

# ORGANIZATION FINANCIAL MANAGEMENT

**Prepared by Ubuntu Development  
Solution**



# Filing

The documents should be arranged in a chronological order based on alphabets and dates. Receipts should be attached to the invoices they are paid against.

The following files should be maintained:

- 1) Clients invoices; attach payment slips to subsequent invoice
- 2) Supplier invoices; attach payment slip to subsequent emails.
- 3) Petty cash
- 4) Payment vouchers for Cheques
- 5) Banking files for Bank statements and banking slips
- 6) Asset file
- 7) Statutory deduction & KRA



# Components of book keeping systems

1. Chart of accounts
2. Accounting for income
3. Accounting for expenditure
4. Accounting for Assets
5. Accounting for taxation



# Chart of the Accounts

- ❖ **Income:** Money inflows in the organizations e.g grants, sell of merchandise, service offered
- ❖ **Expenses:** Money outflow in the organization such as project costs, office expenses, salaries etc. We have direct and administration cost
- ❖ **Asset:** Purchases meant to increase money in your business such as land, equipment and goodwill. We have long term and short term assets
- ❖ **Liability:** Business obligations. Liabilities take money out of your business; includes loans. We have short term and long term liabilities
- ❖ **Direct cost:** Costs directly involved in a project
- ❖ **Administration cost:** Costs which incur on an organization solely to enable their operation e.g rent, salaries, utilities



# Accounting for Income

## Cash receipts:

- ❖ All moneys received via cash to be recorded on cash receipts. Receipt book and receipts to be numbered in a chronological order
- ❖ Give original leaf to customer
- ❖ Create a banking report(Use excel). It should have the following rows: Reference number, Customer name, Service/Product, Amount. Below it should be duly indicate the name of the official and signed (Prepared by & Approved) and finally have the date
- ❖ All moneys must be banked before any use or payment



## For customer payment via MPESA

- ❖ Have a company line exclusively for company engagements and transactions
- ❖ If the MPESA line is not linked to the bank, Create a banking report(Use excel). It should have the following rows: Reference number, Customer name, Service/Product, Amount. Below it should be duly indicate the name of the official and signed (Prepared by & Approved)
- ❖ Send the amounts as per filled bank report to the bank



## Deferred receipts/credit sales

- ❖ Create an invoice using quickbooks and ensure to record customers contacts
- ❖ Define your credit policy on the invoice
- ❖ Ensure you give payment details. (All moneys should go through the bank)
- ❖ Review debtors aging regularly and put schedules to remind them on due date

## Grant

- ❖ Record under Grant Income (non taxable) if it is a grant without obligations
- ❖ For grant with specific obligations record under Liability



# Accounting for payments

- ❖ **Direct cost payments:** Payments that are directly attached to individual project (Refer to budget items)
- ❖ **Administrative payment:** Payments of support services e.g rent
- ❖ **Payment to acquire Assets and investments:** Always have an intention to increase income such as equipment's, machines, land, SACCO payments etc
- ❖ **Payments to tax Authorities and other compliance:** From payroll (PAYE, NSSF, NHIF), withholding tax and other eligible statutory deductions





## For Cash Payments

- ❖ Use petty cash system; they should be payments with small values

## For Cheque payments

- ❖ Ensure to have a payment voucher for every cheque which recipient must sign
- ❖ Always pay against an invoice
- ❖ In case of a missing cheque leaf, report the missing cheque to the bank immediately in writing and retain a copy of the letter in your file.
- ❖ Designate a specific day and time to write cheques, always verify available funds first and confirm in your bank statements if the cheques were cleared.



# Petty Cash system

- ❖ Best practice is to have an imprest amount between Kshs 5000 to Kshs10000, the amount comes from cash in the bank
- ❖ Before any payment, one must have a payment invoice from the supplier which have to be approved by the supervisor
- ❖ Have petty cash vouchers for all cash payments; they should be numbered and dated to avoid duplication
- ❖ The recipient of petty cash must sign the petty cash voucher and means to verify this to be included such as their contacts.
- ❖ For easy accounting and posting, record all petty cash imprest and payments on an excel sheet and attach all vouchers and subsequent receipt behind it.



# Accounting for fixed assets

Have an asset register which records the following details of every asset:

1. Date of purchase
2. Cost of Asset
3. Asset category
4. Purpose
5. Location
6. Depreciation
7. Replacement cost



# Tax and Statutory compliance planning

- ❖ A tax liability is due when salaries are paid to eligible employees
- ❖ Withhold 5% outsourced consultancy service above Kshs 25000
- ❖ Know the monthly deadlines of other relevant statutory deductions and eligible staff and plan accordingly this includes PAYE, NSSF, VAT, Turnover Tax etc and ensure to pay before deadline to avoid penalties. PAYE & NHIF; pay before 9<sup>th</sup> every month, NSSF; Pay before 15<sup>th</sup> every Month and VAT by 20<sup>th</sup>



# Banking file

The banking file should consist of:

- ❖ Deposit slips; if Deposit via MPESA by the client the to share client transaction detail which should be printed as a proof of payment
- ❖ Bank withdrawal slips; if withdrawal via MPESA print the MPESA transaction as a proof of withdrawal
- ❖ Other bank transaction proofs like for direct transfer
- ❖ Bank statements
- ❖ MPESA statements
- ❖ Establish bank/MPESA charges after reconcilliation



# Key Reports

1. Debtors and Creditors aging analysis
2. Non Profit report
3. Cash flows
4. Balance sheet
5. P&L (For profit Companies)
6. Trial balance (for auditing purposes)
7. Statement of Equity



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