determine what is an appropriate and safe level of petty cash you need to keep in the school (e.g. $200). Cash a cheque for that amount and record it as Petty Cash, place the cash in an envelope, record the details on the front of the envelope and calculate the new balance.
Anytime a Petty Cash Payment is required to be made, the Petty Cash Payments Record Form (sample attached) is completed showing –

- Appropriate Voucher Number
- Who the payment is made to
- Invoice number, where applicable
- A summary of the payment details made
- Signature of Receiver
- Signature of Head Teacher

A Petty Cash Account Summary table follows the Petty Cash breakdown table. This highlights the total receipts into the Petty Cash Account, the total expenditure from the Petty Cash Account and current balance.

---

Petty Cash Voucher

Amount ________________________________

For ________________________________

Account Code _________________________

Paid to ______________________________

Payee Signature ______________________

Petty Cash Treasurer Initials __________

Date ________________________________
TOPIC 7: Funds Acquittal and Financial Reporting

Aim: You will learn how to properly acquit school funds

Outcome: By the end of the activities you will have:
Discussed the importance of acquitting all school funds to the BOM/P&C and whoever provided the funds
Prepared an acquittal using ledger cards Discuss financial reports

Materials: This booklet, Basic Financial Management skills Flipchart pages 17-18, butcher paper and markers.

Content: Funds acquittal refers to reporting on how funds are used. Every one who provides funds to your school expect a high degree of accountability and a detailed account of how the money they gave has been used by your school.

Exercise 1: In pairs or small groups read the notes on acquitting funds pages 27 & 28 and complete the exercise below. Use the sample provided on the notes for Kulau PS.

You received district grants of K500.00 from the LLG in June 2006,
The LLG requires that you give them an acquittal on how the fund was spent.

You spent the money as follows:
- timber K20.00 on 20th June 2006
- nails and glue K60.00 on 21st June 2006,
- paint K90.00 on 23rd June 2006
- louvers K110 on 30th June 2006
- employment of carpenters K120.00 on 31st June 2006
- brushes K100.00 on the 23rd July 2006

Use the company quotation and receipt of the items to help acquit the funds to the LLG.

<table>
<thead>
<tr>
<th>NAME OF Group</th>
<th>DISTRICT</th>
<th>PROVINCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME OF FUND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DATE</td>
<td>DETAILS</td>
<td>AMOUNT RECEIVED</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exercise 2: In pairs or small groups read page 29 and discuss the importance of financial recording and reporting. Report to the rest of the group.

Who requires your monthly financial report and why is it important that the members receive your report?
What information should be included in your monthly financial report?

Conclusion: Develop a set of penalties for non acquittals and submit to BOM for their consideration.
Reading: 7.1
Funds acquittal

What is meant by acquittal of funds?
It is simply a report provided by the recipient of monies to the provider of those moneys. When money is provided in the form of advance, the owner requires a report and monies provided must be spent in the manner the owner wants.

Funds acquittal refers to reporting on how funds are used especially those donated or given as part of a project. Donated funds and project funds are sometimes not acquitted correctly. However an individual or organization donating funds should expect a high degree of accountability, similarly with project funds. An organisation, such as an international aid organisation, will expect a very detailed account of how the money they have made available has been used. The funds acquittal section here will illustrate a donated fund.

While there are complicated computer systems of reporting, most primary schools will not have such set-ups. Therefore, a simple ledger system with columns like the combined cashbook is suggested. Ledger cards can be purchased from bookshops. For those schools who cannot buy ledger cards, they can simply rule up an exercise book.

A separate ledger card is to be used for each donation or project funds. All documents supporting any transaction affecting the use of the funds being acquitted must be provided. Since documentary evidence is necessary, it is suggested that a manila folder with paper punched holes and fasteners to be used for each fund. Such arrangement will enable the officer to attach invoices/statements to the relevant ledger card.

A typical acquittal form will contain the features included below.

<table>
<thead>
<tr>
<th>NAME OF SCHOOL</th>
<th>DISTRICT</th>
<th>PROVINCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME OF FUND</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DETAILS*</th>
<th>AMOUNT RECEIVED</th>
<th>AMOUNT USED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I certify that the above fund was used as described.
Each payment has original documentary evidence, which is attached.
Name______________________ Signature______________________
Position____________________ Date______________________

* details of payments made with original supporting documents (e.g. receipts, bank statements, etc.)
Reading: 7.2
Acquittal examples

This is only an example of how to acquit donated funds. As an example, we will use the K960 cheque received from the local MP. Let us assume that the donation was for water pumps for staff day tanks.

The acquittal appears below.

**NAME OF SCHOOL:** LONGWEI  **DISTRICT:** KIMI  **PROVINCE:** EHP

**NAME OF FUND:** DAY TANK FUND

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>AMOUNT RECEIVED</th>
<th>AMOUNT USED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/2/2002</td>
<td>Local MP's donation for water pumps chq. 1002789</td>
<td>1960</td>
<td></td>
<td>1960</td>
</tr>
<tr>
<td>12/2/2002</td>
<td>Water pumps 6 @200 Inv.SC2701</td>
<td></td>
<td>1200</td>
<td>760</td>
</tr>
<tr>
<td>20/2/2002</td>
<td>Plumbing installation by ACP</td>
<td></td>
<td>500</td>
<td>210</td>
</tr>
</tbody>
</table>

I certify that the above fund was used as described. Each payment has original documentary evidence (receipts), which is attached.

Name: Rudy Ambo  
Signature: R Ambo  
Position: Head teacher  
Date: 28/2/1999

The LLG President would require this money to be acquitted

After the pumps were installed, there was a balance of K210 left. This should remain in the fund until the money is used for the purpose for which it was donated, or the school can go back to the donor and renegotiate its use for some other purpose.

The example below shows an acquittal form used by the Department of Education for acquitting maintenance Grants given by the Basic Education Development Project. Practice using this form as well.
**ACQUITTAL OF BEDP SCHOOL MAINTENANCE GRANT – 20__**
**SCHOOL:** Kokopo Primary  **Amount of BEDP MG K5,000**

**DATE BEDP MG POSTED INTO SCHOOL ACCOUNT:** ________/______/______

<table>
<thead>
<tr>
<th>Date</th>
<th>Details of Services and/or Goods Paid For</th>
<th>Rate</th>
<th>Amount</th>
<th>Receipt or invoice number (original attached)</th>
</tr>
</thead>
<tbody>
<tr>
<td>23/07/05</td>
<td>Bought 20 sheets of plywood from Steamships Hardware.</td>
<td>K20 per sheet</td>
<td>K400.00</td>
<td>SC’2701</td>
</tr>
</tbody>
</table>

**I certify that the above named persons/company were paid the amounts set opposite their names in the presence of the witness(es).**

Head teacher: _____________________________________ (signed)  
BoM Chairperson: ______________________________ (signed)  
Province: ______________________________

**ADVANCE RECONCILIATION**

Total Expanded:   K_________  
Cash on hand:     K_________  
Total of BEDPMG   K_________

**NOTE:**

Please attach original receipts and other supporting documents for the payments made on the goods and services rendered. (NB. The school can keep copies of the receipts for its records)  
Glue original supporting receipts, etc. on A4 size papers for easy reference.
Reading: 7.3
Preparing a Financial Report

**Why do you need to prepare a monthly financial report?**
Monthly financial reports contain information about the use of money in the given month. These reports will account for different expenditure. Head teachers are responsible for preparing such reports at the end of each month in Primary/Community schools.

**Who should receive your school's monthly financial reports?**
Head teacher is required to prepare financial reports for presentation to their Boards of Management, who meet at least once a term. In addition, one of the procedures prescribed under the PFM Act and the Education Act is the preparation of monthly financial statements. Provincial authorities may also require monthly financial reports.

As part of the financial transparency process, it would be important that you distribute copies of the report to the following people:
Chairperson of Board of Management; Chairperson of P&C; District Education Advisor; Inspector; Deputy Head teacher (where applicable);
Staff room notice board.

The financial report should be presented at a P&C meeting for the information of parents. It should be read out so all the men and women at the meeting can be aware of the state of the school's finances. Prior to this presentation, the report should be presented at the Board of Management meeting.

A combined cashbook, which is kept up to date, will provide the Head teacher with all the information to be included in the monthly financial report. It is important that the total receipts and total payments for the month are accurate.

Of all the figures in the report, it is important that the total receipts and total payments for the month are accurate, and tally exactly with the figures in the combined cashbook.

**What other information should be supplied in a report in addition to the basic monthly financial report?**
It is a good idea to add notes to the financial report. The notes may refer to:
• features of the report to which the Head teacher wants to draw attention;
• items in the budget that you may need to review and adjust;
• items that are significantly under or over expended, with explanations for the situation
• the actual balance in the bank account at the time of the report;
• any discrepancies between school records and bank statements;
• funds held on IBD In addition, the Head teacher must be fully prepared to explain any item on the financial report when the reports are presented to the Board of Management
Evaluation: Sheet’

School-based capacity building activity evaluation sheet:
Number of men attending: _____________________ Number of women attending: _______
School: _______________________________District: _______________________________ Province: _______________________________ Date: _______________ ____________________

The facilitator should ask participants to complete this evaluation sheet together at the end of the activities. Please hand this collective evaluation sheet to your school inspector. NB. If you are a DEPI student you should also submit a copy of this page to your assessor with your assessment tasks.

1. What did you find most valuable about this capacity building activity?

________________________________________________________________________________________

2. How relevant was the capacity building activity? – please tick and add comments if you wish.

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

Comments:________________________________________________________________________________________

3. Was the content at the right level for all the participants?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

Comments:________________________________________________________________________________________

4. Was the Language at the right level?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

Comments:________________________________________________________________________________________

5. How suitable were the materials and handouts used in the activities?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

Comments:________________________________________________________________________________________

6. What suggestions do you have for improving this capacity building activity?

Comments________________________________________________________________________________________
Example of a completed evaluation sheet

 Thumbnail Evaluation: 'Board of Management roles and responsibilities'

School-based capacity building activity evaluation sheet:
Number of men attending: ______ 7  _____  Number of women attending: ___ 8  _____
School: ______ Giamon PS  ______ District: ______ Wopa  ______
Province: _____ Northern Highlands  ______ Date: ______ 23/05/2007  ______

The facilitator should ask all participants to complete this evaluation sheet together at the end of the activities. Please hand this collective evaluation sheet to your school inspector. NB. If you are a DEPI student you should also submit a copy of this page to your assessor with your assessment tasks.

7. What did you find most valuable about this capacity building activity? We realised that our school BoM was not following the correct procedures and we have taken action to fix up the problems.

8. How relevant was the capacity building activity? – please tick and add comments if you wish.

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>M5</td>
<td>F4</td>
<td>M2</td>
<td>F4</td>
</tr>
</tbody>
</table>

Comments: It was very relevant as no-one had told our community what the Education Act laws were about the Board of Management.

9. Was the content at the right level for all the participants?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>M3</td>
<td>F6</td>
<td>M4</td>
<td>F2</td>
</tr>
</tbody>
</table>

Comments: We all understood the different activities. The facilitator explained anything we were not sure about.

10. Was the Language at the right level?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>M7 F8</td>
</tr>
</tbody>
</table>

Comments: We used tok Pisin for all the activities so everyone understood.

11. How suitable were the materials and handouts used in the activities?

<table>
<thead>
<tr>
<th>Very poor</th>
<th>Poor</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>M3</td>
<td>F6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M4</td>
<td>F2</td>
</tr>
</tbody>
</table>

Comments: The booklet was easy to follow, and everyone enjoyed the BOM Flipchart.

12. What suggestions do you have for improving this capacity building activity?
Comments: We need to have many more practice exercises on the various forms.