BIRD

BANKERS INSTITUTE OF RURAL DEVELOPMENT, LUCKNOW
(Designated Nodal Training Institution at Central Level by GoI under the Central Sector Scheme on Formation & Promotion of 10000 FPOs)

FPOs are growth engine of Indian Agriculture

Resource Material for

Capacity Building of Accountants of FPOs

Central Sector Scheme on Formation & Promotion of 10000 FPOs

NABARD

german cooperation
DEUTSCHE ZUSAMMENARBEIT

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Contents

Session	Basic accounting concepts – Double entry system, debit, credit, frequently used accounting definitions
I	

Introduction

Farmer Producer Organization (FPO) facilitates the aggregation of input required for agriculture and allied activities as also output/ produce for sale in the market. With aggregation, through FPO, benefits accrue to the farmers, due to economies of scale i.e. procurement of inputs at lower cost and sale of produce at higher price due to increased bargaining power. In the circumstance, assessment /evaluation of FPO's performance and benefits accrued to farmers on account of their association with FPOs assumes importance in the context of doubling farmers' income as envisaged by GOI. In order to assess the performance of FPOs and to know the benefits actually received by each farmer member of the FPO, the system of maintaining proper record of accounts by FPOs needs to be established.

The FPOs, being independent organizations registered under different statute, are required to comply with certain requirements with regard to preparation and publishing of their financial statements. Taking into account this statutory obligation as also the need to assess the operational performance of these entities accurately, a need was felt to ensure maintenance of proper books of accounts by these organizations and draw their balance sheet to reflect accurate position of their operations and state of affairs.

Introduction to Accounting

Accounting is the language of business. It is the system of recording, summarizing and analyzing an economic entity's financial transactions. Effectively communicating this information is key to the success of every business. Those who rely on financial information include internal users, such as a company's managers and employees, and external users, such as banks, investors, governmental agencies and financial analysts. These users depend upon data supplied by accountants to answer the following types of questions:

- Is the company profitable?
- Is there enough cash to meet payroll needs?
- How much debt does the company have?
- How does the company's net income compare to its budget?
- What is the balance owed by customers?
- Has the company consistently paid cash dividends?

• How much income does each business/ division generate?

• Should the company invest money to expand?

Accountants must present an organization's financial information in clear and concise manner for a better clarity.

Double-entry accounting

Double-entry book keeping is an accounting method where you equally record a transaction in two or more accounts. A credit is made in at least one account and a debit is made in at least one other account.

The double-entry bookkeeping method is based on the idea that every business transaction has equal and opposite effects on at least two accounts.

Double-entry accounting can help you:

- Make better financial decisions
- Catch and reduce bookkeeping errors
- See a clear snapshot of company finances
- Maintain accurate accounting records

Single vs. double-entry bookkeeping

Single-entry bookkeeping is very different from the double-entry method. Just like it sounds, you record one entry for every transaction with single-entry.

Single-entry accounting is less complex than double-entry accounting. With the single-entry system, you record cash disbursements and cash receipts and record incoming and outgoing money in the cash book.

Cash-basis accounting uses the single-entry accounting method. Modified cash-basis and accrual accounting both use double-entry bookkeeping.

The general ledger and double-entry accounting

General ledger is a record that sorts and summarizes your business transactions. You can use your general ledger to see where money is coming from and where it is going. With a general ledger, you can also see the amount of cash you have on hand and how much debt your business has. The general ledger organizes transactions into accounts. A company ledger typically has five major accounts, including:

- Assets: What your business owns
- Liabilities: What your business owes
- Equity: Assets minus liabilities
- Revenue: Money your business earns

- Expenses: Costs your business incurs during operations

In accounting, you can also divide the major accounts into different sub-accounts. For example, you might use Petty Cash, Payroll Expense and Inventory accounts to further organize your accounting records.

The general ledger reflects a two-column journal entry accounting system. Assets and expenses are on the left side of the ledger. Liabilities, equity, and revenue are on the right side. Both sides of the ledger should have equal balances.

Debits and credits

To balance your books, use debits and credits. Debits and credits are equal but opposite entries in your accounting books. If a debit decreases an account, you will increase the opposite account with a credit. A debit is an entry made on the left side of an account while a credit is an entry on the right side. Record credits and debits for each transaction that occurs. With double-entry in accounting, record two or more entries for every transaction. Credits and debits affect each account differently. Check out this chart to see how each type of account is impacted:

ACCOUNT	INCREASED BY	DECREASED BY
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

Keep in mind that debits and credits offset each other, and the sum of debits should be equal to the sum of credits.

Accounting equation

Use the accounting equation to ensure your transactions are always balanced in your books. The accounting equation shows that liabilities plus equity are equal to your assets. Here is the equation:

Assets = Liabilities + Equity

The entries in your books need to balance. If the two sides of the equation are unequal, you likely made some type of accounting error and need to find the mistake.

How to do double-entry bookkeeping

Dual entry accounting may seem intimidating at first. But with a little practice, you'll be a pro at the double-entry accounting system in no time.

As you know, each time you record a transaction with double-entry bookkeeping, you need to create two entries.

When creating your two entries, determine which accounts are affected and how debits and credits affect them. Each time you record a new transaction, ask yourself questions like:

- Which accounts are affected?
- Is the account increasing or decreasing?
- Should I use a debit or a credit?

After you make all the entries for the transaction, check that your books are balanced.

Here's a little cheat sheet for reference during your double-entry accounting duties:

Debits	Credits
Always on the left side	Always on the right side
Increase assets	Increase liabilities
Increase expenses	Increase equity
Decrease liabilities	Increase revenue
Decrease equity	Decrease expense
Decrease revenue	Decrease assets

Double-entry accounting examples

If you're a visual learner, then we have some great examples for you. Check out a few scenarios to see double-entry in action.

Example 1: Say you sell an item to a customer and the customer pays you in cash. The transactions impact your Inventory and Cash accounts. And, both accounts are assets.

Because your inventory is decreasing, credit your Inventory account to show a decrease in assets. Then, debit your Cash account to show an increase in cash.

Date	Account	Notes	Debit	Credit
XX/XX/XXXX	Cash	Cash sale	X	
	Inventory			X

Example 2: For this next double-entry example, let's say you bought inventory on credit. The inventory is an asset and the credit is a liability.

To record the transaction in your books, debit your Inventory account to show the increase in inventory and credit your Accounts Payable account.

Date	Account	Notes	Debit	Credit
XX/XX/XXXX	Inventory	Purchased inventory on credit	X	
	Accounts Payable			X

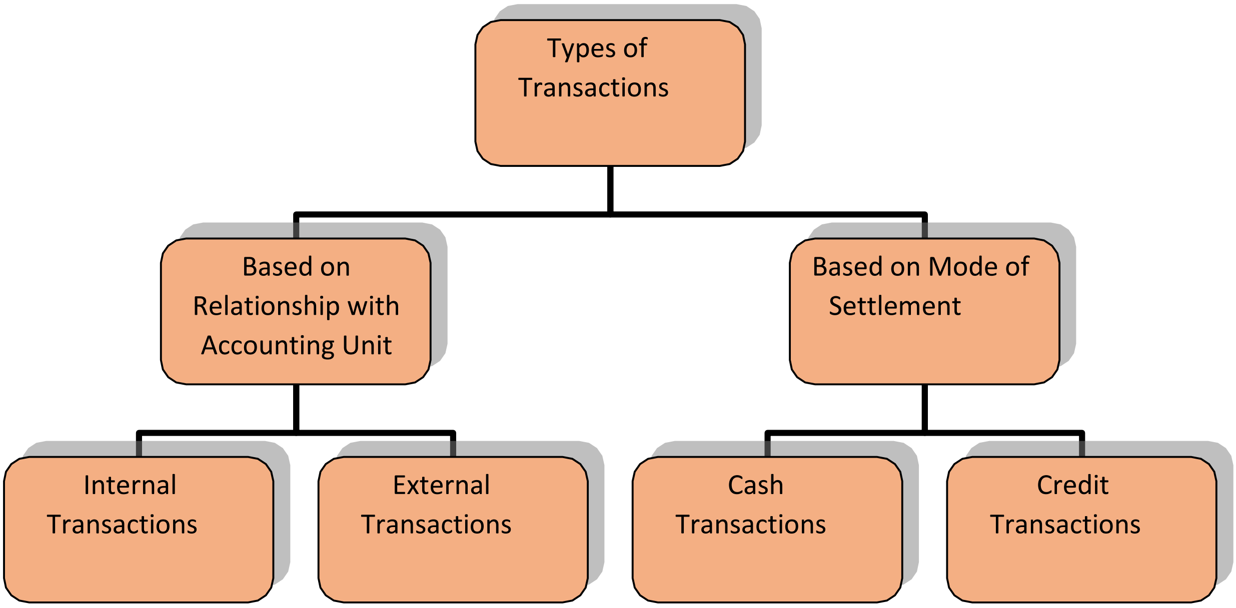
Example 3: Say you buy a new computer with cash. Credit your Cash account to show a decrease in assets. And, debit your Technology account to account for the increase.

Date	Account	Notes	Debit	Credit
XX/XX/XXXX	Cash	Purchase computer with cash		X
	Technology		X	

BASIC ACCOUNTING TERMS

Business Transaction:

Transaction: It is an event which involves transfer of money, goods and services and can be classified into cash or credit transactions. Cash transaction is the one where cash receipt or payment is involved and a credit transaction is one where cash is not involved immediately but will be paid or received later.



Business Transaction: It is a financial transaction or an economic event expressed in terms of money which brings in a change in the financial position of an enterprise. It involves transfer and exchange of goods or services such as purchase/sale of goods and services, wages paid to workers, rent paid, dividend received, lending and borrowing money.

Characteristics: Following are the characteristics of a Business Transaction:

i. Money or money's worth: It is basically concerned with money or money's worth received from sale of goods or provision of services.

ii. Exchange of goods or services: It arises out of exchange of goods or services.

iii. Change in financial position: It affects the financial statements of an enterprise and therefore, is responsible for change in its financial position.

iv. Accounting equation: It affects the accounting equation of any business firm.

v. Dual Aspects: Every business transaction has 2 sides, one is receiving side and the other is giving side and therefore, it is said to have a dual aspect for every transaction.

vi. Equality of Balance Sheet: Since, every transaction has dual aspect affecting the two sides namely, Receiving and Giving simultaneously, it helps in maintaining the equality of Balance Sheet.

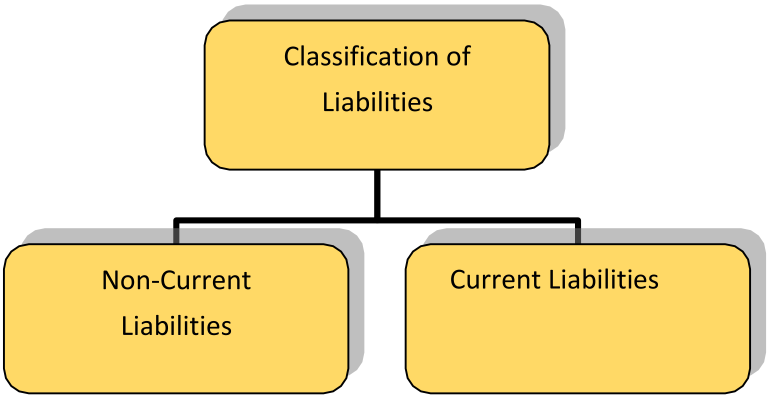
⇒ **Account:** It is a record of both cash and credit transactions maintained under a particular head which shows the transactions and the effect of such transactions in the books of accounts.

⇒ **Capital:** It is the amount invested by the proprietor (in case of proprietorship business) and by partners (in case of partnership business) into the business. If the business earns profit or proprietor/partners invests additional amount, the amount of capital increases in the business. On the other hand, if the business incurs losses or amount is withdrawn, the amount of capital decreases. Capital is also known as Owner's Equity or Net Worth which is computed as excess of Assets over Liabilities as follows:

Capital = Assets - Liabilities

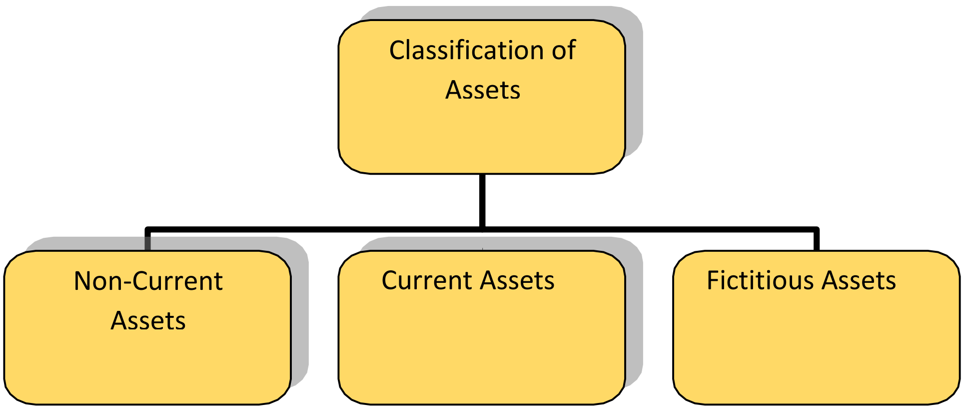
⇒ **Drawings:** It is the amount of cash or goods withdrawn from the business by the proprietor (in case of proprietorship business) or by partners (in case of partnership business) for their personal use. Such an amount reduces the amount of investments or capital of the owners in the business and therefore, is shown as a deduction from the capital of the proprietor or partner while preparing the Balance Sheet.

⇒ **Liabilities:** It refers to the financial obligations or debt which a business owes to others, i.e. amount business is liable to pay others such as loans from banks, other persons or creditors for goods supplied. These liabilities are classified as Internal or External Liabilities where, internal liability is the liability towards owners of the business and external liability is the liability towards the outsiders (i.e., other than owners). It is further classified as follows:



- **Non-Current or Long term Liabilities:** These are the loans which are payable after a period of more than a year from the end of the accounting period. Examples include, long-term loans, debentures, etc.
- **Current or Short term Liabilities:** These are the obligations which are payable within a period of 12 months from the end of the accounting period. Examples include, bills payable, short-term loans, etc.

⇒ **Assets:** These are the properties owned by the business which are used to carry out the business operations and earn operating revenue for the business. It can be classified into Non-Current, Current and Fictitious Assets which are explained as follows:



- **Non-Current assets:** These are used for carrying out normal business operations and are held in the business not for the purpose of reselling it but to increase the earning capacity of the business. These are further classified as Fixed Assets, Non-Current Investments, Long term Loans and Advances and Other Non-Current Assets.

- **Fixed Assets:** These are those assets which are not held in the business for reselling but are held for a long term to increase the earning capacity of the business. They are further classified as follows:
    - **Tangible:** Assets which have physical existence and can be seen and touched are termed as Tangible Assets. It includes land, building, furniture, etc.
    - **Intangible:** Assets which do not have physical existence and cannot be seen and touched are termed as Intangible Assets. It includes patents, goodwill, etc.
- **Current Asset**: These are those assets which are held on short term basis for the purpose of converting them into cash within a year such as debtors, stocks, etc. Prepaid expenses are also classified as current assets because although they cannot be converted into cash, because a part of their benefit is available for next accounting year.
- **Fictitious Assets**: These are those assets which are neither tangible nor intangible. These are the losses not written off in the year in which they are incurred but in more than one accounting period.

Receipts, Expenditure, Income, Expense, Profit, Gains and Losses

⇒ **Receipts:** It is the amount which is received or receivable for selling goods, services or assets. These receipts are further classified as follows:

- **Revenue Receipts:** The amount that has been received or is receivable by the business in its normal course either from sale of goods or by providing services. It will also include the amounts that are received from investment of business resources say interest received from investment in fixed deposits. Such amounts from normal course of business are recorded in the Profit and Loss Account (in case of profit-making enterprises) and in the Income and Expenditure Account (in case of an NPO).
- **Capital Receipts:** The amount received or receivable against the transactions which are not revenue in nature like sale of an asset, investment, etc. Such amounts are shown in the Balance Sheet of the business entity.

⇒ **Expenditure:** It is the amount spent or liability incurred for acquiring assets, goods or services. These expenditures are further classified as follows:

- **Revenue Expenditure:** It is that expenditure the benefit of which is consumed or exhausted within the accounting period. These are the amounts spent for the purposes which are directly related to the business of the entity like cost of goods sold, rent, electricity, etc. They are shown in the Trading or Profit and Loss Account (in case of profit-making enterprises) and in the Income and Expenditure Account (in case of an NPO).
- **Capital Expenditure:** It is the amount incurred to acquire tangible or intangible assets or the amount spent on improving the existing assets which increase the earning capacity of the business. These amounts spent are shown in the Balance Sheet of the entity.
- **Deferred Revenue Expenditure:** This is a revenue expenditure in nature which is written off or charged in more than one accounting period. Such treatment is given to those items, the benefits of which are estimated to accrue in more than one financial year. These include the large expenditure amounts like advertising expenses, research expenses, etc. that will give benefit for more than one accounting period.

⇒ **Income:** It is the profit earned during an accounting period which is calculated as the difference between the Revenue and Expenses. In other words, excess of Revenue over expenses is termed as Income.

⇒ **Expense:** It is the cost incurred for generating revenue or a monetary measure of inputs or resources consumed. It is actually the value of business that has expired during the accounting year. It includes amount spent as cash payments for salaries, wages or amounts that are written off during an accounting period like depreciation, bad debts or decline in the value of any investment or cost of goods sold. It is charged to the Trading Account or Profit and Loss Account. It is necessary to understand the following expenses:

- **Prepaid Expenses:** It is the amount of expense which is paid in advance and the benefit of which will be available in the following year or years and therefore, are shown as assets in the Balance Sheet of the business.
- **Outstanding Expenses:** It is an expense that has been incurred but has not been paid during the current accounting year. Since, the amount is payable, it is a liability for the business & therefore, shown as a liability in Balance Sheet.

⇒ **Profit:** It is the income earned by the business from its Operating Activities which are carried out by the enterprise to earn profits. These activities can be either sale of goods or provision of services. This profit is further divided into gross and net profit:

- **Gross Profit**: It is the difference between revenue from sales and/or services rendered and its direct cost.
- **Net Profit**: It is the profit after deducting total expenses from total revenue of the enterprise. In case if the total expenses are more than the total revenue, such difference is termed as Net Loss.

⇒ **Gain:** It is the increase in the owners' equity resulting from something other than the day to day earning that is of irregular or non-recurring nature. It is the profit from non-operating transactions but which is incidental to it such as gain on sale of land, machinery or investments.

⇒ **Loss:** Loss refers to the excess of expenses over its related revenues for a period which decreases the owners' equity. It is a broad term and includes loss incurred in its operating activities, money or money's worth lost against which the firm receives no benefit, or any loss from events of non-recurring nature.

Purchases, Purchases Return, Sales, Sales Return, Revenue from Operations, Goods and Stock/Inventory

⇒ **Purchases:** It refers to the amount of goods which are bought for resale or the amount of raw materials that are used in the production process. It includes both cash and credit purchases of goods.

⇒ **Purchases Return:** When goods are returned to the suppliers for any reason, it is called as purchases return or returns outward.

⇒ **Sales:** Sales refers to the amount of goods sold that have already been bought or manufactured by the business. It includes both cash and credit sales of goods.

⇒ **Sales Return:** When goods are returned from the customers for any reason, it is called sales return or return inward.

⇒ **Revenue from Operations:** Revenue means the income generated from the sale of goods (in case of a non-financial enterprise) and the earnings from interest, dividend and commission (in case of a financial enterprise). In other words, it is revenue earned by an enterprise from its operating activities.

⇒ **Goods:** These are the physical items of trade that are purchased to be sold and includes all the items making up the sales or purchases of a business. In other words, it is actually Stock-in-trade of an enterprise, purchased or manufactured with the purpose of selling.

⇒ **Stock/Inventory:** Stock or Inventory is a tangible asset that is held by the business for the purpose of sale in normal course of business or for the purpose of using it in production of goods meant for sale. It includes goods unsold on a particular date. It may be opening or closing stock. The goods unsold in the beginning of the accounting period is called opening stock, whereas the goods unsold at the end of the accounting period is called closing stock.

Trade Receivables, Trade Payables, Cost, Vouchers, Trade Discount and Cash Discount

⇒ **Trade Receivables:** It is the amount that is receivable for sale of goods and/or services rendered in the ordinary course of business. It is a sum total of debtors and bills receivable.

- **Debtor:** Includes a person who receives a benefit without paying money immediately but liable to pay in future within a particular period of time. He owes an amount to business against credit sale of goods/services rendered.
- **Bills Receivable:** It is the amount of bill of exchange accepted by a debtor specifying the amount of which will be received on the specified date from him by the business.

⇒ **Trade Payables:** It is the amount payable for purchase of goods and/or services taken in the ordinary course of business. In other words, it is the sum total of creditors and bills payable.

- **Creditor:** A creditor is a person who gives a benefit without receiving money immediately but to claim it in future. It is to whom our business owes an amount against credit purchases of goods/services.
- **Bills Payable:** It is the amount of Bill of Exchange accepted by the person or enterprise, the amount of which will be payable on the specified date.

⇒ **Cost:** It is the amount incurred on or attributable to a specified item or activity in the business.

⇒ **Vouchers:** A voucher is a written document in support of a particular transaction. It includes, cash memo as given by the seller for cash purchase, invoice given for credit purchase and received receipt for making cash payment.

⇒ **Discount:** It is the amount of reduction in the price of goods and/or services or a reduction in the total amount payable for such goods or services. Such discount is further classified as Trade Discount and Cash Discount:

⇒ **Trade Discount:** It is a reduction in the prices of the goods allowed by the seller to the buyer for buying goods of certain quantity or value. When such discount is allowed, Purchases and Sales are recorded in the books at their net value i.e., Purchases – Trade Discount and Sales

⇒ **Cash Discount:** It is allowed for timely payment of the amount. Such amount is recorded in the books for which it is treated as an expense by the party allowing such discount and income by the party receiving such discount.

Other Important Terms

⇒ **Bad Debts:** It is the amount receivable by the business which becomes irrecoverable and is therefore, treated as a loss by the business and debited to the Profit and Loss Account.

⇒ **Balance Sheet:** It is a statement of financial position of a business on a particular date, which shows the assets, liabilities, capital reserves and other account balances at their respective book values.

⇒ **Book Value:** It is the value at which the items (assets, liabilities, etc.) appear in the books of accounts or financial statements.

⇒ **Books of Account:** It is the records or books in which all the financial transactions of an entity are recorded and maintained. It includes journal, ledger, cash book and bank book.

⇒ **Cost of Goods Sold:** It is the cost attributable to the production of goods sold and/or services rendered.

⇒ **Debit:** It is the left side of an account and is derived from an Italian word 'Debito'. In case where an account is to be debited, the entry is posted to the debit side of an account and it is said that the account is debited.

⇒ **Credit:** It is the right side of an account and is derived from an Italian word 'Credito'. In case where an account is to be credited, the entry is posted to the credit side of an account and it is said that the account is credited.

⇒ **Depreciation:** It is a fall in the value of an asset on account of usage or passage of time or obsolescence. It is allocation of cost of the fixed asset in each accounting year during its expected useful life.

⇒ **Entity:** It is an economic unit which carries out various economic activities and is established in accordance with the law in force. It includes proprietorship, partnership firms, corporations, companies, etc.

⇒ **Entry:** It is a transaction or an event which is recorded in the books of account.

⇒ **Insolvent:** It is the state of a person/entity where he is unable to pay its debts.

⇒ **Proprietor:** A person who owns a business and contributes capital to the business to earn profit is called proprietor.

⇒ **Rebate:** It is a reduction in the price of the goods after the goods have been sold and is offered for reasons other than that which may have been for allowing trade discounts (say, bad quality products delivered). It is offered and allowed on sales completed in the past.

⇒ **Solvent:** It is the state where a person/entity is in position to pay of its debts.

Session	Recording and maintenance of various books of accounts and other subsidiary registers
II & III	

Introduction

FPOs are required to comply with the certain requirements with regard to maintenance of accounts for their operations and preparation of financial statements. Besides, there is a need to assess the operational performance of these entities to know the benefits that have accrued to farmers due to their association with FPOs. Against this background, maintenance of proper books of accounts and other subsidiary registers assumes significance. While maintaining these records, the requirement of the statute, under which a FPO is registered would be taken care of. Each FPO should maintain the following records/ books to facilitate legal compliance as also evaluation of its performance.

Books of Accounts and Records are sub-divided into following two broad categories:

A) Financial Books

1. Cash Book
2. Bank Book
3. Bank Reconciliation Statement
4. Journal
5. Ledger
6. Share Capital Register
7. Subsidiary Books

(i) Input (Purchase, Sale & Stock) Register

(ii) Produce (Purchase, Sale & Stock) Register

B) Non-Financial Books

1. Members' Profile Register
2. Members' Progress Register
3. Minutes Book/Register

Objectives of maintaining books of account and records:

A) Financial Books

i. To know the position of cash and bank balances on a day-to-day basis and facilitate preparation of Bank reconciliation statements.

ii. To facilitate preparation of financial statements viz. P&L A/c, Balance Sheet and cash flow statement.

iii. To know profit earned or loss incurred by FPO. Book keeping keeps complete records of business transactions. Thus, profit or loss of business transactions can be easily ascertained/ known.

iv. Knowledge of assets and liabilities belonging to FPO – When a FPO keeps the books of different business assets and liabilities in a systematic manner, it can easily know the position of assets and liabilities as on a particular date.

v. To facilitate audit of books of accounts.

vi. Compliance with legal requirements.

vii. Facilitate preparation of MIS required by the management and filing of different returns with government authorities.

B) Non-Financial Books and Records

i. To know the socio-economic status of members after joining the FPO.

ii. To track record of the improvement in socio-economic condition of the members.

iii. To monitor the effectiveness of governance system of FPO.

iv. To facilitate preparation of business plan with concrete steps in order to make the most optimal use of the available resources.

Different kinds of Financial and Non-Financial Books

1) **Cash Book:** Cash receipts and cash payments, pertaining to FPO only, may be recorded in cash book against appropriate account heads. The format of cash book is given below:

CASH BOOK

Debit side (Dr.) **Credit side (Cr.)**

Date	V.No.	Particulars	L.F	Amt.(Rs.)	Date	V.No.	Particulars	L.F	Amt.(Rs.)

- All the items of cash receipts are recorded on the debit side (left hand side) and all the items of cash payments are recorded on credit side (right hand side) in order of date of the cash transaction.
- The difference between the total of two sides shows balance of cash in hand i.e. excess of summation on debit side over the summation on credit side.
- The entries made in cash book are posted to ledger.
- Cash Book may be balanced whenever there is a cash transaction and CEO may put his/her signature after it.

The columns of the Cash Book are explained below:

a) **Date**: The date of transaction is written in this column.

b) **Particulars**: In this column in case of receipt transaction the corresponding account head being credited is written on debit side. Further in case of cash payment the corresponding account head being debited is written on credit side.

c) **L.F (Ledger Folio)**: The page number of the Ledger where the concerned transaction is posted is written in this column.

d) **Amount**: The amount of the transaction is recorded in this column. The amount of cash received is recorded on the debit side in amount column and the amount of cash paid is recorded on the credit side in amount column.

e) **V. No. (Voucher Number)**: A voucher is necessary for each item of receipt and payment. Generally, a voucher has a serial number and this number-is written in this column (V. No.)

When cash is received from a debtor or customer, generally a ‘receipt’ or ‘cash memo’ is issued to the debtor which is a supporting document for Receipt Voucher. Again, when money is paid to a creditor or supplier an invoice cum receipt is obtained from him which is supporting document for Payment Voucher. These supporting documents are to be attached to the voucher and filed in voucher file.

2) Bank Book

All transactions related to receipt of money in Bank and payment made through bank are recorded in the bank book. The format of Bank book is similar to that of cash book. However, it is important to note that transactions routed through a Bank only (i.e. money received in Bank & payment made through Bank) be recorded in this book.

BANK BOOK

Name of Bank: ……………………………….

Account Type & No. ………………………..

Debit side (Dr.) **Credit side (Cr.)**

Date	V.No.	Particulars	L.F	Amt.(Rs.)	Date	V.No.	Particulars	L.F	Amt.(Rs.)

The difference between debit side (left hand) & credit side (right hand) of Bank book on any particular day will reveal the balance in Bank account of FPO. Debit balance (excess of total of debit side over credit side total) represent bank balance, while credit balance (excess of credit side total over debit side total) represent Bank overdraft. The Bank book is closed by striking a balance on a given date. CEO may put his/her signature in Bank Book when Bank balance is struck. Bank book helps to reconcile difference between balance as per bank book of FPO & balance as per pass book of Bank account of FPO.

3) Preparation of Bank Reconciliation Statement (BRS):

Normally, bank balance as per bank book of FPO and that as per pass book of Bank should be similar. However, on a particular day this balance may differ. Therefore, to know the reason for difference in balance as per these books, a reconciliation statement is prepared which is called Bank reconciliation statement. The format for reconciliation statement is as under:

Bank Reconciliation Statement as on …………………..

Name of Bank: …………………………..

Account Type & No. ……………………..

Particulars		Amount (Rs.)
Debit Balance as per Bank Book of FPO		A
Add :	Transactions which have reduced bank balance as per FPO books but not recorded in Bank Pass Book (e.g. Payment made through Bank by FPO or cheque issued by FPO not presented to Bank)	B
Less:	Transactions which have increased the Bank balance as per FPO book but not accounted/recorded by Bank in Pass book (e.g. Amount received from the customer by bank or cheque deposited in the Bank)	C
Balance as per Bank Pass Book		**D (A+B-C)**

No item of transaction should appear in the Bank Reconciliation Statement, for want of its accounting in the books of FPO e.g. interest credited or Bank charges levied by Bank not accounted for by FPO. Such transaction should be recorded before BRS is prepared, in the Books of FPO instead of allowing them to appear in BRS.

4) Journal

Financial transaction which does not involve immediate receipt or payment through Cash/Bank is recorded in a journal e.g. Credit purchase or credit sale. Besides this, accounting entries pertaining to closing stock/ opening stock, provision for depreciation, provision for outstanding expenses and income, prepaid expenses, income received in advance, adjustment and rectification entries are passed through journal.

The format of journal is as under:

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Account head to be debited ………………….. Dr. Account head to be credited …………………..Cr. (Narration)		XXX	XXX

The account head debited/ credited in journal should be posted in ledger. The various columns of journal are explained in detail below:

a. **Date:** This column is used to write the date of the business transaction.

b. **Particulars column**: In this column the names of the two connected account heads are written. In the first line, the name of account head to be debited and in the second line the name of account head to be credited is written. It is not necessary to place the word 'Cr" before the name of the account credited. Below the account heads narration is written, usually, within brackets.

c. **Ledger Folio (L.F):** The page numbers of the ledger where the concerned accounts have been posted are written in this column against the name of each account head. Thus, if a folio number stands written in this column, it will mean that the transaction has been posted in ledger.

d. **Amount**: Against account heads debited/ credited, the amount is indicated. It has to be ensured that total amount of account heads debited should be equal to total amount of account heads credited.

5) Ledger

Ledger is a summarized record of accounting entries for account heads debited or credited in Cash book, Bank book or Journal for the given period of time (i.e. year). Entries made in prime books (cash book, bank book, journal) are posted in ledger to know the cumulative position under each account head. A separate folio is maintained for each account head. On posting of transaction from prime book (cash/ bank book & journal) into ledger, a reference folio number of prime book is indicated below in format of Ledger Book:

Name of the Account Head

Debit Side (Dr.) **Credit Side (Cr.)**

Date	Particulars	Bank/ Cash Book / Journal folio	Amt.(Rs.)	Date	Particulars	Cash/ Bank Book/ Journal Folio	Amt.(Rs.)

Characteristics of Ledger Account:

The ledger has the following main characteristics:

a) It has two sides – left hand side (debit side) and right hand side (credit side).

b) Account heads appearing on the debit side of the cash/bank book will be credited in the ledger whereas, account heads appearing on the credit side of cash/bank book will be debited in the Ledger.

c) Ledger Posting of Journal – account heads debited in the Journal entry will be posted in ledger by recording the entry on debit side of the account head, while, account heads credited in the journal, entry will be posted in the ledger by recording on the credit side of the account head.

d) The difference between the totals of the two sides of account appearing in ledger represents balance. The excess of debit side total over credit side of the account indicates debit balance, while excess of credit side total over debit side total in the account indicates the credit balance. If the two sides are equal, there will be no balance.

e) Generally the balance is drawn at the year end and recorded on the lesser side to make the two sides equal. The balance is known as closing balance.

f) The closing balance of the current year becomes the opening balance of the next year in case of account heads involving assets or liability.

g) Closing balance of account heads involving income or expenditure are transferred to Trading and Profit & Loss account. These balances are not carried to next year as opening balance.

<u>Uses of Ledger</u>

a) **Preparation of Trial Balance**: Once all transactions are posted in ledger and all ledger accounts are balanced, the next step is preparation of trial balance. A trial balance is summarized, position of each account head opened in ledger. The closing balance arrived at for each account in the ledger is carried to the trial balance.

b) **Preparation of Receipts & Payment Statement**: In case FPO is registered under Public Trust Act, it will prepare Receipts & Payment Statement instead of trial balance. The said statement can also be prepared from the Ledger. While preparing Receipts & Payment Statements, total of transactions posted for the year is to be considered i.e. opening balances are not to be factored while carrying balances to Receipt and Payment Statement.

6) Share Capital Register

A Share Capital Register is a list of active owners of a FPO's shares, updated on an ongoing basis. The register contains details of each member's name, address and number of shares held by each member. In addition the register can have details of member's occupation/activity. The Share Capital Register is fundamental to the examination of the ownership of a FPO. A typical Share Capital Register's format is given below:

Sl. No.	Name of shareholder	Address	Occupation/ Activity	No. of Share held	Face Value of share (Rs.)	Amount Paid (Rs.)	Date of acquisition of shares	Remarks

7) Subsidiary Books to record Purchase/Sale/Stock

FPO normally undertakes purchases at two levels:

i) Aggregation of input requirement of farmers & its purchase from the market for distribution among farmer members.

ii) Aggregation of produce from member farmers & its purchases from the members for selling in the market

In order to have proper control over purchases of input & produce made by FPO, distribution/sale of inputs/produce & proper accounting of closing stock, FPO needs to maintain following registers for recording purchase, sale & stock of input & purchase, sale & stock of produce.

- Input (Purchase, Sale & Stock) Register
- Produce (Purchase, Sale & Stock) Register

The format of registers are indicated below:

Input (Purchase/Sale/Stock) Register

Name of Input: …………………………………………… Year …………

	Purchases						Sale/Distribution to member									Stock		
Bill No., Date & Name of Supplier	**Qty**	**Rate (Rs.)**	**Amt (Rs.)**	**GST (Rs.)**	**Total Amt (Rs.)**	**Cash Book/ Bank Book Folio No.**	**Date & Bill No. of FPO**	**Name of member farmer**	**Qty**	**Rate (Rs.)**	**Amt (Rs.)**	**GST (Rs.)**	**Total Amt (Rs.)**	**Cash Book/ Bank Book Folio No.**	**Member Progress Folio**	**Closing Stock Qty.**	**Rate (Rs.)**	**Amt (Rs.)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17) = (2-10)**	**(18)**	**(19)**
To be filled in based on Supplier's Bill						Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c			To be filled in based on sale invoice of FPO					Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c				

Important points about the maintenance of Input (Purchase, Sale & Stock) Register

1. A separate Folio may be earmarked for each item of input procurement made by FPO
2. Total of ‘Amount’ column of purchases in the register to be tallied with the total amount as appearing in the ledger against the account head ‘Input Procurement’ for the respective inputs
3. Total of ‘Amount’ column under Sale/Distribution to members in the register is to be tallied with the Account head for the distribution of respective input in the Ledger i.e. Input Distribution A/c – Respective Input
4. In case, sale of input is made to more number of farmers on any day, the total of day’s sale/distribution may be accounted in Cash/Bank Book instead of making separate entry for sale to each farmer in Cash/Bank Book.
5. Farmer wise input distribution entries will be made in Farmers/Members progress register based on entries made in input (purchase/sale/stock) register and cross reference of these registers will be indicated.
6. Rate for distribution of input will be decided by the Board, taking into account, the market rate of the input.
7. Sale/distribution of input may be based on ‘First in First out (FIFO)’ method. Accordingly, accounting entries for closing stock valuation may be done on the basis of rates charged in last purchases made by FPO.

Produce (Purchase/Sale/Stock) Register

Name of Produce: ……………………………………………. Year ……………

		Purchase						Sale of Produce								Stock		
Bill No. & Date	Name of Farmer	Qty	Rate (Rs.)	Amount (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Register Folio	Date	Buyer's Name	Qty	Rate (Rs.)	Amount (Rs.)	GST * (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Qty	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)		
		To be filled in based on FPO's Bill				Cash book Folio, if purchases are made in Cash & Bank Book Folio,if payment is made through Bank A/c		To be filled in based on sale invoice of FPO. *GST may be included in case the good or services are chargeable							Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c			

Important points to be noted about maintenance of Produce (Purchase/sale/stock) register:

1. A separate page may be earmarked for each produce procured by FPO from farmers.
2. Date wise produce procurement done from farmers/members may be recorded under purchase segment of the register. Total produce for the particular day may be totaled and accounting entry for the day's procurement may be passed through cash book/bank book, depending on mode of payment.
3. Cash/Bank Book folio may be indicated in the register to ensure and confirm accounting entry of the procurement.
4. The produce procured details may also be entered in members progress register & folio no. of members progress register entered in the produce purchase register.
5. Total of 'Amount' column under 'purchase segment' of this register should be tallied with the total amount/balance appearing against produce procurement A/c of respective produce in the ledger.
6. Sale of produce procured will be recorded under 'sale segment' of register, based on bill/invoice
7. Total of amount column of sale register to tally with the total/balance amount appearing against 'produce sale – A/c of respective produce in the ledger. Under 'stock' segment entries may be made as & when there is change in stock position of the produce.
8. Stock valuation may be made & entries for closing stock to be passed accordingly, at the end of the year
9. Cash/Bank book folio where entry of sale transaction is made should be indicated under CB/BB folio depending upon mode of payment.

B) Non –Financial Records/Books

1. Members' Profile Register

A FPO having farmers as its members, has to keep record in place for getting basic information about its members.

A sample Member's profile register is as follows:

<table>
<tr><th rowspan="2">Sl.</th><th rowspan="2">Name & Address of Farmer</th><th rowspan="2">Village</th><th rowspan="2">Area under Cultivation</th><th>Crops cultivated</th><th>Yield achieved</th><th rowspan="2">No. of Animals/Birds</th><th rowspan="2">Breed of Animal/Bird</th></tr>
<tr><th colspan="2">Before Joining FPO</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

2. Members' Progress Register

The objective of FPO formation is to benefit from collectivization & reflect in the enhancement of income of farmers/members of FPO. Hence, this register is to be maintained to track progress of farmers due to their association with FPO. This register is to be maintained year-wise to record progress made by the farmer on three fronts viz. input consumption, production of produce & income enhancement. The format of the register is indicated below:

Name of the Farmer/member: …………………………………….

Serial No. (Reference) in Share Capital Register ……………

Folio of member's profile register. …………………………….

Year	Input Consumption				Produce production			Income earned
	Name of input	Qty	Amount (Rs.)	Folio of input register	Produce Name	Qty	Folio of produce register	Amount paid by FPO

Note: A separate folio should be earmarked for each member/farmer to record the year wise progress made

3. Minutes Book/Register

Meetings of shareholders/board of directors/AGM/Extra Ordinary General Body meeting, etc. are meant for discussing agendas like:

a) Preparation of business plan

b) Reviewing progress of FPO in terms of activity expansion

c) Strategic decisions like which crop/breed of animal to be cultivated/adopted in next season/cycle.

d) Measures to enhance profitability of FPO & income of farmers

e) Share capital contribution (enhancement/reduction etc.)

f) Dividend payout

g) Borrowings from Bank

h) Deciding on rates to be charged to farmers for input supply & rate to be paid for produce procurement

i) Adoption of accounts

j) Appointment of auditors

k) Periodic review of business plan implementation

l) Review of FPO operations & benefit received by farmers

Deliberations in the meeting should be documented in the Minutes Book/Register. A typical Minutes Book format is given below:

Type of Meeting	
Date of Meeting	
Members Present(Name & Signature)	
Agenda items	
Details of deliberations	
Decisions Taken	

Session	Recording of transactions for procurement & sale of agriculture inputs and agriculture products/commodities with case exercises
IV & V	

Transactions in FPO

Let's first identify the flow of transactions and then look at the accounting needs for the transactions. Members bring their produce to the FPO. The FPO measures the produce, certifies the grade, checks the price payable based on the quality and quantity and makes payment to members. Based on agreement between them, FPO may ask members to wait for a couple of days/ weeks.

After procurement, the FPO may sell some of the produce in bulk straight away and store some for selling later. This will depend on market prices, demand and supply and on how much capital the FPO has. At the end of the season, when all the produce has been sold, it will prepare the statements of accounts to see what the profit/loss was. The net result (profit or loss) will be shared among members in a manner decided by the members. Similarly the FPO may sell the inputs/goods based on the member's needs. As per management decision either weekly or monthly or at the end of the season FPO prepares the statement of account to see what the profit / loss in the sale. The net results will be shared with members during General Body Meeting / General Meeting by the Board of Directors. Hence, Board of Directors needs to understand how to account for the money in business. Let us now look at the type of business activities performed by FPOs and the records and books in which the transactions are noted.

FPOs are performing following different business activities:

Activities at FPO level

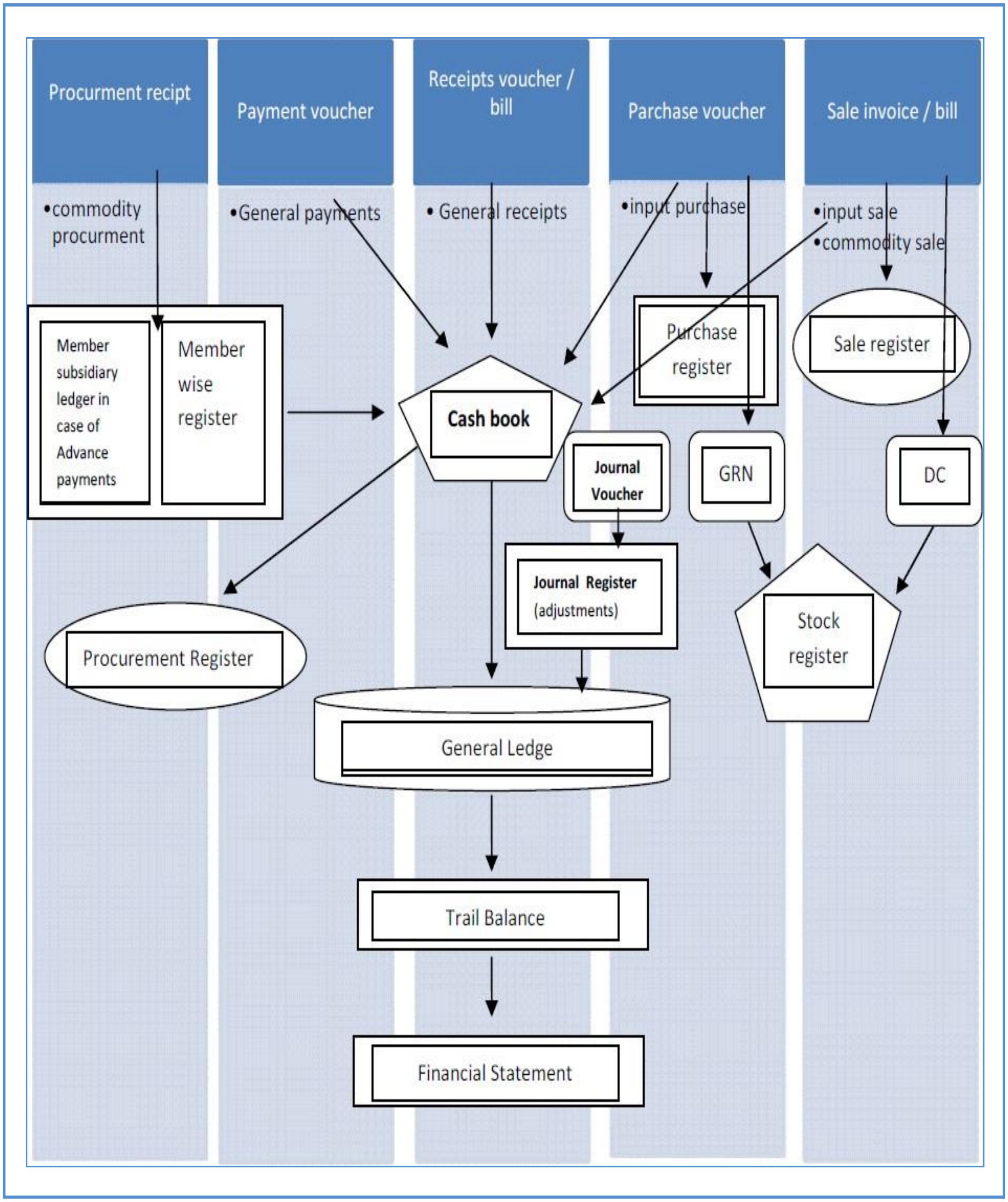
- Collective Marketing of Produce
- Processing and value addition
- Storage
- Seed production & supply
- Collective procurement of inputs
- Procurement of agricultural produce form members
- Agriculrural machinery hire centre

FPO needs to keep track of all transactions like which member brought in what grade and how much entered the godown and left along with date. It also needs to keep track of how much of what quality was sold, when, to whom and whether and when the money was fully realized. If any amount was spent on license fee, storage fee, wages given to members who kept the accounts, who helped in weighing, storage, etc., need to be accounted for. Now let us look at the list of records and books in which the transactions are noted.

Inputs **(purchase from the market/ vendor)**	**Inputs** **(Sale to members)**
Procurement receipt / Goods receipt note	Delivery *challan*
Purchase voucher	Sales voucher / Bill / Invoice
Purchase register	Sales register
Stock register (product wise/grade wise)	Stock register (product / grade wise)
Bank / cash voucher	Bank / Cash receipt voucher
Cash book (double column)	Receipt, Cash book (double column)
Posting to General Ledger (product /grade wise) entry	Posting to General Ledger (product wise/grade wise) entry

Daily sales summary (product & grade wise)	
Monthly purchase, sale and stock summary report	
Physical stock verification of goods & assets report	
Purchase/Procurement from members	Sale goods in the market / to the vender
Procurement receipt (also for MSP)	Delivery challan
Purchase voucher (in case of credit purchases)	Sales Bill / Invoice
Purchase register	Sales voucher (in case of credit sales)
Stock register (product wise/grade wise) - (also for MSP)	Sales register
Bank / cash voucher	Stock register (product / grade wise)
Cash book (double column)	Bank / Cash receipt voucher
Posting to General Ledger (product wise/grade wise) entry	Receipt Cash book (double column)
Purchase return (debit note)	Posting to General Ledger (product /grade wise) entry
	Sales return (credit note)
	Daily sales summary (product & grade wise)
Monthly purchase, sale and stock Summary report	
Physical stock verification report	

Now we will see the flow of information and recording of transactions from the time it occurs until it is ultimately reflected in the financial statements.



FPO is not a small organization. We have several transactions each day. The details of each transaction are written in various books of accounts. Now we will see how to write transactions in various books are noted.

PROCUREMENT OF AGRICULTURAL PRODUCE FROM MEMBERS

When a member walks in to procurement center with produce, the FPO will have to take the produce from him/her and make partial payment as advance against the produce. The full payment will probably be made only after the final sales are completed. The advance could be equal to or less than the current procurement price of the produce.

Procurement receipt

As soon as procurement is over, the procurement receipt (shown below) will need to be filled. The member will need to sign on the receipt as proof of having received the amount. The FPO staff making the payment too will need to sign it, so that if any error is found in the receipt we will know who had prepared the receipt. These receipt must have printed numbers on them.

If procurement is on different days in different centers it would be best if each center had few procurement receipt books of FPO. It would be good to start procurement at a single center for each FPO as members are anyhow used to bringing in their produce to centrally located markets. When issuing a receipt book to a center/person, the signature of the person receiving the receipt book and its serial numbers should be noted in a register. The bill book must not be casually handled by more than one person. It may be formally handed to another person, if the key person is ill/on leave/given other responsibilities.

Each procurement receipt should be printed as one original and two copies. The original will not be perforated but the two copies will be as they have to go to different persons. The first copy will go to the accountant for entries in other books and the second copy will go to the member herself. The original will be kept with the purchase officer (in bound form). The paper used for the original could be white in colour, and the remaining copies should each be differently coloured for easy identification (Carbon copies need to be kept between the copies. Use of ball pens will help ensure that all copies are readable).

Usually in FPOs the purchase officer will also be the godown in-charge – the person who has the keys of the godown. It is important that one individual should be responsible for the quantity and quality of the stocks from procurement till sale.

Procurement Receipt

(for goods / commodity)

PR.No. ______ Date _____________

Name ____

Village ___________________ Block _______________ District_________________

Adhar No.____ Stock ___________

Register Ref. No.

S.No.	Crop / Goods name	Variety	Grade	Lot No.	Units	Weight	Payment rate per quintal	Total value	Amount received

Total amount Rs._________(in words_______________________________) received

in cash / cheque no__________________________date_______________

Paid by **Received by**

The accounts assistant will make entries in the stock register from this receipt and will note against each item procured the page number of the stock register in which the item has been entered Balance amount to be paid to members will be entered in member advance payable account.

Case: Fill the above procurement receipt with the following details

S.NO	TRUCK SHEET NO/ Lot no.	PROCURMENT BILL / RECEIPT NO.	STOCK REGISTER REFERNCE NO.	PURCHASE DATE	FARMER NAME	FATHER NAME	VILLAGE	PURCHASE DETAILS				Amount paid to members
								Bags	Net Weight	Qts.Rate @ 1425/-	Total Rs.	
1	3451	13601	425	24-May-18	C. Raja Reddy	Hanmanulu	Kakanoor	57	28.5	1425	40,613	36,551
6	3452	13605	430	26-May-18	Chakali Balavva	Narsaiah	Gattupalli	99	49.5	1425	70,538	63,484
8	3452	13616	432	26-May-18	Jajav Shravan	Shanker Rao	Narsampalli	53	26.5	1425	37,763	33,986
9	3452	13609	433	27-May-18	K. Anjalreddy	Lasmaiah	Narsampalli	100	50	1425	71,250	64,125
10	3452	13608	434	27-May-18	kunta Sumanth	Anjal Reddy	Chintagutta	146	73	1425	1,04,025	93,623
								1096	**548**	**1425**	**7,80,900**	**7,02,810**

Day Wise Procurement & Payment Register

At the time of procurement the person responsible will fill the procurement receipt and one copy of it should be issued to the member. Immediately thereafter based on the procurement receipt entries will be made in the Day Wise Procurement & Payment Register as shown below. In the evening after procurement is over, the Day Wise Procurement & Payment Register along with the copies of the receipts will be sent to the accountant. If any cash is left over, this too needs to be handed over to the accountant. Page numbers will be printed on the Day Wise Procurement & Payment Register.

If FPO operating more than one procurement center, the Day Wise Procurement & Payment Register too will have an original and a copy for each page. The original will not be perforated and will remain in the register. The copy will be perforated and this copy along with the receipts will be sent to the accountant. The colour of the original can be white but the copy could be of another colour for easy identification.

The procurement payment register is a summary of the day's payments for procurement. It will help the FPO check the day's payments towards procurement against the receipts issued.

Day Wise Procurement and Payment Register

Commodity: **Type:** **Date:** **Page no:**

S.No	Name of the farmer	Village	Block	Bank A/c no	Bank branch	IFSC code	PR No.	No. of units	Total quantity in quintals	Rate per quintal	Total value	Cheque no & date	Amount paid	Due amount	Signature of the farmer

Total

Procured till yester

Day ________________

Procured today (in Qty)______________

Amount paid till

Yesterday ________________

Amount paid today ________________

Total procurement	________________	Total amount paid	______________________
			Signature of the authorized person

Case:

Fill the Day wise procurement payment register based on procurement receipt and following information

S.NO	FARMER NAME	FATHER NAME	VILLAGE	PURCHASE DATE	PURCHASE DETAILS				Amount paid to members	Bank A/c no	Bank Name	Bank branch	IFSC code	PR No.
					Bags	Net Weight	Qts.Rate @ 1425/-	Total Value Rs.						
1	Chilkuri Raja Reddy	C Hanmanulu	Kakanoor	24-May-18	57	28.5	1425	40,613	36,551	1001	Andhra Bank	Sadasivnagar	ABOO1	13601
2	Gurudu Sanjeevulu	Sai Reddy	Kakanoor	25-May-18	144	72	1425	1,02,600	92,340	1002	Andhra Bank	Sadasivnagar	ABOO1	13602
3	Gurudu Laxmi	Ravidar	Gattupalli	25-May-18	118	59	1425	84,075	75,668	1003	Andhra Bank	Sadasivnagar	ABOO1	13603
4	Gurudu Ramulu	Rajanna	Gattupalli	25-May-18	126	63	1425	89,775	80,798	1004	Andhra Bank	Sadasivnagar	ABOO1	13607
5	Yalla Ravindar	Rajireddy	Gattupalli	25-May-18	141	70.5	1425	1,00,463	90,416	1005	Andhra Bank	Sadasivnagar	ABOO1	13604
6	Chakali Balavva	Narsaiah	Gattupalli	26-May-18	99	49.5	1425	70,538	63,484	1006	Andhra Bank	Sadasivnagar	ABOO1	13605
7	Mittadoddi Sairam	Bhumaiah	Narsampalli	26-May-18	112	56	1425	79,800	71,820	1007	Andhra Bank	Sadasivnagar	ABOO1	13606
8	Jajav Shravan	Shanker Rao	Narsampalli	26-May-18	53	26.5	1425	37,763	33,986	1008	Andhra Bank	Sadasivnagar	ABOO1	13616
9	Kunta Anjalreddy	Lasmaiah	Narsampalli	27-May-18	100	50	1425	71,250	64,125	1009	Andhra Bank	Sadasivnagar	ABOO1	13609
10	kunta Sumanth Reddy	Anjal Reddy	Chintagutta	27-May-18	146	73	1425	1,04,025	93,623	1010	Andhra Bank	Sadasivnagar	ABOO1	13608
						548		**7,80,900**	**7,02,810**					

PR No. – Procurement Receipt number

Goods Received Note

The Goods Received Note (GRN) of FPO shown below is used as 'proof of delivery' and must be accurate because it can often detect and reduce errors. The form is filed by the purchase officer for procurement and handover to accountant. It is very beneficial because it details when a delivery is made and the exact goods and quantities that were received at the center. The goods received note is compared with the original purchase receipts by the accountant and if it matches, the amount is transferred to producers. Then stock is entered into stock register.

GOODS RECEIVED NOTE

GST No. _

Licence no. _

GRN No _

Date _

Stock Reg Folio No _

From (Supplier / Producer) ____________________________	Order No ________________________
	Delivery Challan No of supplier______
	Invoice no of supplier_____________
To (Receiver)___________________________________	Purchase order / Requisition No ___
	Requisition by ___________________
____	Date ___________________________

S.No & P.V.No	Commodity / Good particulars	Type / Grade	Stock Reg Folio No	Qty order	Qty received	Unit cost	Total value	Balance of the Qty

Store/Godown Keeper signature_______Name___________Date ____________________

Remarks ____

Acceptance certificate: Name______________Signature Date_________
(authorized person by FPOs)

Distribution: Original (white copy) - Accountant; Duplicate (Green)-Receiver; Triplicate (Pink)-Store

In case of FPO has ordered any goods, supplier might be one or few. In such case only order no (when FPO ordered), delivery challan & Invoice order no of supplier, purchase order number to be filled. Whereas, FPO is procuring crop / goods from many members, the page numbers of day wise procurement & payment register can be noted in the place of producer in GRN.

Stock Register: On different days, different quantities of a commodity will come in and purchased at a different price. However it will be foolish to try and allocate godown space for differently priced of same grade of a commodity. Once produce come into the godown, the same grade of a particular commodity will be in one section regardless of the price at which it was procured. When sales take place, it will not be possible to ascertain the procurement price of each bag/bundle sold though the grade will need to be monitored closely. Yet we need to know the value of the stocks in our godown at any time. Hence, we will maintain stock register. The purchase officer will take the produce into the godown and the accounts assistant referring to her copies of the GRN for the day will make entries in the stock register. Based on quantity expected of each type and grade of produce, some numbers of pages will need to be allocated for each type and grade of produce that the FPO expects to procure. When produce is sold, that too will enter into the below stock register. At the time of procurement and later on sale, entries must be made in the pages related to each commodity and grade.

STOCK REGISTER

Name of the goods/commodity__ Type_____ Page no ______

Date	Particulars of goods / commodity	Location	Lot no	GR no	Receipt/ Bill no	Receipt			Issue Quantity					Balance Quantity
						Quantity	Rate	Amount	DC no & date	Sale invoice / bill / voucher no	Quantity	Rate	Amount	
Day's Total														
Cumulative Total														

Therefore at the end of each day, transactions entries need to be made in the stock register from the GRN. Different pages in the stock register will be used if a GRN contains particulars of different produce or grades. The rate will be the full value payable and not just the advance paid.

If any quantity is released for sale, the quantity needs to be mentioned in Issue Quantity. This can be taken from Delivery Challan (DC) which we talk about next in this manual.

At the end of each day the totals needs to be entered in the row “Day’s totals”. The day’s totals needs to be added to the cumulative totals for the previous day to arrive at new cumulative totals. The difference between the cumulative quantity procured and the cumulative quality sold will need to be entered to indicate the balance of stocks in the godown.

To arrive at average value of produce, at the end of each day the cumulative quantity procured will need to be divided by the cumulative value of produce. The stock register must be easily accessible, so that stocks can be checked when needed.

The purchase officer / godown-in-charge is accountable at all times for the full value of the produce lying in her godown. The full value will be the balance of stocks multiplied by the average value of produce. Missing stocks (in weight/volume) if any will need to be valued at this average for collection from the godwon incharge. There can be some weight loss because of storage but the FPO should try and avoid fixing a weight loss “acceptable”. Directors not involved in procurement or sale, need to check the stocks on occasion to ensure that the stocks are there.

The godown should have two locks on it and two different people should together need to be present to enter the godown – when procurement, storage or sale takes place. While one must be the godown incharge and the other should be one not involved in accounts or directly in the business. The second person however must be accessible, so that when a sale deal is struck, she can come immediately to help open the godown.

SALE OF COMMODITY

The FPO will need to sell the commodities that it has procured. It will need to keep updated and ensure that it makes a profit on the sale.

Sale Invoice / Voucher / Bill

The sale Invoice /voucher/Bill will look as follows. The voucher numbers must be printed and sale vouchers need to have an original with two copies for each voucher. The original will remain in the sale voucher bound book. The first copy (perforated) will go to the accountant, the second to the person to whom the commodity was sold.

Sale invoice /Bill / Voucher

GST No.________ License no _____

S. No. ______ Date ________

Name

Address

Buyers GST no_______(in case of selling to other FPOs/other org)

Particulars	Type	Stock reg folio no	Batch / Lot no	Date of expiry	No of units	Unit Weight	Rate	IGST	SGST	CGST	Total Amount

Prepared by _______	Buyer signature	Authorized signatory for FPO

Notice that there is a column for "stock register folio No". The stock register reference will be filled in by the accounts when she writes the stock register in the same evening.

Case: Fill the sale voucher with the details given below

FPO Maize Sale

Date of Sale to Supplier	Batch / Lot no	Bags	Net Weight	Sale Price Qts. Rate @	Amount received by FPO from the sale	Date of expiry	Buyers Name	Byers address	Buyers Licence no	Buyers GST no
25-May-18	3451	57	28.5	1525	43,455	25-Aug-18	Navatha Agencies	1-3-285/23, Madhapur	17722837655	36AAACC1206D2ZG
26-May-18	3451	144	72	1525	1,09,782	26-Aug-18	-do-do	-do-do	-do-do	-do-do
26-May-18	3451	118	59	1525	89,960	26-Aug-18	do	do	do	do

Date of Sale to Supplier	Batch / Lot no	Bags	Net Weight	Sale Price Qts. Rate @	Amount received by FPO from the sale	Date of expiry	Buyers Name	Byers address	Buyers Licence no	Buyers GST no
26-May-18	3451	126	63	1525	96,059	26-Aug-18	do	do	do	do
26-May-18	3451	141	70.5	1525	1,07,495	26-Aug-18	do	do	do	do
27-May-18	3452	99	49.5	1525	75,475	27-Aug-18	do	do	do	do
27-May-18	3452	112	56	1525	85,386	27-Aug-18	do	do	do	do
27-May-18	3452	53	26.5	1525	40,406	27-Aug-18	do	do	do	do
28-May-18	3452	100	50	1525	76,238	28-Aug-18	do	do	do	do
28-May-18	3452	146	73	1525	1,11,307	28-Aug-18	do	do	do	do
Total		**1096**	**548**		**8,35,563**					

Sale register: At the time of sale the person responsible will fill the sale invoice/voucher/Bill and one copy of it should be issued to the buyer and 2nd copy should go handover to accountant. Immediately thereafter based on the sale invoice entries will be made in the Sale Register as shown below.

Sale Register

(Product / Produce wise)

Page ___

Date	Particulars	CB.F. No	Batch / Lot no	Invoice no	Date of expiry	No of units	Weight	Rate	IGST	SGST	CGST	Total Amount
Total of the day												
Cumulative total												

In the evening after sales is over, the day wise sale invoices along copies will be sent to the accountant. If any cash transactions happen, this too needs to be handed over to the accountant. Page numbers will be printed on the Sale Register. At the end of each day the totals needs to be entered in the row "Day's totals". The day's totals needs to be added to the cumulative totals for the previous day to arrive at new cumulative totals.

When any amount is transferred within the organization between say the accountant and the purchase officer or from the sale officer to the accountant, internal vouchers must be used. The vouchers could be simple printouts in which A acknowledges receipt of X rupees on Y date from B for Z (purpose). Transfer of money among colleagues should not be informally carried out. The money belongs to the members and their financial supporters. All moneys must be fully accounted for at all times. Similar vouchers with the organizational stamp and numbered should be printed for use in all other transactions of the FPO. For example when final payment is made from FPO to members, then a payment voucher will need to be signed by the member. When a member pays share capital or deposits in the FPO, a receipt voucher will need to be issued to the member with the accountant's signature.

Delivery Challan

The Delivery Challan (DC) is required where goods are being transported from one place to another which may or may not result in sales. Example: Transfer of goods from the center to FPO Office or Member FPO to FPO federation. The DC also known as a dispatch challan or a delivery slip. As shown below a delivery challan is a document that contains the description, condition, and quantity of goods delivered. Delivery Challan will send along with the delivery of goods. It contains the details of items and quantity of goods being delivered. Normally delivery challan will have original copy along with two copies.

GST No. _______________ **DELIVERY CHALLAN** Page No _______

License no.______________ Date ________

From ____

Name & Address of the Buyer ____

Buyers GST no________________ Ph.No.______________

S. No	Order no & Invoice no	Commodity / Good	Type	Lot no	No of units	Weight per unit	Total weight	Amount

Driver name : Vehicle no: Vehicle weight:

Gross weight: Net weight: Gate pass no:

Received the above goods/commodity transported in good order and condition and without any shortage / pakage breakage Signature of the driver_____________	I/we certify that to the best of my knowledge the particulars furnished are true and accurate. Godown keeper _________________
Received the above stocks in good condition and without any shortage. Signature of the receiver____________Date ____________	
Note: Payment should be made within__________________________days after receiving the commodity/goods. If not_____% interest will be charged.	
Commodity/goods sold will not be taken back	

At the time of sale the person responsible will fill the Delivery Challan based on the sale invoice/voucher/Bill and original copy of it should be issued to the buyer and one copy will be with transporters and another copy will handover to accountant.

Stock Register: The godown in-charge will prepare sale invoices and DCs and the accountant referring to her copies of the DC for the day will make entries in the stock register.

INPUT / Goods - PURCHASE

One of the important services provided by FPO to its members is input purchase and sale. Based on the necessary surveys and planning FPO decides to buy form based inputs such as seeds, fertilisers, pesticides etc from suppliers and in turn these inputs will be sold to the members of the FPO. The FPO buys inputs for all its members, in bulk at affordable prices and acceptable quality. In fact, it could bargain with private traders and add small percentage of margin and sells to its members and also non-members. For purchase of inputs and sale, FPO should track all the transactions in the following documents. Based on the survey and planning FPO place the order with trader/supplier for required inputs.

Purchase invoice

After placing the order, the trader / supplier issue purchase invoice to the FPO. Purchase invoice is a document received from the supplier showing the details of goods or services the FPO has obtained, but yet to pay for it. The purchase office is responsible for the checking the quantity and quality of the goods/inputs and sign on the purchase invoice and prepare Goods Receipt Note (GRN) and submit to accountant for the process of payment.

Purchase voucher

All the payments made towards purchase of goods/inputs by FPO to be routed through the Purchase Voucher. The purchase voucher shown below will be used to make payment of an invoice. The payment voucher includes information necessary to process payment for an invoice including items such as purchase order and invoice numbers.

Purchase Voucher

(For Inputs / goods)

Name & Address of supplier/vender	Pur.Vou.No._______ G.R.No. ___________ (Purchase receipt no & M.R.No)_______	Date _________________ Date _________________

Supplier /Vender A/c number ______Bank name___IFSC___

No	Particular /Product	Qty	Rate	Freight	CGST	SGST	IGST	Total	Advance/ Adjustment	Amount paid	Balance amount	Details of amount paid (cash/Cheque no, date & bank)
	Name___________Type _______ Bags________Weight _______											

Prepared by_____________ For FPO________________

A separate colouring should be used for purchase voucher. Chronological order of numbering on the vouchers should be strictly followed. The purchase bills, delivery challan and other documentary evidence should be attached to the purchase voucher. At the time of purchase the person responsible will fill the purchase voucher and one copy should be handover to accountant. In case of any partial payments made to traders / sellers, FPO should maintain separate advance (payables) register.

Case: Fill the purchase voucher based on the following details

Particulars	FPO input purchase - May 18				
	Purchased from Rajeshwari Enterprises, Nanded: Bank : SBI; A/C no: 1234567890: IFSC:SB1234				
	Quantity	Rate	Amount before GST	GST (CGST, SGST)	Value including GST
BIO PESTICIDES					
BIOVITA 250 ML	*8 BTLS*	214	1,712	86	1,798
Fertilizer					
Urea	*5 Bag*	266	1,330	67	1,397
MICRO NUTRIENTS					
BHAGYA MAX 250 GM	*7 PACKS*	95	665	40	705
Pesticides					
ACEMAIN 500GM	*14 PACKS*	246	3,444	620	4,064
ATOM 100ML	*13 BTLS*	104	1,352	243	1,595
BARAZIDE 250 ML	*4 BTLS*	353	1,412	254	1,666
CALDAN 4G 5KG	*7 PACKS*	356	2,492	449	2,941
CLICK 100 GM	*14 BTLS*	110	1,540	277	1,817
COMPANION 250GM	*15 PACKS*	123	1,845	332	2,177
CORAGEN 60ML	*14 BTLS*	627	8,778	1,580	10,358
Delegate 100 ML	*7 BTLS*	890	6,230	1,121	7,351
EM-1 100 GM	*15 BTLS*	220	3,300	594	3,894
Grand Total	**103**		**30,393**		**39,763**

Goods Received Note: After preparing purchase voucher, the purchase officer fill GRN for purchase and handover to accountant along with other documents. The goods received note is compared with the original Purchase Invoice & Voucher by the accountant and if it matches, the amount is transferred to trader / sellers. Then stock is entered into stock register.

Case: Fill the GRN based on the purchase voucher

Stock Register: The purchase officer will take the purchased inputs / goods into the godown and the accountant referring to her copies of the GRN for the day will make entries in the stock register. Based on quantity expected of each type and grade of input / goods, some numbers of pages will need to be allocated for each type and grade of input that the FPO expects to purchase. When input is sold, that too will enter into the stock register. At the time of purchase and later on sale, entries must be made in the pages related to each input and grade.

Case: Fill the stock register based on GRN and Purchase Voucher

Purchase Register

Based on the Purchase Voucher, entries will be made in the Purchase Register as shown below. Immediately after verification of purchase vouchers and payment made, Purchase register will be filled by accountant. Page numbers will be printed on the Purchase Register.

Purchase Register

(Inputs / Goods)

Name of the product__________ Type ___________ Page ________

Date	Supplier/ Vender name	CB.F.No.	Bill. No	Quantity	Rate	Total	CGST	SGST	IGST	Grand Total

In purchase register separate pages should be allotted to each of the purchase item that is purchased and brought by the FPO. The total amount mentioned in the purchase register should tally with the Cash Book and General Ledger account related to the purchase of the same item.

Case: *Fill the purchase register based on Purchase Voucher*

INPUT / Goods - SALE

The FPO will need to sell the inputs/goods that it has purchased. It will need to keep updated and to refer to the price policy of the FPO to ensure that it makes a profit on the sale.

Sale Voucher/Bill/Invoice

The sale voucher/bill/invoice will look as follows. The voucher numbers must be printed and sale vouchers need to have an original with two copies for each voucher. The original will remain in the sale voucher bound book. The first copy (perforated) will go to the accountant, the second to the person to whom the input/good was sold.

Sale invoice /Bill / Voucher

GST No. ______ Licence no ______

S.No. ______ Date _____________

Name ____

Address ____

Buyers GST no_______ (in case of selling to other FPOs/other org)

Particulars of Inputs/Goods	Type	Stock reg folio no	Batch / Lot no	Date of expiry	No of units	Unit Weight	Rate	IGST	SGST	CGST	Total Amount

Prepared by______

Buyer signature

Authorized signatory for FPO Received

Notice that there is a column for "stock register folio No". The stock register reference will be filled in by the accounts when she writes the stock register in the same evening.

Case: Fill the sale voucher with the details given below

Particulars	During the Nov'18				
	Sale				
	Quantity	Rate	CGST	SGST	Value
BIO PESTICIDES					
BIOVITA 250 ML	*3 BTLS*	*239.68*	*21.57*	*21.57*	*282.82*
Fertilizer					
Urea	*3 Bag*	*297.92*	*26.81*	*26.81*	*351.55*
MICRO NUTRIENTS					
BHAGYA MAX 250 GM	*2 PACKS*	*106.40*	*9.58*	*9.58*	*125.55*
Pesticides					
ACEMAIN 500GM	*4 PACKS*	*275.52*	*24.80*	*24.80*	*325.11*
ATOM 100ML	*3 BTLS*	*116.48*	*10.48*	*10.48*	*137.45*
BARAZIDE 250 ML	*1 BTLS*	*395.36*	*35.58*	*35.58*	*466.52*
CALDAN 4G 5KG	*2 PACKS*	*398.72*	*35.88*	*35.88*	*470.49*
CLICK 100 GM	*4 BTLS*	*123.20*	*11.09*	*11.09*	*145.38*
COMPANION 250GM	*5 PACKS*	*137.76*	*12.40*	*12.40*	*162.56*
CORAGEN 60ML	*4 BTLS*	*702.24*	*63.20*	*63.20*	*828.64*
Delegate 100 ML	*2 BTLS*	*996.80*	*89.71*	*89.71*	*1176.22*
EM-1 100 GM	*5 BTLS*	*246.40*	*22.18*	*22.18*	*290.75*
Grand Total					*4763.05*

Sale register

At the time of sale the person responsible will fill the sale invoice/voucher/Bill and one copy of it should be issued to the buyer and 2nd copy should go handover to accountant. Immediately thereafter based on the sale invoice entries will be made in the Sale Register as shown below.

Sale Register

(Input/Goods wise)

Page ___

Date	Particulars	CB.F. No	Batch / Lot no	Invoice no	Date of expiry	No of units	Weight	Rate	IGST	SGST	CGST	Total Amount
Total of the day												
Cumulative total												

In the evening after sales is over, the day wise sale invoices along copies will be sent to the accountant. If any cash transactions happen, this too needs to be handed over to the accountant. Page numbers will be printed on the Sale Register. At the end of each day the totals needs to be entered in the row "Day's totals". The day's totals needs to be added to the cumulative totals for the previous day to arrive at new cumulative totals.

Delivery Challan

The Delivery Challan (DC) is required where goods are being transported from one place to another which may or may not result in sales. Delivery Challan will send along with the delivery of goods. It contains the details of items and quantity of goods being delivered. Normally delivery challan will have original copy along with two copies.

DELIVERY CHALLAN

GST No.______________ Page No ______

License no.____________ Date _______

From (Location of the Godown) ____

Name & Address of the Buyer ____

Buyers GST no______________ Ph.No.____________

S. No	Order no & Invoice no	Commodity / Good	Type	Lot no	No of units	Weight per unit	Total weight	Amt

Driver name : Vehicle no: Vehicle weight:

Gross weight: Net weight: Gate pass no:

Received the above goods/commodity transported in good order and condition and without any shortage / pakage breakage Signature of the driver___________	I/we certify that to the best of my knowledge the particulars furnished are true and accurate. Godown keeper _______________
Received the above stocks in good condition and without any shortage. Signature of the receiver__________Date ___________	
Note: Payment should be made within______________________days after receiving the commodity/goods. If not___% interest will be charged.	
Commodity/goods sold will not be taken back	

At the time of sale the person responsible will fill the Delivery Challan based on the sale invoice/voucher/Bill and original copy of it should be issued to the buyer and one copy will be with transporters and another copy will handover to accountant.

Stock Register

The Sale officer sign Delivery Challan and the accountant referring to her copies of the DC for the day will make entries in the stock register. When input is sold, that will enter into the stock register. At the time of sale, entries must be made in the pages related to each input and grade.

Stock Valuation Statement

The Trail Balance statement is merely a summary of the transactions that took place during a particular period. It does not tell us much about the financial health of the FPO. For that, we need to prepare a profit and loss statement and a balance sheet. These are being discussed later. However in order to prepare these first we need to prepare a stock valuation statement. We need to show clearly what commodities / goods / material in our godown and to put a value to them.

Stock Valuation Statement as on 31/03/YYYY

S.No	Commodity	Grade	Balance of stocks as per stock register (qty)	Actual stock on hand when verified (qty)	Average price (Rs)	Therefore, total value of actual stock (Rs)	Current market rate	Therefore, current market value of actual stock (Rs)	Value of stocks at the lesser of column 6 and 8 (Rs)
1	2	3	4	5	6	7	8	9	10

It is important that the stocks be neither overvalued nor undervalued. Usually the closing stock is valued at purchase price or current market price whichever is less. If we showed the value of the stock at purchase price though the market has fallen sharply then we will be misleading members about the correct financial position of the FPO. On the other hand if the current market price is higher we will be conservative and show the value at purchase price as we cannot be sure that tomorrow the prices will not fall. The statement looks as above. Not all commodities will have some closing stock at the year end. For those which have, figures for columns 4 and 6 may be arrived at from the Stock Register. Actual stock verification required to be done once in every quarter and definitely at the year end. Column 5 also will need to be entered at that time.

We can go ahead and prepare the remaining financial statements once this stock valuation statement is ready. If any special observations or comments are to be brought to the attention of Directors or members, then they need to be made in this statement. Through actual stock verification, we will also get a correct picture of loss on account of drying of commodities or poor storage practices. It is important that the balance of stock as per stock register and in actual fact be as close to one another as possible, as otherwise our FPO will not be successful. We could also value gunny bags in this way and any other packing material that we need to monitor the value of.

FARM IMPLEMENTS HIRIGING

Most of the FPO members are small land holders. These farmers cannot invest in costly farm machinery and depend on hiring of implements to carryout agricultural operations in their fields. FPO might offer Agri Implements Hiring services to members. It is an important mechanism through which most small holders can access services of agriculture machinery. This can empower farmers to tide over the shortage of labour and improve efficiency of agricultural operations. FPO should form committee to manage the farm implements and decide rates for hiring the machines / implements. The FPO also uses the revenue generated from hiring charges will be used for repair and maintenance of the implements and operational expenses. Remaining amount goes into asset creation fund. FPO need to keep updated and to refer to the hiring rates policy to ensure that it makes a profit on the renting.

During the season, farmers hire farm implements for few days and return back to FPO. Similarly anther few members will hire. FPO has several transactions during the season. The details of each transaction are written in the farm implements hiring register.

Farm implements hiring register

The details of whom implements are rented or from whom implements are received, how much money they paid, when and what purpose etc will be recorded in the below farm implement hiring register.

FARM IMPLEMENTS REGISTER

(Implement wise)

Page no:

Name of the implement

No of units purchased by FPO:

Date	Name of the farmer	Village	Mandal/ Taluk	Adar No	Phone number	Date of hiring	Date of returning	No of days hired	Hiring charges per day	No of units hired	Amount to be paid	Amount paid	Amount due	Balance units available	Remarks	Signature of the farmer

Case: Fill the farm implement register based on the following details. Also calculate the income generated by FPO through this activity (Key -16: Farm Implement Register & Key -16.1 Income Generated)

#	Name	S/o	Village	Implement used	May-18	Dates used	Cash Paid
1	Ch Raja Reddy	Ch Hanmanulu	Kakanoor	Van	10	2 - 11 May 2018	12-May-18
2	G Sanjeevulu	Sai Reddy	Kakanoor	Rotovator	12	2 - 13 May 2018	14-May-18
3	Gurudu Laxmi	Ravidar	Gattupalli	Bardans	5	2 - 6 May 2018	7-May-18
4	Gurudu Ramulu	Rajanna	Gattupalli	Weighing Machine	5	2 - 6 May 2018	7-May-18
5	Yalla Ravindar	Rajireddy	Gattupalli	Brush cutter	2	5-6 May 2018	7-May-18
6	C Balavva	Narsaiah	Gattupalli	Maize sheller	5	16 - 20 May 2018	21-May-18
7	M Sairam	Bhumaiah	Narsampalli	Harvester	5	2 - 6 May 2018	7-May-18
9	K Anjalreddy	Lasmaiah	Narsampalli	Van	5	13 - 17 May 2018	18-May-18
Note: for the sake of case study other information related to member is not given i.e. ph no; adhar no; address etc.							

The FPO decided to hire implements as per following rates

	Hire Charges	Per day (Rs)
1	Van	1500
2	Rotovator	100
3	Bardans	20
4	Weighing Machine	150
5	Brush Cutter	150
6	Maize Sheller	200
7	Harvester	100

LEGAL REGISTERS TO BE MAINTAINED BY FPO

In addition to above documents, FPO should also maintain following legal registers.

Register of Share Allotment

S.No	Name of the farmer	Father's / Mother's /Spouse name	Address	Occupation	Distinctive Number of Shares alloted		No of shares alloted	Share Value	Total amount paid	Date of payment	Amount due	Share Certificate number	Remarks
					From	To							

Share Transfer Register

S.No.	No of Transfer	Folio no	Name of transferor	Address	No of shares transferred	Distinctive No		No of certificate	Amount	Transferee Name	Address	New certificate no	Member register folio no	Authorized person initials	Remarks
						From	To								

Register of Members

S.No	Member-ship no	Name of the member	Father's / Mother's / Spouse name	Name of the Farmers Group	Village & Mandal	Age	Gender	Education	OC/BC / MN/SC/ST	Adhar number	Date of becoming member	Share allotted / Transfer	Folio of Share allotment / Transfer	Name of the nominee	Relationship with Nominee	Nominee form no

D = Dry land; Wt= Wet land; SA= Semi Arid

FIXED ASSETS REGISTER (PART – 1)

DESCRIPTION OF ASSETS

S.No.	Particulars	Identification no	Classification (Account head)	Location	Date of purchase	No of units or Quantity	Rate per unit	Invoice value	Voucher No.	Total cost (including other expenses)

FIXED ASSETS REGISTER (PART – 2)

DETAILS OF DEPRECIATION

Depreciation under Provisions of the Companies Act, 2013			Depreciation under Section 32 of the Income Tax Act, 1961			Differential deprec	Sale/ Transfer/ Adjustment	Total depreciation charged till the date of sale / Transfer / Adjustment	Profit / Loss in Sale / Transfer / Adjustment	Remarks
Rate	Current year Depreciation	Accumulated Depreciation	Rate	Current year Depreciation	Accumulated Depreciation					

Session	Financial Statements - Preparation of Trial Balance, Profit & Loss Account and Balance sheet with Case Exercises
VI, VII & VIII	

Closing of Books of accounts & preparation of Financial Statements

In order to facilitate review of operations of FPO, books of accounts are closed periodically i.e. at the end of each quarter, besides annual closing of books of accounts. The following statements are prepared on closing of books of accounts:

a. Trial Balance

A trial balance is a bookkeeping or accounting report that lists the balances in each account of a FPO's ledger. The debit/credit balance of ledger accounts are listed in Trial Balance. The total of each of these two columns should be identical. The trial balance has following proforma:

Trial Balance as on ……………………………

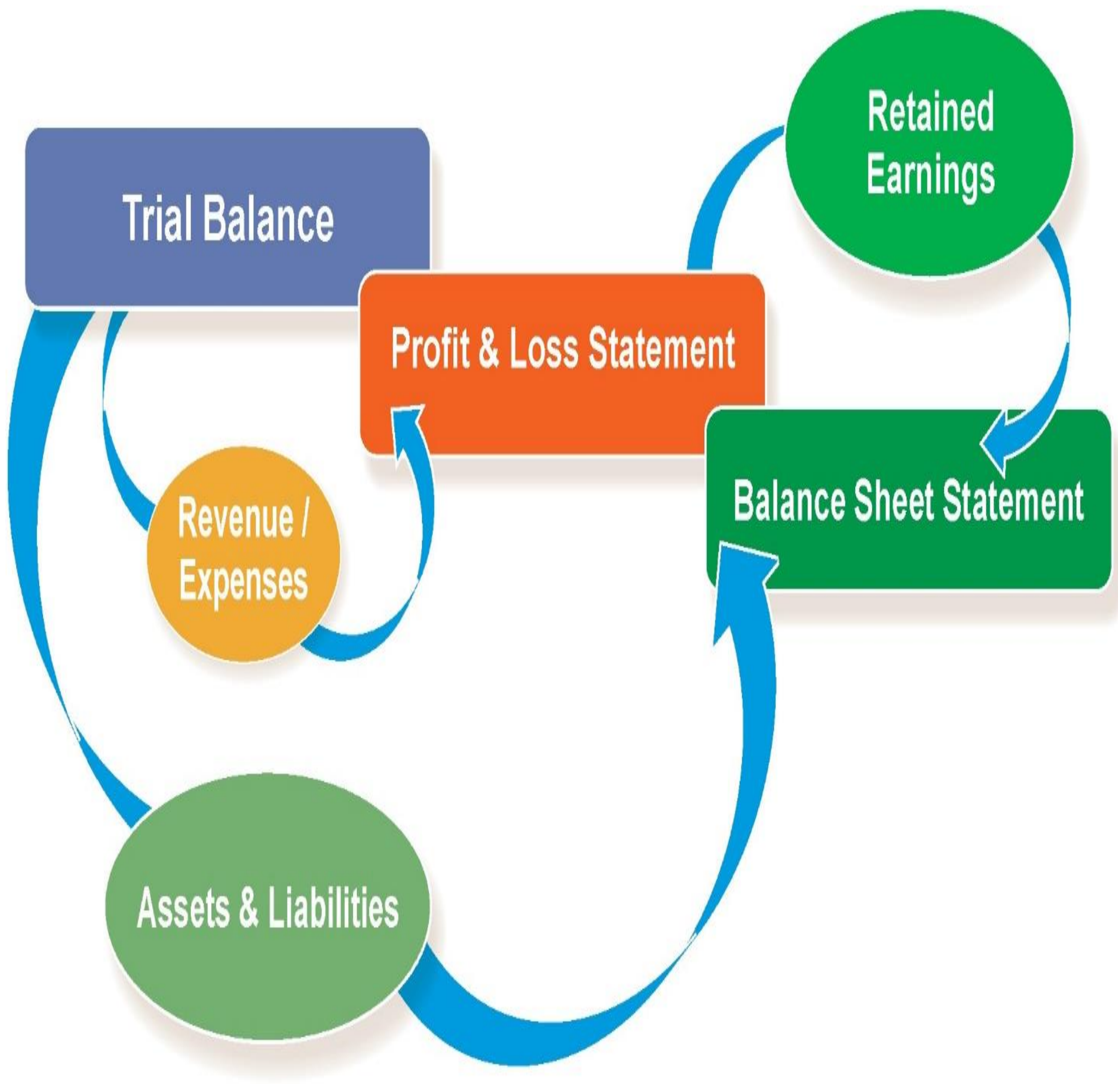
Ledger Account Number	Ledger Account Head	Debit	Credit

The debit balance in ledger will be written under Debit column while Credit balance appears in Credit column. Cash/Bank balances appearing in Cash/Bank Book will also be included in Trial Balance. Based on Trial balance & other adjustments (provision for depreciation, expenses, income & closing stock, proposed dividend etc.), financial statements are prepared. While, for-profit organizations prepare Trading and Profit & Loss account, non-profit organizations (institutions registered under Public Trust Act) prepare Income & Expenditure account. FPOs registered under Companies Act are required to prepare following Financial Statements:

1. Trading and Profit & Loss Account
2. Balance Sheet

Besides above statement, it is advisable to prepare Cash Flow statement for the year to know the Cash Flow emanating from operational activities, investment activity & financing activity, for the

FPO. Interconnection of Trail Balance, Profit & Loss Statement and Balance Sheets is depicted in the following figure:



- **Trading and Profit & Loss Account**

This statement reflects operational performance of FPO, while trading account shows gross profit earned, Profit & Loss account shows net profit earned after operational, administrative and selling expenses.

The format of Trading and Profit & Loss Account is indicated below:

Name of FPO: ………………………………………………

Trading and Profit & Loss Account for the year ended on ……………………

Dr. **Cr.**

Particulars	**Amount (Rs.)**	**Amount (Rs.) – Previous Year**	**Particulars**	**Amount (Rs.)**	**Amount (Rs.) – Previous Year**
Opening Stock of			By sales of		
- Inputs			- Inputs		
- Produce			- Produce		
To purchase of			By closing stock of		
- Inputs			- Inputs		
- Produce			- Produce		
To Carriage inward					
To wages					
Gross Profit carried down					
Sub Total			**Sub Total**		
To Salary			**By gross profit b/d**		
To rent, electricity, taxes etc.					
To Audit Fee			By Other operating income		
To other expenses To Depreciation on assets			By interest earned		
To Carriage outward					
To interest on borrowings					
Net Profit c/d					
Sub Total			**Sub Total**		
To proposed dividend			**Net profit b/d**		
To General Reserves					
To other (specific) reserve					
To balance of profit tr. to B/S					
Total			**Total**		

➢ Balance Sheet/Asset Liability Statement

The balance sheet is a statement that lists the values of a FPO's assets, liabilities and shareholder/members' equity at the end of an accounting period. In other words, the balance sheet provides an overview of the resources the FPO owns, the debts that it owes and the amount of the shareholder/members' equity & its application as on a particular date.

Recall the accounting equation: Assets = Liabilities + shareholder/members' Equity.

From the balance sheet one can determine a FPO's net worth as well as its working capital. Net worth is the amount by which total assets exceeds total liabilities. Working capital is current assets minus current liabilities. The level of working capital should be high enough to cover the time needed to convert raw materials into finished goods, finished goods into sales/debtors and realization of cash from Debtors.

The format of Balance Sheet is given below:

Name of FPO: ………………………………………………

Balance Sheet as on …………………….

Liabilities & Capital	Amount (Rs.)	Amount (Rs.) – Previous Year	Assets	Amount (Rs.)	Amount (Rs.) – Previous Year
1. Share Capital			**1. Fixed Assets**		
a) Authorized (……. Shares of Rs. …. Each)			a) **Furniture acquired out of grant received from NABARD**		
b) Subscribed & Paid- up (……. Shares of Rs. …. Each) **2. Reserve & Surplus** a) General reserve b) Other reserves			Cost Less: Depreciation till date b) **Other assets** Cost Less: Depreciation till date		
c) Balance of P&L A/c			**2. Investments**		

Liabilities & Capital	Amount (Rs.)	Amount (Rs.) – Previous Year	Assets	Amount (Rs.)	Amount (Rs.) – Previous Year
2. <u>Grant & Donations received</u> (i) **From NABARD** **a) Furniture/Office expenses** Received Less : Utilized **b) Revolving Fund** c) **Registration charges** Received Less : Utilized d) Salary of CEO Received Less : Utilized (ii) **From State Govt.** a) Capital Grant(in Kind) **4. Secured Loans** a) Term Loan b) Cash Credit c) Bank overdraft **5. Unsecured Loans** **6. Current Liabilities & Provisions** a) Sundry Creditors b) Proposed dividend c) Others			**3. <u>Current Assets</u>** a) Loans & Advances b) Closing stock of inputs c) Closing stock of produce d) Cash & Bank balances		
Total			**Total**		

Account heads to be used for different activities of a FPO

In order to facilitate proper maintenance of prime books, secondary books and preparation of financial statements i.e. Trading and Profit & Loss Account and Balance Sheet as also cash flow statement, account heads to be used by FPOs are broadly divided into four groups.

1. Account heads pertaining to input procurement and its distribution.
2. Account heads pertaining to aggregation of produce.
3. Account heads pertaining to sale of produce.
4. Account heads pertaining to operational expenditure, income & capital items.

Different FPOs may be involved in different kind of activities as also same FPO can be connected with more than one activity. This Chapter illustrates activity wise accounting heads to be used while writing books of accounts by FPOs. In this Chapter, Account heads have been suggested for three activities viz. Farming/Cultivation of Land for Food grains/Vegetables etc., Dairy and Poultry. For any other activity of FPO, Account heads can be created by adopting a similar approach/path i.e. divide account heads under four broad groups viz. Input Procurement & Distribution, Produce aggregation, Sale of Produce & Operational expenditure capitalization on the lines suggested herein below. The account heads suggested provide maximum transparency in the operations of FPO & facilitate better governance.

Illustrations:

1. Activity: Farming or Land Cultivation

Sl.	**Input Procurement & Distribution**	
1.		
	Nature of Transaction	**Account Heads**
i)	Purchase of Seed/Saplings	Input Procurement A/c - Seeds/Saplings
ii)	Purchase of Fertilizer	Input Procurement A/c - Fertilizer

iii)	Purchase of Pesticide	Input Procurement A/c - Pesticide
iv)	Transportation of Inputs	Carriage Inward A/c - Inputs
v)	Sale/Distribution of Seed/Saplings	Input Sale/Distribution A/c - Seed/Saplings
vi)	Sale/Distribution of Fertilizer	Input Sale/Distribution A/c - Fertilizer
vii)	Sale/Distribution of Pesticide	Input Sale/Distribution A/c - Pesticide
viii)	GST paid on chargeable goods/services	GST Paid A/c - Input
2.	**Aggregation of Produce**	
	Nature of Transaction	**Account Heads**
a)	Aggregation of Food grain	Produce Procurement A/c -Food grain
b)	Aggregation of Fruits/Vegetables	Produce Procurement A/c – Fruits & Vegetables
c)	Sorting, Grading, Packaging of Produce	Cleaning & Packaging Expenses A/c
d)	Transportation of Produce	Carriage & Cartage A/c - Produce
3.	**Sale of Produce**	
	Nature of Transaction	**Account Heads**
a)	Sale of Produce in the Wholesale Market(Food grains)	Produce Sale(Wholesale) A/c - Food grains
b)	Sale of Produce in the Wholesale Market(Fruits & Vegetables)	Produce Sale(Wholesale) A/c - Fruits & Vegetables
c)	Sale of Produce in Retail Market(Food grains)	Produce Sale(Retail) A/c - Food grains
d)	Sale of Produce in the Retail Market(Fruits & Vegetables)	Produce Sale(Retail)A/c - Fruits & Vegetables
e)	GST received on chargeable goods/services	GST received A/c - Output
4.	**Operational Expenditure/Income & Capital items**	
	Nature of Transaction	**Account Heads**
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c Registration
b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous
f)	Office rent paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Acquisition of Agricultural Machinery/Equipment for custom hiring	Agriculture Machinery & Equipment A/c
m)	Agri implements(in kind grant) received from Govt. or any other agency	1. Assets acquired out of Govt. Grant A/c - Agri implement 2. Capital grant received(in kind) for asset acquisition

n)	Collection of share capital	Share Capital A/c - Members
o)	Borrowing from Bank for term loan/working capital	1. Borrowings A/c – Term Loan 2. Borrowings A/c – Working Capital
p)	Grant received from NABARD(Produce Fund) for promoting FPO	Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet) i) Grant received from NABARD(Produce Fund) A/c – Furniture ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO
	Grant spent for eligible expenditure: (i) (a) Furniture purchased out of NABARD grant may be debited to (i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to (ii) Expenses on Salary of CEO may be debited to (iii) Revolving Fund (iv) Expenditure on registration of FPO may be debited to	iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund iv) Grant received from NABARD(Produce Fund) A/c – Registration charges (i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture (i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c (ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary (iii)There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations (iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.

Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity: Farming or Land Cultivation		
Sl.	**Activity**	**Account Head**
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr Closing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Food grain Cr Trading A/c
		Dr Closing Stock A/c - Other Produce Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

2. Activity: Poultry Farming(Broiler and/or Layer)

Sl. **1.**	**Input Procurement & Distribution**	
	Nature of Transaction	**Account Heads**
a)	Purchase of Day Old Chicks	Input Procurement A/c - Day Old Chicks
b)	Purchase of Feed	Input Procurement A/c - Feed
c)	Purchase of Equipment (Waterer/Feeder etc.)	Input Procurement A/c - Equipment (Waterer/Feeder etc.)

d)	Transportation of Inputs	Carriage Inward A/c - Inputs
e)	Sale/Distribution of Day Old Chicks	Input Sale/Distribution A/c - Day Old Chicks
f)	Sale/Distribution of Feed	Input Sale/Distribution A/c - Feed
g)	Sale/Distribution of Equipment (Waterer/Feeder etc.)	Input Sale/Distribution A/c - Equipment (Waterer/Feeder etc.)
h)	GST paid on chargeable goods/services	GST Paid A/c – Input
2.	**Aggregation of Produce**	
	Nature of Transaction	**Account Heads**
a)	Aggregation of Live Birds/Chicken Meat	Produce Procurement A/c - Live Birds/ Chicken Meat
b)	Aggregation of Eggs	Produce Procurement A/c - Eggs
c)	Dressing, Packaging of Produce	Cleaning & Packaging Expenses A/c
d)	Transportation of Produce	Carriage & Cartage A/c - Produce
3.	**Sale of Produce**	
	Nature of Transaction	**Account Heads**
a)	Sale of Produce in the Wholesale Market(Live Bird/Chicken Meat)	Produce Sale(Wholesale) A/c -Live Bird/ Chicken Meat
b)	Sale of Produce in the Wholesale Market(Eggs)	Produce Sale(Wholesale) A/c - Eggs
c)	Sale of Produce in Retail Market(Live Bird/Chicken Meat)	Produce Sale(Retail) A/c - Live Bird/ Chicken Meat
d)	Sale of Produce in the Retail Market(Eggs)	Produce Sale(Retail) A/c - Eggs
e)	GST received on chargeable goods/services	GST received A/c - Output

4.	Operational & Capital Expenditure/Income	
	Nature of Transaction	**Account Heads**
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c - Registration
b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous
f)	Office rent Paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Equipments acquired out of grant received from Govt. or any other agency	Assets acquired out of Govt. Grant A/c - Equipments
m)	Collection of share capital	Share Capital A/c - Members
n)	Insurance of Birds	Insurance A/c - Birds
o)	Vaccination/Veterinary Aid of Birds	Medical A/c - Vaccination/Veterinary aid of birds
p)	Construction of brooder cum grower house	Construction A/c - brooder cum grower house

q)	Borrowing from Bank for term loan/working capital	1. Borrowings A/c – Term Loan 2. Borrowings A/c – Working Capital
r)	Grant received from NABARD(Produce Fund) for promoting FPO Grant spent for eligible expenditure: (i) (a) Furniture purchased out of NABARD grant may be debited to (i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to (ii) Expenses on Salary of CEO may be debited to (iii) Revolving Fund (iv) Expenditure on registration of FPO may be debited to	Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet) i) Grant received from NABARD(Produce Fund) A/c – Furniture ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund iv) Grant received from NABARD(Produce Fund) A/c – Registration charges (i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture (i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c (ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary (iii)There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations (iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.

Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity : Poultry Farming(Broiler and/or Layer)		
Sl.	**Activity**	**Account Head**
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr Closing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Eggs Cr Trading A/c
		Dr Closing Stock A/c – Chicken Meat Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

3. Activity: Dairy Farming

Sl.		
1.	**Input Procurement & Distribution**	
	Nature of Transaction	**Account Heads**
a)	Purchase of Dairy Animal	Input Procurement A/c - (Animal breed name)
b)	Purchase of input required by members	Input Procurement A/c - Dry Fodder
		Input Procurement A/c - Green Fodder

		Input Procurement A/c - Feed Concentrate
c)	Purchase of Equipment (Milking Machine/Container etc.)	Input Procurement A/c - Equipment (Milking Machine/Container etc.)
d)	Transportation of Inputs	Carriage Inward A/c - Inputs
e)	Sale/Distribution of Animals	Input Sale/Distribution A/c - (Name of Breed)
f)	Sale/Distribution of Fodder	Input Sale/Distribution A/c - Dry Fodder
		Input Sale/Distribution A/c - Green Fodder
		Input Sale/Distribution A/c - Feed Concentrate
g)	Sale/Distribution of Equipment (Milking Machine/Container etc.)	Input Sale/Distribution A/c - Equipment (Milking Machine/Container etc.)
h)	GST paid on chargeable goods/services	GST Paid A/c - Input
2.	**Aggregation of Produce**	
	Nature of Transaction	**Account Heads**
a)	Aggregation of Milk	Produce Procurement A/c Milk
b)	Cleaning, Pasteurization, Packaging of Produce	Cleaning & Packaging Expenses A/c
c)	Transportation of Milk	Carriage & Cartage A/c - Milk
3.	**Sale of Produce**	
	Nature of Transaction	**Account Heads**
a)	Sale of Produce in the Wholesale Market(Milk)	Produce Sale(Wholesale) A/c - Milk
b)	Sale of Other Dairy Products in the Wholesale Market (Curd, Ghee, Paneer etc.)	Produce Sale(Wholesale) A/c - Curd, Ghee, Paneer etc.
c)	Sale of Produce in Retail Market(Milk)	Produce Sale(Retail) A/c - Milk
d)	Sale of Produce in the Retail Market (Curd, Ghee, Paneer etc.)	Produce Sale(Retail) A/c - Curd, Ghee, Paneer etc.
e)	GST received on chargeable goods/services	GST received A/c - Output
4.	**Operational & Capital Expenditure/Income**	
	Nature of Transaction	**Account Heads**
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c - Registration
b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous

f)	Office rent paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill Paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Equipments (in kind grant) received from Govt. or any other agency	1. Assets acquired out of Govt. Grant A/c – Equipments 2. Capital grant received(in kind) for asset acquisition
m)	Collection of share capital	Share Capital A/c - Members
n)	Insurance of Animals	Insurance A/c - Animals
o)	Vaccination/Veterinary Aid of Animals	Medical A/c - Vaccination/Veterinary aid of Animals
p)	Construction of Shed	Construction A/c - Shed
q)	Processing of Milk	Processing A/c - Milk
r)	Sale of Heifer Animal	Sales A/c - Heifer
s)	Borrowing from Bank for term loan/working capital	1. Borrowings A/c – Term Loan 2. Borrowings A/c – Working Capital
t)	Grant received from NABARD(Produce Fund) for promoting FPO Grant spent for eligible expenditure: (i) (a) Furniture purchased out of NABARD grant may be debited to (i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to (ii) Expenses on Salary of CEO may be debited to	Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet) i) Grant received from NABARD(Produce Fund) A/c – Furniture ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund iv) Grant received from NABARD(Produce Fund) A/c – Registration charges (i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture (i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c

	(iii) Revolving Fund	(ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary (iii) There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations
	(iv) Expenditure on registration of FPO may be debited to	(iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.

Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity : Dairy Farming		
Sl.	**Activity**	**Account Head**
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr losing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Milk Cr Trading A/c
		Dr Closing Stock A/c - Other Products viz. Curd, Ghee, Paneer etc. Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

CASE EXERCISE

Case study for Maintenance of Books of Accounts, Registers & Preparation of Trading Profit & Loss Statement and Balance Sheet Statement of a FPO

A group of 100 farmers decided to come together & form a FPO by the UK Farmer Producer Company.

- Board of Directors was constituted and the first General Body meeting was held.
- All the members contributed Rs. 1000.00 each as share capital.
- Amount received from members was deposited in Current account of FPO with SBI.
- Registration expenditure of Rs. 40000.00 was incurred by the FPO through Bank. The same was reimbursed by NABARD as grant.
- FPO was sanctioned a cash credit limit of Rs. 5.00 Lakh by SBI at an interest rate of 9% p.a. Total interest charged for the CC account was Rs. 6000.00 for the year ended 31.03.2020
- The transactions of the FPO are given below (Year 2019-20):

a) An amount of Rs. 2000.00 was withdrawn from Bank account to meet petty expenditures

b) FPO procured following inputs to be distributed amongst the farmer/members and paid the amount to the supplier from CC account maintained with SBI:

Input Name	Qty. purchased	Rate per unit	Total amount of Expenditure incurred by FPO (Rs.)
Seed	500 Kg	Rs. 100/Kg	50000.00
Fertilizer	100 Bags	Rs. 300/Bag	30000.00
Pesticide	10 Liters	Rs. 300/Ltr.	3000.00
Total			**83000.00**

c) Transportation cost of Rs. 500.00 was paid by cash.

d) Taking into account the demand for input, further purchase were made as under:

Input Name	Qty. purchased	Rate per unit	Total amount of expenditure incurred by FPO (Rs.)
Seed	200 Kg	Rs. 105/Kg	21000.00
Fertilizer	100 Bags	Rs. 310/Bag	31000.00
Pesticide	5 Liters	Rs. 310/Ltr.	1550.00
Total			**53550.00**

e) FPO distributed the inputs amongst its 03 members. Member farmers were charged at par with the cost at which those were procured, transportation cost will not be charged to the farmers, as decided by Board of Directors. Details of sale is as follows:

Farmer	Seed	Fertilizer	Pesticide	Total Amount(Rs.)
A	200 Kg	50 Bags	3 Ltr.	35900.00
B	200 Kg	50 Bags	3 Ltr.	35900.00
C	200 Kg	50 Bags	4 Ltr.	37200.00
Total	**600 Kg**	**150 Bags**	**10 Ltr.**	**109000.00**

Farmers paid the amount in Bank account of FPO.

f) Farmers supplied their produce to FPO as per following details. Sorting and grading cost of Rs. 300 was paid by the FPO in cash:

Farmer	Food grain supplied	Procurement Price	Food grain sold by FPO in Market	Food grain selling price in wholesale market
A	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
B	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
C	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
Total	**24000 Kg**	**Rs. 456000.00**	**21000 Kg**	**Rs. 441000.00**

g) Farmers were paid the amount from CC limit. From the sale proceeds, FPO repaid an amount of Rs. 400000.00 in CC account.

h) CEO was appointed & paid a salary of Rs. 9000.00 per month, for which the grant was received from NABARD amounting to Rs. 120000.00. One Assistant was appointed and was paid a salary of Rs. 1000.00 per month from the FPO's own funds.

i) FPO purchased Furniture of Rs. 20000.00. For these items grant received from NABARD was Rs. 50000.00. Depreciation is provided @ 10%.

j) FPO received Rs. 50000.00 towards revolving fund assistance from NABARD.

k) Amount received for produce sold was received in Bank Account of FPO.

l) Office rent (@ Rs. 500.00 per month) of Rs. 6000.00 was paid for the year through Bank.

m) Electricity Bill (@ Rs. 500.00 per month) was paid for the year through Bank. The item was eligible under NABARD grant mentioned at Sl. No. 7 above.

n) State Govt. provided agricultural equipment in kind worth Rs. 40000.00 with 90% subsidy. Depreciation on Agricultural equipments was @ 10%. Margin money of 10% was paid through CC limit.

o) Audit fees of Rs. 2000.00 was paid through Bank

p) Dividend proposed @2%, which was approved by shareholders.

Exercise: Show the Books of Account of FPO and prepare Trading Profit & Loss A/c and Balance Sheet of FPO for the year 2019-20.

Solution:

Books of UK Farmer Producer Company Cash Book of FPO

Dr. **Cr.**

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		To share capital A/c - members (being share contribution received from 100 farmers @Rs. 1000.00 each)		100000.00			By Bank A/c (being share contribution of members deposited into Current A/c No….)		100000.00
		To Bank(amount withdrawn for expenses)		2000.00			By carriage inward A/c – Input (being input procurement transportation charges)		500.00
							By cleaning/packaging exp.(being expenditure on cleaning, sorting etc.)		300.00
					Sub Total				**100800.00**
					By Bal. c/d				**1200.00**
Total				**102000.00**	**Total**				**102000.00**

(Note: Date, Voucher No. & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Bank Book of FPO

Dr. **Cr.**

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		To Cash A/c (being share contribution of members deposited into Bank A/c No.....)		100000.00			By Cash amount withdrawn		2000.00
		To grant received from NABARD(Produce Fund) A/c – Registration charges (being grant received from NABARD towards registration expenses		40000.00			By expenditure out of NABARD grant(Produce Fund) A/c – Registration charges (being registration expenses of FPO paid)		40000.00
		To Input Sale/Distribution A/c – Seeds (being amount received towards input sale to A, B & C – seeds)		60500.00			By expenditure out of grant from NABARD(Produce Fund) A/c - Purchase of Furniture		20000.00
		To Input Sale/Distribution A/c – Fertilizer (being amount received towards input sale to A, B & C- fertilizer)		45500.00			By borrowings from SBI CC(WC loan) (being borrowings repaid)		400000.00

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		To Input Sale/Distribution A/c – Pesticide (being amount received towards input sale to A, B & C – pesticide)		3000.00			By expenditure out of NABARD grant (Produce Fund) A/c – Salary of CEO		108000.00
		To grant received from NABARD(Produce Fund) A/c – Revolving Fund (being grant received from NABARD for revolving fund assistance)		50000.00			By Office Expenses A/c – Salary (being salary paid to Assistant)		12000.00
		To grant received from NABARD(Produce Fund) A/c – Salary of CEO (being grant received from NABARD towards Salary of CEO)		120000.00			By expenditure out of NABARD grant(Produce Fund) A/c - Office expenses - electricity charges		6000.00
		To grant received from NABARD(Produce Fund) for Furniture & Office Expenses (being grant received from NABARD for furniture & office expenses)		50000.00			By Office expenses A/c - Rent		6000.00
		To Produce Sale(wholesale) A/c – Food grains		441000.00			By Office expenses A/c - Audit fees		2000.00

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		(being amount received from buyer towards Food grains)							
						Sub Total			**596000.00**
						By Bal c/d			**314000.00**
Total				**910000.00**		**Total**			**910000.00**

(Note: Date, Voucher No. & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Journal of FPO

1.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Input procurement A/c – Seed Dr Input procurement A/c – Fertilizer Dr Input procurement A/c – Pesticide Dr To Borrowings from SBI – Working Capital Loan Cr (being input procured & paid through CC limit of SBI)		50000.00 30000.00 3000.00	83000.00

2.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Input procurement A/c – Seed Dr Input procurement A/c – Fertilizer Dr Input procurement A/c – Pesticide Dr To borrowings from SBI – Working Capital Loan Cr (being input procured & paid through CC limit of SBI)		21000.00 31000.00 1550.00	53550.00

3.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Produce procurement A/c – Food grains Dr To borrowings from SBI – Working Capital Loan Cr (being produce procurement from farmers A, B & C)		456000.00	456000.00

4.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Asset acquired out of Govt. grant A/c Dr To Capital grant received in kind for asset acquisition Cr To borrowings from SBI – Working Capital Loan Cr (being asset received from Govt. agency & margin paid from CC limit of SBI)		40000.00	36000.00 4000.00

5.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Interest paid on borrowings-WC loan Dr To borrowings from Bank Cr (being interest on CC limit)		6000.00	6000.00

6.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Depreciation on asset A/c Dr		6000.00	
	To Provision for depreciation A/c - Furniture Cr			2000.00
	To provision for depreciation A/c – Agri equipments Cr			4000.00
	(being depreciation charged @10% on furniture acquired out of NABARD grant & agri equipments acquired out of govt. grant)			

7.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Dividend A/c Dr To proposed dividend A/c Cr (being proposed dividend @2% on Capital)		2000.00	2000.00

(Note: Date & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably while writing books of account)

Ledger of FPO

1. Input Procurement A/c - Seeds

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		50000.00				
	To borrowings from SBI CC A/c		21000.00		By Bal		71000.00
	Total		**71000.00**				**71000.00**

2. Input Procurement A/c - Fertilizer

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		30000.00				
	To borrowings from SBI CC A/c		31000.00		By Bal		61000.00
	Total		**61000.00**				**61000.00**

3. Input Procurement A/c - Pesticide

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To borrowings from SBI CC A/c		3000.00				

	To borrowings from SBI CC A/c		1550.00		By Bal		4550.00
	Total		**4550.00**				**4550.00**

4. Carriage Inward A/c - Inputs

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Cash A/c(Carriage Inward A/c – Inputs)		500.00		By Bal		500.00
	Total		**500.00**		**Total**		**500.00**

5. Input Sale/Distribution A/c - Seeds

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB / J Folio	Amt.(Rs.)
	To Bal		60500.00		By Bank(Input Sale/Distribution A/c – Seeds)		60500.00
	Total		**60500.00**		**Total**		**60500.00**

6. Input Sale/Distribution A/c - Fertilizer

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB / J Folio	Amt. (Rs.)
	To Bal		45500.00		By Bank(Input Sale/Distribu-tion A/c – Fertilizer)		45500.00
	Total		**45500.00**		**Total**		**45500.00**

7. Input Sale/Distribution A/c – Pesticide

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	By Bal		3000.00		By Bank (Input Sale/Distribution A/c – Pesticide)		3000.00
	Total		**3000.00**		**Total**		**3000.00**

8. Produce Procurement A/c -Food grain

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		456000.00		By Bal		456000.00
	Total		**456000.00**				**456000.00**

9. Cleaning & Packaging Expenses A/c

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Cash A/c (Cleaning & Packaging Expenses)		300.00		By Bal		300.00
	Total		**300.00**		**Total**		**300.00**

10. Produce Sale(Wholesale) A/c - Food grains

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bal		44100.00		By Bank A/c(Produce Sale(Wholesale) A/c - Food grains)		441000.00
	Total		**44100.00**		**Total**		**44100.00**

11. Expenditure from grant received from NABARD(Produce Fund) A/c – Registration charges

Dr. **Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Expenditure out of NABARD grant A/c – Registration charges		40000.00		By Bal		40000.00
	Total		**40000.00**		**Total**		**40000.00**

12. Interest on Loan A/c

Dr. **Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To borrowings from SBI CC limit		6000.00		By Bal		6000.00
	Total		**6000.00**		**Total**		**6000.00**

13. Carriage inward A/c inputs

Dr. **Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To cash A/c		500.00		By Bal		500.00
	Total		**500.00**		**Total**		**500.00**

(Note: Date & Bank Book/Cash Book/Journal Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Input – (Purchase/Sale/Stock) Register

Name of Input: Seeds

Year 2019-20

	Purchases						Sale/Distribution to member									Stock		
Bill No., Date & Name of Supplier	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amoun t (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	500 Kg	100	50000	0	50000			A	200 Kg	100	20000	0	20000			300 Kg	100	30000
	-	-	-	-	-			B	200 Kg	100	20000	0	20000			100 Kg	100	10000
	-	-	-	-	-			C	100 Kg	100	10000	0	10000			0	-	0
	200 Kg	105	21000	0	21000			C	100 Kg	105	10500	0	10500			100 Kg	105	10500

Name of Input: Fertilizer

Year 2019-20

	Purchases						Sale/Distribution to member									Stock		
Bill No., Date & Name of Supplier	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	100 Bag	300	30000	0	30000			A	50 Bag	300	15000	0	15000			50 Bag	300	15000
	-	-	-	-	-			B	50 Bag	300	15000	0	15000			0	-	0
	100 Bag	310	31000	0	31000			C	50 Bag	310	15500	0	15500			50 Bag	310	15500

Name of Input: Pesticide **Year 2019-20**

	Purchases						Sale/Distribution to member									Stock		
Bill No., Date & Name of Supplier	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	10 Ltr	300	3000	0	3000			A	3 Ltr	300	900	0	900			7 Ltr	300	2100
	-	-	-	-	-			B	3 Ltr	300	900	0	900			4 Ltr	300	1200
	-	-	-	-	-			C	4 Ltr	300	1200	0	1200			0	-	0
	5 Ltr	310	1550	0	1550											5 Ltr	310	1550

Produce – (Purchase/Sale/Stock) Register

Name of Produce: Food Grains **Year 2019-20**

		Sale of Produce													Stock		
Bill No. & Date	Name of Farmer	Qty	Rate (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Register Folio	Date	Buyer's Name	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Qty	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	A	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
	B	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
	C	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
Total		**24000 Kg**	**19**	**456000.00**					**21000 Kg**	**21**	**441000.00**	**0**	**441000.00**		**3000 Kg**	**19**	**57000.00**

(Note: Bill No., Date, Name of Supplier, Bank Book/Cash Book Folio No. & Member Progress Folio No. have been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing the registers)

UK Farmer Producer Company Ltd. Trial Balance as on 31.03.2020

Ledger Account Number	Ledger Account Head	Debit (Rs.)	Credit (Rs.)
	Input Procurement A/c - Seeds	71000	
	Input Procurement A/c - Fertilizer	61000	
	Input Procurement A/c - Pesticide	4550	
	Carriage Inward A/c - Inputs	500	
	Input Sale/Distribution A/c - Seeds		60500
	Input Sale/Distribution A/c - Fertilizer		45500
	Input Sale/Distribution A/c – Pesticide		3000
	Produce Procurement A/c -Food grain	456000	
	Cleaning & Packaging Expenses A/c	300	
	Produce Sale(Wholesale) A/c - Food grains		441000
	Expenditure from grant received from NABARD(Produce Fund) A/c – Registration charges	40000	
	Grant received from NABARD(Produce Fund) A/c – Registration charges		40000
	Office Expenses A/c - Rent	6000	
	Office Expenses A/c – Salary	12000	
	Office Expenses A/c – Auditor Fees	2000	
	Grant received from NABARD(Produce Fund) A/c – Furniture & Office Expenses		50000
	Expenditure out of grant received from NABARD(Produce Fund) A/c – Furniture - Office Expenses	26000	
	Depreciation on assets A/c	6000	
	Grant received from NABARD A/c – Revolving Fund		50000
	SBI CC Limit A/c		202550
	Grant received from NABARD(Produce Fund) A/c – Salary of CEO		120000

Ledger Account Number	Ledger Account Head	Debit (Rs.)	Credit (Rs.)
	Expenditure out of grant received from NABARD(Produce Fund) A/c – Salary of CEO	108000	
	Share Capital A/c members/farmers		100000
	Provision for depreciation A/c - Furniture		2000
	Provision for depreciation A/c – Agri equipments		4000
	Proposed dividend on Equity A/c		2000
	Dividend A/c	2000	
	Asset acquired out of Govt. grant A/c	40000	
	Capital grant (in kind) A/c from Govt. A/c		36000
	Interest on Loan A/c	6000	
	Cash A/c	1200	
	Bank A/c	314000	
	Total	**1156550**	**1156550**

At the end of the year, as per Input and Produce registers, FPO had stock as under:

Input (Purchase/Sale/Stock) Register

Seed	**100 Kg**	**Rs. 10500.00**
Fertilizer	**50 Bags**	**Rs. 15500.00**
Pesticide	**5 Ltr**	**Rs. 1550.00**

Produce (Purchase/Sale/Stock) Register

Food grain	**3000 Kg**	**Rs. 57000.00**

UK Farmer Producer Company Ltd.

Trading and Profit & Loss Account for the year ended on 31.03.2020

(Amount in Rs.)

Particulars	**2016-17**	**2015-16**	**Particulars**	**2016-17**	**2015-16**
Opening Stock of			By sales of		
- Inputs	0.00		- Inputs	109000.00	
- Produce	0.00		- Produce	441000.00	
To purchase of			By closing stock of		
- Inputs	136550.00		- Inputs	27550.00	
- Produce	456000.00		- Produce	57000.00	
To Carriage inward	500.00				
To wages	0.00				
Gross Profit carried down	41500.00				
Sub Total	**634550.00**		**Sub Total**	**634550.00**	
To Salary	12000.00		**By gross profit b/d**	41500.00	
To rent, electricity, taxes etc.	6000.00				
To Audit Fee	2000.00		By Other operating income		
To other expenses(cleaning)	300.00		By interest earned		
To Depreciation on assets	6000.00				
To Carriage outward	0.00				
To interest on borrowings	6000.00				
To Net Profit c/d	9200.00				
Sub Total	**41500.00**		**Sub Total**	**41500.00**	
To proposed dividend	2000.00		**Net profit b/d**	9200.00	
To General Reserves	0.00				
To other (specific) reserve	0.00				
To balance of profit tr. to B/S	7200.00				
Total	**9200.00**		**Total**	**9200.00**	

UK Farmer Producer Company Ltd.

Balance Sheet as on 31.03.2020

(Amt Rs.)

Liabilities & Capital	As on 31.03.2020	As on 31.03.2019	Assets	As on 31.03.2020	As on 31.03.2019
Share Capital			**Fixed Assets**		
Authorized (……… Shares of Rs. 1000.00 Each) – Rs. …………			Furniture acquired out of grant received from NABARD Cost – Rs. 20000.00 Less: Depreciation till date – Rs. 2000.00	18000.00	
Subscribed & Paid-up (100 Shares of Rs. 1000.00 Each)	100000.00				
Reserve & Surplus	0.00		Other assets Cost – Rs. 40000.00 Less : Depreciation till date– Rs. 4000.00	36000.00	
General reserve	0.00				
Other reserves	0.00		**Investments**	0.00	
Balance of P&L A/c	7200.00				
Grant & Donations received	0.00		**Current Assets**	0.00	
(i)From NABARD					
Furniture/Office expenses Rs. 50000.00 Less : Utilized(Rs. 6000.00)	44000.00		Loans & Advances	0.00	
Revolving Fund	50000.00		Closing stock of inputs	27550.00	
Registration charges Rs. 40000.00 Less: Utilized(Rs. 40000.00)	0.00		Closing stock of produce	57000.00	
Salary of CEO Rs. 120000.00 Less: Utilized(Rs. 108000.00)	12000.00		Cash & Bank balances		

(ii)From State Govt.			Cash in hand	1200.00	
Capital Grant(in Kind)	36000.00		Bank Balance	314000.00	
Secured Loans	0.00				
Term Loan	0.00				
Cash Credit	202550.00				
Bank overdraft	0.00				
Current Liabilities & Provisions	0.00				
Sundry Creditors	0.00				
Proposed dividend	2000.00				
Others	0.00				
Total	**453750.00**		**Total**	**453750.00**	

(Note: This being first year of operations, previous year figures are not there)

Session	Chart of accounts and account heads
IX	

FPO is not a small organization. We have several transactions each day. The details of each transaction are written in various books of accounts. If only the details of whom we gave money or from whom we received, how much, when, for what purpose etc. were written then if we wanted to know how much we spent say on salaries, we would be able to find that out.

Therefore all items of receipts and payments are given a short and clear name. By looking at the name we understand the broad purpose of the receipt or payment. These names are called Account Heads. As we go through this course, we will understand why account heads are very important.

When developing a list of account heads an organization must keep the following in mind:

a) The account head must be brief and clear.
b) By looking at the account head most members should be able to understand what transaction fall under it.
c) Some account heads will be such that we will have only receipts under them and some will have only payments. Some will be such that we will have both receipts and payments under them. Therefore the account head should be appropriately worded.

Expenses

These are costs incurred by us in the conduct of our business. These amounts will not return to us once paid.

Account Head	Rs.
Interest on Share capital	
Interest on Members Fixed Deposits	
Interest on Institutional Loans (Cost of funds)	
Interest on Bank Loans	
Training for Board: 1. Material 2. Board and Lodge 3. Travel 4. Resource Persons	

Account Head	Rs.
Training for Staff: 1. Material 2. Board and Lodge 3. Travel 4. Resource Persons	
Godown Rent	
Transport	
Gunny Bags	
Stationary	
Executive Committee Meeting	
General Body Meeting	
Office: 1. Rent 2. Cleaning and Maintenance 3. Electricity 4. Water	
Periodicals	
Repair to Buildings	
Communication: 1. Telephone 2. Postage	
Staff Salaries	
Computer Maintenance	
Travel: 1. President 2. Office Bearers 3. Chief Executives 4. Staff	
Audit	
Depreciation	
Hospitality	
Miscellaneous Expenses	

Income

These are amounts that we have earned. Having raised funds, having applied them in our business, having incurred various costs, we earn income from our business. We do not need to return these amounts to anyone.

Account Head	Rs.
Sale of inputs	
Sale of Maize	
Hire from Farm Implements	
Interest on Fixed Deposits	

Account Head	Rs.
Commissions	
Visitors Fees	
Miscellaneous Income	

Liabilities

These are account heads related to such funds as are raised by us for our business and may be applied by us for our work but must not be used up. They must be protected to be returned to the source from which they were raised.

Account Head	Rs.
Share Capital	
Capital Grant	
Interest on bank account	
Advances from Institutions	
Loan from Bank (We will show loan from bank and repayments to bank in this account head)	
Payables to Members for Produce	
Outstanding Payments	
General Reserve	
Provision for Deprecation	

Assets

These are account heads related to funds that we have given to others for their short term or long term use which they must return to us. These also include funds that we have kept with us in cash or kind in our business.

Account Head	Rs.
Share capital in higher level institution	
Receivable from Buyers (On Sale of Commodities)	
Furniture	
Buildings	
Vehicle	
Computer	
Other Equipment	
Land	
Investments	
Deposits with Banks/Institutions	
Closing balance Commodity: 1. Paddy 2. Wheat	

Account Head	Rs.
Advances: 1. Office Bearers 2. Staff 3. Producers	
Cash	
Bank	

Model Chart of Account for FPOs

Assets & Liabilities

Suggested format by Companies	Should be followed by FPO	Description of the head
I. EQUITY AND LIABILITIES	**I. EQUITY AND LIABILITIES**	
1) Shareholder's Funds (a) Share Capital (b) Reserves and Surplus (c) Money received against share warrants	**1) Shareholder's Funds** (a) Share Capital (b) Reserves (c) Surplus	Type of reserves can be created: 1. Depreciation reserves 2. Asset acquisition (creation) reserves. 3. Price Fluctuation Reserve or Fund 4. Bad debt reserve
(2) Share application money pending allotment	**2) Share application money pending allotment** The amount received on the application on which allotment is not yet made (pending allotment)	i.e. FPO received application / application + share capital / share capital from a member but not yet allotted share/issued a share certificate
(3) Non-Current Liabilities (a) Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long term provisions	**(3) Non-Current Liabilities** (a) Bank loan (b) Income Tax to be paid on differential (surplus) amount of depreciation as per companies act and income tax act (c) Trade payables & others (d) Provisions (before arriving surplus in P&L statement) i.e. Income tax, pension, gratuity fund etc (d) Capital grant (assets; seeds or another other capital grants)	(a) Any loan which is repayable beyond 12 months period (b) i.e. For a laptop as per companies act depreciation is 3% p.a (i.e. Rs.3000), whereas per income tax act it is 20% p.a (Rs.20,000). The surplus increased in Profit & Loss statement would be Rs.17,000 as per companies act. Hence, we need to calculate income tax on Rs.17,000/- . The tax amount should be treated as deferred tax liability (c) Payables which is more than one year period

Suggested format by Companies	Should be followed by FPO	Description of the head
(4) Current Liabilities a) Short-term borrowings b) Trade payables c) Other current liabilities d) Short-term provisions	**(4) Current Liabilities (payable within 12 months)** a) Short-term borrowings b) Trade payables c) Other current liabilities d) Short-term provisions (approximate amount allocated in the expenditure) i.e. bonus (patronage bonus)	a) i.e. Deposits repayable loans repayable on demand (over draft) b) Suppliers, venders c) Employs benefit payable: Salaries payable (outstanding) d) Short-term provisions
II. Assets		
I. Non-current assets (a) Fixed assets (i) Tangible assets (ii) Intangible assets (iii) Capital work-in-progress (iv) Intangible assets under development (b) Non-current investments (c) Deferred tax assets (net) (d) Long term loans and advances (e) Other non-current assets	**a) Fixed assets** (i) Tangible assets: i.e. building, plant & machinery, godowns, implements (farming equipment) , furniture, vehicles (ii) Intangible assets: i.e. good will, agreements, copy rights, trade marks (iii) Capital work-in-progress: Semi finished works (iv) Intangible assets under development i.e. Research in progress to assess the good will of the FPO **(b) Other Non-current investments** i.e. share capital, savings etc. in higher level institutions **(c) Deferred tax assets (net)** **(d)** Long term loans and advances (which are more than 12 months) **(e)** Other non-current assets (which is more than 12 months) i.e advance to house owner/ godown owner etc.	**(c) Deferred tax assets (net):** A deferred tax asset is an asset on a company's balance sheet that may be used to reduce its taxable income. It can refer to a situation where a business has overpaid taxes or taxes paid in advance on its balance sheet. These taxes are eventually returned to the business in the form of tax relief, and the over-payment is, therefore, an asset for the company.
(2) Current assets (a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short-term loans and advances (f) Other current assets	**(2) Current assets** (a) Current investments i.e. Fixed deposits (b) Inventories (which are for resale purpose) i.e. Fertilizers, Pesticide, Cattle feed, Tarpaulin etc. (c) Trade receivables: Bills receivables (d) Cash & cash equivalents, cash in hand, cash in bank, (SB account and current accounts)	**(b) Inventories** (which are for resale purpose) First in First out: last lot stock price: Purchase price including Transportation, taxes, wages etc. Cost price (Purchase cost + taxes + other cost) & Market price whichever is lower: In case FPO purchased different quantities in different costs. It should be calculated on Weighted average method

	(e) Short term loans and advances (f) Other current assets	

Profit & Loss

#	Suggested format by Companies	Should be followed by FPO	Description of the head
	CONTINUING OPERATIONS(1)		
I	Revenue from operations (gross)	**Revenue from operations (gross)** (a) Sales (schedules to be added) - Fertilisers - Pesticides - Implements - Cattle feed - Seeds (a) Hiring Charges (b) Membership fee (c) Commission from procurement (d) Commission from agent / traders/ venders/ suppliers (e) Interest on loans/credit sales	
II	Other income	**Other income** (a) Resource fee / visitors (b) Interest on bank account & FDs (c) Sale of gunny bags / news papers (d) Profit on sale of assets (e) Recurring Grants (schedules to be added) - Trainings - Salaries - Administration	
III	**Total revenue (1+2)**		
IV	**Expenses** (a) Cost of materials consumed (b) Purchases of stock- in-trade (c) Changes in inventories of finished goods, work-in progress and stock-in- trade (d)Employee benefits expense	**Expenses** (a) Cost of materials sold (b) Purchases of stock-in-trade (no need) (c) Changes in inventories of stock- in-trade (d) Employee benefits expense - Salaries & Wages - PF - Bonus (e) Finance costs - Interest on borrowings from	(a) Formula for calculation = (Opening stock + Purchases during the period + Transport (carriage inverse)+ Hamali charges + Toll tax + others) – Closing stock (c) Difference between last year closing stock and current year closing balance

	(e) Finance costs (f)Depreciation and amortisation expense (g) Other expenses	banks and from others - Loan Processing charges - Bank charges - Stamp charges (f) Depreciation and amortisation expense Depreciation on assets (f) Other expenses - Meeting (AGM, EGM, Board meeting, staff meeting and others) - Travel, - Hiring expenses (auto, lorry, tempo other carriage outwards) - Rent & office maintenance - Audit fee - Postage - Legal compliance charges - Printing & stationary - Telephone expenses - Resource fee to others - Wages - - Asset insurance	
	Total expenses		
V	**Profit before exceptional and extraordinary items and tax (III-IV)**		Profit before tax
VI	Extraordinary items	Not applicable	
VII	**Profit / (Loss) before extraordinary items and tax (V+VI)**		
VIII	Extraordinary items		
IX	**Profit before tax (VI (-/+)VIII)**		
X	Tax expense:(I) Current tax expense for current year (II) Deferred tax	(I) Current year tax (II) Deferred tax	(II) Differed tax: Please refer balance sheet
XI	**Profit / (Loss) from continuing operations (IX+X)**		
XII	Profit V(loss) from discontinuing operations		

XIII	Tax expense of discontinuing operations		
XIV	**Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)**		
XV	**Profit (Loss) for the period (XI + XIV)**		
XVI	Earnings per equity share: (1) Basic (2) Diluted	(1) Basic XV/Total number of paid up shares (2) Diluted: Not applicable	

Session	Do's & Don'ts, role & responsibilities in maintaining books of accounts and preparation of Director's Report
X	

MANAGEMENT OF BOOKKEEPING & ACCOUNTING

Dos and Don'ts of while managing the accounts

As a CEO / Accountant we should understand our duties and responsibilities in respect of accounts management. We shall work for the wellbeing of the members, be answerable to our general body and discharge our duties diligently. We shall work to keep up the trust and confidence reposed in us by our Board members. To ensure transparency and accountability, we should ensure following safety measures while managing accounts in our FPO.

⇒ All the payments are authorized on the basis of the approved limits.

⇒ Ensures that the payment is made only after verifying appropriate authorizations.

⇒ All payments are charged to the appropriate budget line items.

⇒ Must ensure that the expenditure is within the sanctioned amount for the respective budget line items.

⇒ All the payments are supported with bills / invoices to the extent possible. Estimates / quotations are not accepted as evidence for payments.

⇒ Where the bills are not available, the reasons for the same are mentioned along with the payment details. In the case of small payments up to Rs.100, declaration should be received from the respective person.

⇒ It is ensured that bill does not have any over writings.

⇒ After making the payments; paid stamp is affixed on all the bills / invoices and vouchers.

⇒ Payments are made by account payee cheques to the extent possible.

⇒ The following table shows the list of supporting documents required for processing certain categories of expenses. These are attached to the respective vouchers:

Type of Payment	Supporting Documentation / process
Routine Payments	Service provider's bill / invoice
Materials and Supplies (including procurement of stationeries)	Indent from concerned members, Approval of concerned authority, Vendor's invoice / cash receipt, Updating the receipt in respective register
Special Services	Signed contract or approved purchase request, service provider's invoice verification of receipt of services

Type of Payment	Supporting Documentation / process
Procurement	Approval of concerned authority, quotations from three suppliers verification of budget provisions, purchase order, verification of receipt of goods, updating the receipt in the respective register
Salaries	Appointment letters, approved pay scales schedule, Bank account details of staff members
Travel Advances	Approved travel form including estimated amount of expenditure
Reimbursement of Travel Expenses	Used tickets, hotel bills, receipts for local transportation and other miscellaneous expenses. Where the original bills need to be submitted to get reimbursements, photocopies of all the documents are to be taken and the fact may be mentioned on the photocopies.
Any other expenses	Approval of the concerned authority, appropriate supporting documents.

⇒ There should be no overwriting on the accounting books and documents.

⇒ Entries in all accounting records and books too should be made carefully.

⇒ A scratched, overwritten receipt or accounting record does not create trust in the member. Records and receipt should not be written in pencil as that too creates suspicion in the mind of members.

⇒ Totals in books of accounts and cash and bank balance entries too should be only written by pen not pencil.

⇒ Payments in excess of Rs.1,000 are made by way of account payee cheques

⇒ Bank transactions are directly entered in cash book

⇒ Bank reconciliation statements are prepared on a monthly basis

⇒ Vouchers are prepared for the receipts also.

⇒ Unused cheques books are kept in safe custody. Signatures are not obtained on blank cheques. Specimen signatures must not be left around

⇒ Payment voucher has to be prepared before preparing any cheque

⇒ Cheque should not be prepared, for whatever reason, if sufficient balance is not available with bank

⇒ While cheques are preparing ensured that the amount in words and figures are the same. All cheques have to be crossed. Bearer cheques should not be issued under any circumstances except under exceptional cases with the approval of our board.

⇒ All cheques are stamped with the name of our FPO

⇒ Availability of funds for investments is ascertained on the basis of the cash flow requirements.

⇒ Our President and any one of the designated Office Bearers may jointly be authorized by us to invest the idle funds in recognized financial Institutions. The resolution passed for bank operations are followed for investments and withdrawals.

⇒ Similar process is followed for the purpose of withdrawal of funds from investments.

⇒ The details of investment are maintained in general ledger wherein the information pertaining to re-investment and interest earned are mentioned.

⇒ Income earned on the investments is also earmarked separately and reflected as part of funds of concerned project. Specific approvals from us are obtained in case of utilization of interest for the purposes other than approved budgets.

⇒ The investments are in the name of our FPO only. The physical copies of the investment are kept by under lock and key.

Roles and Responsibilities

The following personnel will have fiscal and accounting responsibilities in FPOs:

Board of Directors

⇒ Reviews and approves the annual budget

⇒ Reviews annual and periodic financial statements and information

⇒ Reviews CEO's performance annually

⇒ Two or three members of the board will be appointed by the board to be authorized signers on the bank accounts

⇒ Reviews and approves all contracts

⇒ Reviews and approves all non-budgeted expenditures

⇒ Reviews and advises staff on internal controls and accounting policies and procedures

⇒ Determines terms of references for appointment of an auditor and chooses and contracts with the auditor

Chief Executive Officer

⇒ Approves all program expenditures (within the approved budget by Board and General Body)

⇒ Monitors program budgets

⇒ Reviews all payrolls and is responsible for all personnel files

⇒ Reviews and manages cash flow

⇒ Reviews and approves all payments and expenditures

⇒ Processes all inter-account bank transfers

⇒ Assists Board with the development of annual and program budgets

⇒ Reviews all incoming and outgoing invoices

⇒ Opens all bank statements along with Board, reviews for any irregularities, and reviews completed monthly bank reconciliations

⇒ Manages the petty cash fund

⇒ Monitors and manages all expenses to ensure most effective use of assets

⇒ Monitors grant reporting and appropriate release of funds

⇒ Oversees expense allocations

⇒ Monitors and makes recommendations for asset sales and replacement

⇒ Reviews, revises, and maintains internal accounting controls and procedures

⇒ Reviews all financial reports & submit to Board for approval

Accountant

⇒ Overall responsibility for data entry into accounting system and integrity of accounting system data

⇒ Processes invoices and prepares checks for signature

⇒ Makes bank deposits

⇒ Maintain books of accounts and records

⇒ Safe keeping of records and books

⇒ Prepares monthly and year-end financial reports

⇒ Reconciles all bank accounts

⇒ Manages Accounts Receivable

MANDATORY COMPLIANCE/ ANNUAL COMPLIANCE:

⇒ **Appointment of Auditor:** Pursuant to Section 139 of the Companies Act, 2013, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor as per advise by the Company Secretary.

⇒ **Statutory Audit of Accounts:** Every Company shall prepare its Accounts and get the same audited by a Chartered Accountant at the end of the Financial Year compulsorily. The Auditor shall provide an Audit Report and the Audited Financial Statements for the purpose of filing it with the Registrar. The same will be filed with the Income Tax authority by the Chartered Accountant.

⇒ **Filing of Annual Return (e-form MGT-7):** Pursuant to Section 581ZA (9) of the Companies Act the proceedings of every annual general meeting along with the Directors' Report, the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable under the Act. E-form MGT-7 can be downloaded from link below. Annual Return will be for the period of 1st April to 31st March.

http://www.mca.gov.in/MinistryV2/Download_eF orm_choose.html.

⇒ **Filing of Financial statements (e-form AOC-4):** Every Company is required to file its financial statements, Auditor report along with Director's report by uploading on MCA portal e-form AOC4 within 30 days of holding of Annual General Meeting. E- form AOC-4 can be downloaded from the below link:

http://www.mca.gov.in/MinistryV2/Download_eF orm_choose.html

⇒ **Holding Annual General Meeting Companies** are required to hold their AGM within a period of six months, from the date of closing of the Financial Year and not more than fifteen months shall elapse between the date of one annual general meeting of a Producer Company and that of the next. The primary agenda of an AGM includes approval of financial statements, declaration of dividends, appointment or reappointment of auditors, appointment and remuneration of Directors etc.

⇒ **Preparation of Directors' Report:** Directors' Report will be prepared with a mention of all the information required under Section 134.

⇒ **Board meetings**

Frequency of Meetings:

There should be at least four Board Meetings in a year having one Board Meeting in every quarter of the year. As per Secretarial Standard on Meetings of the Board of Directors (SS-

1) maximum interval between two Meetings should not exceed 120 days.

Minimum Attendance: The quorum of a Board Meeting shall be one third of its total strength of the Board or two directors, whichever is higher.

⇒ **Filing Income Tax returns:** Filing of Income Tax Returns (Tax will be payable at a flat rate of 30% plus Education Cess). It is to be noted that though the IT Act does not per-se give any special benefits or exemptions to Producer Companies as such, but depending upon the kind of agricultural activity it carries on, certain tax benefits can be availed. For this consult your Chartered Accountant

⇒ **Internal audit:** Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a Chartered Accountant.

Maintenance of Statutory Registers - Companies Act 2013

For an organization to function efficiently and adhere to the statutory requirements, it is essential to maintain certain records and registers. The registers to be maintained as per companies act are:

- Introduction
- Statutory Books
- Registers to be maintained under the Companies Act, 2013
    - Register of the company
    - Register of Members
    - Register of directors and key managerial personnel
    - Register of charges
    - Register of Renewed and Duplicate Share Certificates
    - Register of Shares/Other Securities Bought Back

For an organization to function efficiently and adhere to the statutory requirements, it is essential to maintain certain records and registers. Maintaining such records and registers are important for fulfilling the statutory, disclosure, statistical, MIS purposes. Maintaining such records helps in ensuring that the operations of an organization are systematic.

Companies Act, 2013 requires every company to keep and maintain at its registered head office books of accounts and relevant documents and the financial statements for each FY (financial year) that provides a true and fair picture of the company's state of affairs which includes its branch offices and other offices.

The provision further requires an explanation of transactions affected both at registered as well its branch offices and such books must be kept at accrual basis and following the double entry system of bookkeeping.

Statutory Books

Statutory Register refers to specific records about a company's shareholders, directors, and the meetings held. These records are in addition to the normal accounting records that companies are also meant to keep.

Most of the companies keep their statutory registers in a loose-leaf binder or bound book, but they can keep it in any form like a computer record. The Companies Act, 2013 requires every company to furnish these records before ROC (registrar of companies) within specific time limits together with prescribed fees.

<u>Registers to be maintained under the Companies Act, 2013</u>

1. Register of the company: Every company accepting deposits must keep at the registered office, one or more registers for deposits accepted and/or renewed for a period of 8 years. Such period must be from FY (financial year) in which the entry was made in such register. Such register must contain the followings in respect of depositors –

1. Name, PAN and address of the depositors;
2. For minors, guardian details;
3. Particulars of the nominee;
4. ate and amount of each deposit;
5. Deposit receipt number;
6. Interest rate;
7. Duration of such deposit:
8. Repayable date;
9. The due date for interest payment;
10. Payment date of interest due;
11. Details with respect to deposit insurance;
12. Details of charge/ security created;
13. Other details with respect to deposit.

All the entries which are entered in this register must be authenticated by the company’s directory, secretary or such other officer authorized to do so.

2. Register of Members: Every company needs to keep and maintain the below-mentioned registers with respect to its members:

1. Register of the members separately for the equity shares and preference shares.
2. Register for the debenture holders
3. Register for other security holders

The registers must contain an index of the names.

Further, member's register, in case a company doesn't have the share capital, must have the following details of each member:

a) Name, address, E-mail, PAN, UIN, CIN, Occupation, Nationality, Father's /Mother's Name/Spouse's Name,
b) Date of commencement of membership
c) Date of cessation of membership
d) Other details as necessary

3. Register of directors and key managerial personnel: The Companies Act 2013, requires every company to maintain and keep a register at its registered office containing particulars of the directors and KMP (key managerial personnel), which should comprise details of the securities held by them in the company or its subsidiary, holding, associate companies or subsidiary of company's holding company. According to rule 17 of Companies (Appointment and Qualification of Directors) Rules, 2014, the below-mentioned particulars shall be kept in a register a company's registered office:

i. DIN (Director Identification Number);
ii. Name and surname;
iii. Any previous name or surname;
iv. Father's name, mother's name and spouse's name;
v. Date of birth;
vi. Nationality (including the nationality of origin, if different);
vii. Residential address (present as well as permanent);
viii. The date of board resolution where the appointment was made;
ix. Occupation;
x. Date of appointment and reappointment;
xi. Date of cessation of office and reasons therefor;

4. Register of charges: Register of charges must be maintained by a company in the Form no. CHG 7. This register must contain details of the charges registered with the registrar on assets, property, companies or undertaking along with particulars of property that was acquired and which was subject to charges and also particulars of modifications or satisfaction of any charge. The register of charges must be permanently preserved at company's registered office, however, the instrument creating the charge must be preserved for a period of 8 years from the date of satisfaction of the charge by the said company.

5. Register of Renewed and Duplicate Share Certificates: Particulars of each of the share certificates issued:

a) in exchange for certificates which are consolidated or sub-divided or in replacement of certificates which are mutilated, defaced, old or torn, worn out, decrepit, or where cages on the reverse for the recording transfers are duly utilized

b) in lieu of certificates which are destroyed or lost must be entered in a Register of Renewed and Duplicate Share Certificates which is to be maintained in the Form No SH.2. In Form No SH.2, we specify against the name of the person to whom a certificate has been issued, the date of issue and number of the certificates in lieu of which new certificate has been issued, and the required changes specified in Register of Members by appropriate cross-references in "Remarks" column.

While maintaining such register, the below-mentioned points must be kept in mind –

⇒ The register must be permanently preserved and must be kept in custody of company's company secretary or any other person so authorized by company's Board.

⇒ All the entries made in this register must be authenticated by company's company secretary or such person as authorized by company's Board in this regard.

⇒ Such register must be kept at the company's registered office or at a place where Register of Members is maintained.

Session	Legal compliances : Due Dates of Statements, Returns, Periodicity of submission Income Tax liability for FPOs, Minimum alternate tax (MAT), Various permissions and licenses required for business operations
XI	

Books of Account

581ZE: Every Producer Company shall keep at its registered office proper books of account with respect to all sums of money received and expended by the Producer Company and the matters in respect of which the receipts and expenditure take place; all sales and purchase of goods by the Producer Company; the instruments of liability executed by or on behalf of the Producer Company; the assets and liabilities of the Producer Company; in case of a Producer Company engaged in production, processing and manufacturing, the particulars relating to utilization of materials or labour or other items of costs. The balance sheet and profit and loss accounts of the Producer Company shall be prepared, as far as may be, in accordance with the provisions contained in section 211.

Internal Audit

581ZF. Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Institute of Chartered Accountants Act, 1949 (38 of 1949).

Duties of Auditor under this Part

581ZG: Without prejudice to the provisions contained in section 227, the auditor shall report on the following additional matters relating to the Producer Company, namely:

- ⇒ the amount of debts due along with particulars of bad debts if any;
- ⇒ the verification of cash balance and securities;
- ⇒ the details of assets and liabilities;
- ⇒ all transactions which appear to be contrary to the provisions of this Part;
- ⇒ the loans given by the Producer Company to the directors;
- ⇒ the donations or subscriptions given by the Producer Company;
- ⇒ any other matter as may be considered necessary by the auditor.

Donations or Subscription by Producer Company

581ZH: A Producer Company may, by special resolution, make donation or subscription to any institution or individual for the purposes of promoting the social and economic welfare of Producer Members or producers or general public; or promoting the mutual assistance principles **Provided** that the aggregate amount of all such donation and subscription in any financial year shall not exceed three per cent of the net profit of the Producer Company in the financial year immediately preceding the financial year in which the donation or subscription was made : Provided further that no Producer Company shall make directly or indirectly to any political party or for any political purpose to any person any contribution or subscription or make available any facilities including personnel or material.

General and Other Reserves

581ZI: Every Producer Company shall maintain a general reserve in every financial year, in addition to any reserve maintained by it as may be specified in articles. In a case where the Producer Company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year.

Issue of Bonus Shares

581ZJ: Any Producer Company may, upon recommendation of the Board and passing of resolution in the general meeting, issue bonus shares by capitalization of amounts from general reserves referred to in section 581Z-I in proportion to the shares held by the Members on the date of the issue of such shares.

Annual Compliances for Private Limited Company including Producer Company

S. No.	Compliance	Section & Rules	Particular of Compliance	
1.	Receipt of MBP-1	184(1)	Form MBP- 1	Every Director of the Company in First Meeting of the Board of Director in each Financial Year will disclose his interest in other entities.
				Every Director is required to submit with the Company fresh MBP-1 whenever there is change in his interest from the earlier given MBP-1.
2.	Receipt of DIR- 8	164(2)	Form DIR – 8	Every Director of the Company in each Financial Year will file with the Company disclosure of non-disqualification.
3.	E- Forms Filing Requirements	92	E-form: MGT-7	Annual Return: Every Small Company will file its Annual Return within 60 days of holding of Annual General Meeting. Annual Return will be for the period 1st April to 31stMarch.

4.	Copy of Financial Statement to be filed with registrar	137	E-form: AOC-4	Financial Statement: Company is required to file its Balance Sheet along with statement of Profit and Loss Account and Director Report in this form.
			Attachment: Balance Sheet, Statement of Profit& Loss Account (Including Consolidated Financial Statement), Directors' Report, Auditors' Report, Cash Flow Statement and Notice of AGM.	
5.	Annual Return	92	MGT-8	Private Company: Having paid up share capital of 10 Crore or more or turnover of Rs. 50 crore or more shall be certified by a Company Secretary in Practice.
6.	Directors' Report	134	Directors' Report will be prepared by mention of all the information required under Section 134. It should be signed by the "Chairperson" authorized by the Board, where he is not so authorized by at least 2 Directors.	
7.	Circulation of Financial Statement & other relevant Documents	136	Company will send to the members of the Company approved Financial Statement (including consolidated Financial Statement), Cash Flow Statement, Directors' Report and Auditors' Report at least 21 clear days before the Annual General Meeting. (Except in case of AGM is called on Shorter Notice).	
8.	Notice of AGM	101 & SS-II	Every Notice of Annual General Meeting will be prepared as per Section 101 of Companies Act 2013 and Secretarial Standard – II.	
9.	Sending of Notice of AGM	101 & SS	Notice of Annual General Meeting will be sent to following: All Directors; Members; Statutory Auditor; Secretarial Auditor (if any)	
10.	AGM / EGM	96 &100	⇒ Any other General Meetings other than Annual General Meeting will be called as Extra Ordinary General Meeting (EGM). ⇒ It is required to follow Secretarial Standards (SS 2) on General Meetings. ⇒ Minutes to be recorded and signed by Chairman within 30 days and the pages to be consecutively numbered and signed by Chairman. ⇒ Minutes to be kept permanently. ⇒ Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting. Specimen AGM Minutes provided as Annexure.	

<table>
<tr><td>11.</td><td>Board Meetings</td><td>173 & SS-I</td><td colspan="2">⇒ Every Company shall hold a minimum number of FOUR meetings of its Board of Directors every calendar year in such a manner that maximum gap between two meetings should not be more than 120 (One hundred twenty) days. Companies shall follow the Secretarial Standards on Board and Committee Meetings (SS 1). The major compliances are as follows:
⇒ Notice in writing shall be given to all Directors at least 7 days before the Board Meeting.
⇒ Minutes to be recorded after the Board Meeting and the draft of the same shall be circulated to all the Directors within 1 days from the Meeting.
⇒ Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting.
⇒ Minutes to be properly numbered and the pages to be consecutively numbered and all pages to be initialed/signed by the Chairman.
⇒ Minutes to be recorded in the Minutes book within in 30 days, after providing at least 7 days for Directors comment on the draft Minutes.
⇒ Minutes to be kept permanently and the notice, agenda and any other annexure placed before the Meeting to be kept for at least 8 years.
Specimen of the Minutes of Board Meeting is provided as Annexure.</td></tr>
<tr><td>12.</td><td>Appointment of Auditor</td><td>139</td><td>E-form ADT-1</td><td>Auditor will be appointed for the 5 (Five) year and form ADT-1 will be filed for 5-year appointment.</td></tr>
<tr><td rowspan="4">13.</td><td rowspan="4">Maintenance of Registers</td><td rowspan="4">88</td><td colspan="2">Company will maintain the following mandatory Registers:</td></tr>
<tr><td colspan="2">Register of Director;</td></tr>
<tr><td colspan="2">Director Shareholding;</td></tr>
<tr><td colspan="2">Members.</td></tr>
<tr><td>14.</td><td>Annual Return</td><td>92</td><td colspan="2">Annual Return of Every Private Company (Except Small Company) should be signed by Company Secretary in Practice, if there is no whole time Company Secretary.</td></tr>
<tr><td>15.</td><td>DIR 3 KYC</td><td></td><td colspan="2">Every Director to file DIR 3 KYC every year to keep the DIN active.</td></tr>
<tr><td>16</td><td>MSME 1</td><td></td><td colspan="2">Every Company which has any outstanding payments to MSME for more than 45 days have to file form MSME 1 half yearly i.e. on to before 30th April, and 31st October for the corresponding half year end.</td></tr>
<tr><td>17</td><td>DPT3</td><td></td><td colspan="2">The Companies which has deposits from shareholders need to file form DPT 3 on or before 30th June, every year.</td></tr>
</table>

Due Dates for other Statutory Filing

TDS		
1st Quarter	1st April to 30th June	31st July
2nd Quarter	1st July to 30th September	31st Oct
3rd Quarter	1st October to 31st December	31st Jan
4th Quarter	1st January to 31st March	31st May
ADVANCE TAX		
1st Quarter	On or before 15th June	15% of advance tax less advance tax already paid
2nd Quarter	On or before 15th September	45% of advance tax less advance tax already paid
3rd Quarter	On or before 15th December	75% of advance tax less advance tax already paid
4th Quarter	On or before 15th March	100% of advance tax less advance tax already paid
TDS PAYMENT		
Every month except March		7th of the following month
For March month		30th April
GST		
for regular dealer		
GSTR1 monthly		10th of the following month
GSTR1 quarterly (if opted)		30th of the month following the quarter
GSTR 3B monthly		20th of the following month
Annual Return		31st December
Professional Tax		
for employer		30th April (yearly)
Amount		Rs 2500
for employee		20th of the following month (monthly)
Amount		Rs 200 per employee per month
		(if gross salary is > Rs 15,000pm)
		(to be remitted by employer only)
Provident fund if applicable		
Monthly payment		15th of the following month
ESI if applicable		
Monthly payment		20th of the following month
INCOME TAX FILING		
If tax audit applies		30th September
If tax audit does not apply		31st July
If TP audit applies		30th November

Penalty for Contravention

581ZM: If any person, other than a Producer Company registered under this Part, carries on business under any name which contains the words “Producer Company Limited”, he shall be punishable with fine which may extend to ten thousand rupees for every day during which such name has been used by him.

If a director or an officer of a Producer Company, who willfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorized in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with fine equivalent to five per cent of the turnover of that company during preceding financial year.

If a director or officer of a Producer Company makes a default in handing over the custody of books of account and other documents or property in his custody to the Producer Company of which he is a director or officer; or fails to convene annual general meeting or other general meetings, He/she shall be punishable with fine which may extend to one lakh rupees, and in the case of a continuing default or failure, with an additional fine which may extend to ten thousand rupees for every day during which such default or failure continues.

Deduction in respect of Income of Farm Producer Companies [Section 80-PA] w.e.f. A.Y. 2019-20

⇒ FPOs can be registered as a Society or Trust or Section 8 Company. Where the FPO is registered as a society or a trust, it will be taxable as ‘Association of Person’. If it is registered as Sec 8 Company it will be taxed as ‘a company in which public are substantially interested’, subject however, to the benefit of exemption provided under section 11 and 12 of the Act if they are registered under sec 12AA of the Act.

⇒ The agricultural income is exempt under section 10(1) of the Income Tax Act, 1961 (‘the Act’). This exemption is available to a person who carries out primary and secondary activities in agriculture. Since the FPOs are not engaged in either the primary or secondary agricultural activities, it cannot avail the exemption under section 10(1) of the Act. At best, FPOs could claim benefit under Rule 7 (General), 7A (Rubber), 7B (Coffee) and 8 (Tea) of the Income Tax Rules, 1962 to the extent it derives partially agricultural income and partially business income.

⇒ In case the FPO is registered as a Trust or a Society registered under section 12AA of the Act, or in the case of Sec 8 Company the income earned cannot be distributed to its members.

⇒ FPOs can also be registered as a Co-operative Society. At present, Cooperatives enjoy income tax relief under section 80P of the Act. Profits and gains of cooperative societies is deductible if it is engaged in certain business activities, *inter alia*

(a) Providing banking or credit facilities to its members; or

(b) marketing of agricultural produce grown by its members; or

(c) purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for supply to its members; or

(d) Processing agricultural produce of its members without the aid of power.

<u>Minimum Alternate Tax</u>

⇒ At times it may happen that a taxpayer, being a company, may have generated income during the year, but by taking the advantage of various provisions of Income-tax Law (like exemptions, deductions, depreciation, etc.), it may have reduced its tax liability or may not have paid any tax at all.

⇒ Due to an increase in the number of zero tax paying companies, Minimum Alternate Tax (MAT) was introduced by the Finance Act, 1987 with effect from assessment year 1988-89. Later on, it was withdrawn by the Finance Act, 1990 and then reintroduced by Finance Act, 1996.

⇒ MAT is calculated at 18.5% on the book profit (the profit shown in the profit and loss account) or at the usual corporate rates, and whichever is higher is payable as tax.

⇒ All companies in India, whether domestic or foreign, fall under this provision. MAT was later extended to cover non-corporate entities as well.

⇒ MAT is an important tool with which tax avoidance can be prevented.

⇒ Farmer producer organisations (FPOs) from different States have started approaching the Union Finance Minister to seek exemption from minimum alternate tax (MAT).

<u>Various permissions and licenses required for business operations</u>

⇒ **Food Safety and Standards Authority of India (FSSAI):** The Food Safety and Standards Authority of India (FSSAI) has been established under Food Safety and Standards Act, 2006 which consolidates various acts & orders that have hitherto handled food related issues in various Ministries and Departments. FSSAI has been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption. The details of regulations may be accessed from their website www.fssai.gov.in some of these regulations are listed below:

(a) FSS (Licensing and Registration of Food Business) Regulation, 2011

(b) FSS (Packaging and Labelling) Regulation, 2011

(c) FSS (Food Product Standards and Food Additives) Regulation, 2011

(d) FSS (Contaminants, Toxins and Residues) Regulation, 2011

(e) FSS (Prohibition and Restriction on Sales) Regulation, 2011

⇒ **AGMARK:** AGMARK is a certification mark employed on agricultural products in India, assuring that they conform to a set of standards approved by the Directorate of Marketing and Inspection, an agency of the Government of India. The present AGMARK standards cover quality guidelines for 205 different commodities spanning a variety of Pulses, Cereals, Essential Oils, Vegetable Oils, Fruits & Vegetables, and semi-processed products like Vermicelli.

⇒ **Organic Certification:** India Organic is a certification mark for organically produced food products manufactured in India. The certification mark certifies that an organic food product conforms to the National Standards for Organic Products established in 2000.

a) Those standards ensure that the product or the raw materials used in the product were grown through organic farming, without the use of chemical fertilizers, pesticides, or induced hormones. The certification is issued by testing centers accredited by the Agricultural and Processed Food Products Export Development Authority (APEDA) under the National Program for Organic Production of the Government of India.

b) Even though the standards are in effect since 2000, the certification scheme and hence the certification mark came into existence in 2002.

⇒ **Food safety and standards (packaging and labelling) act of 2006:** Packaged food products sold in India are required to be labelled with a mandatory mark in order to be distinguished between vegetarian and non-vegetarian. The symbol is in effect following the Food safety and standards (packaging and labelling) act of 2006, and got a mandatory status after the framing of the respective regulations (Food safety and standards (packaging and labelling) regulation in 2011. According to the law, vegetarian food should be identified by a green symbol and non-vegetarian food with a brown symbol.

⇒ **Bureau of Indian Standards:** The Bureau of Indian Standards, empowered through an Act of the Indian Parliament, known as the Bureau of Indian Standards Act, 1986, operates a product certification scheme by which it grants licences to manufacturers covering practically every industrial discipline from Agriculture to Textiles to Electronics. The certification allows the licensees to use the popular ISI Mark, which has become synonymous with Quality products for the Indian and neighbouring markets over the last more than 55 years. The Bureau's predecessor, the Indian Standards Institution began operating the product certification Scheme in 1955.

⇒ **Hazard Analysis and Critical Control Point (HACCP):** Hazard Analysis and Critical Control Point (HACCP) is a process control system designed to identify and prevent microbial and other hazards in food production. It includes steps designed to prevent problems before they occur and to correct deviations as soon as they are detected. Such preventive control system with documentation and verification are widely recognized by scientific authorities and international organizations as the most effective approach available for producing safe food.

References

i. FPO Accounting Manual Building - apmas

i. Handbook on Maintenance of Accounts & Preparation of Financial Statements for Farmer Producer Organisations, NABARD, Uttarakhand Regional Office

Bankers Institute of Rural Development (BIRD), Lucknow is an autonomous institute promoted by National Bank for Agriculture and Rural Development, the Development Bank of the country. It is a premier institute for providing training research and consultancy services in the field of agriculture and rural development banking in India and abroad. The Institute was established in 1983, for addressing the capacity building needs of stakeholders. BIRD, Lucknow is an ISO 9001: 2015 certified training Institute

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