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CHAPTER - IV  
FINANCIAL ADMINISTRATION

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## I

INTRODUCTION

'Finance' is so important aspect in any organisation that successful implementation of any of its plans depend upon the availability of adequate funds. Thus, such funds should be efficiently managed so as to see that there is proper and optimum utilisation. Hence, administration of finance assumes greater significance in any institution.

In a school the responsibility for financial administration lies solely with the Finance Sub-Committee functioning under the Managing Committee of a school. In each

institution there is a Finance sub-committee which consists of

1. Secretary of the committee or where the head of the institution is Secretary, the President of the committee who is the ex-officio Chairman of the sub-committees.

2. Head of the institution- Secretary of the Sub-Committee.

3. A member of the teaching and the non-teaching staff

The main functions of the committee include :

a. Preparation of the budget estimate of the institution.

b. Consideration of audit report and auditor's annual report.

c. Checking of bills.

d. Invitation of tenders.

e. Placing work orders.

f. Scrutinising vouchers.

g. Transact any other business that may be assigned to it by the Managing Committee.

h. All payments exceeding Rs. 100/- shall require prior approval of the Finance sub-committee except salary of the staff and approve recurring expenditure of the institution.

i. The Secretary of the sub-committee shall call meeting at least once in every two months except during vacation<sup>1</sup>.

## II

## BUDGET, ACCOUNTS, AUDIT

A budget can be defined as "a financial and or quantitative statement prepared and approved prior to a defined period of time of the policy to be pursued during that period for the purpose of attaining a given objective. A budget is, therefore, a plan of expected achievement based on the most efficient operating standards in effect or in prospect at that time it is established, against which actual accomplishment is regularly compared. In short, it may be considered as a guide"<sup>2</sup>.

In a school generally the Secretary in consultation with the head of the institution prepares the annual budget for the school. The Finance Committee is also authorised to prepare school budget and such budget contains the figures of estimated income and expenditures for 12 months for the current financial year i.e. April to March. The following points are taken into account while preparing annual budget:-

- a. Audit Report of the previous year
- b. Different items of the income
- c. Different items of expenditures
- d. Grants-in-aid from the State Govt./Central Govt.  
as the case may be .
- e. Donations, if any.
- f. Loans etc.

A school budget is of the following form<sup>3</sup>:-

Name of the School :-

Address:-

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 19.....  
19.....

Estimated Income/Receipt	Amount	Estimated Expenditure/Payment	Amount
Balance b/f from previous year (i.e. amount remained unspent or balance of different funds)		Salaries to teaching and non-teaching staff	
<u>Grant-in-aid</u>		Govt. D.A. & other allowances	
a. towards D.A.		Contribution to P.F.	
b. towards salary contribution		Rents and Taxes	
c. Maintenance grant		Repairs & renewals	
d. Contingent grant		Furnitures & Fittings	
e. Other/Misc.			
Collection from students (viz. magazines, electricity games & sports, examination fees etc.)		Teaching Aids	
Donations		Library Books	
Capital grant		Games & Sports	
Misc. Incomes		Examination Expenditures	
Loan, if any		Development Expenditures	
		Magazine	
		Printing & Stationary	
		Loan repayment, if any	
		Misc. Expenditures	
		Audit fees	
		Surplus	
<b>Total:</b>		<b>Total:</b>	
(Secretary)	(Head of the Institution)	(Member, FC)	

The above list is not an exhaustive list of items of incomes and expenditures. There may be additions and deletions to any of the above mentioned items.

#### ACCOUNTING RULES:

The following accounting rules<sup>4</sup> are normally followed in a school:-

- (a) Every transaction of receipt or payment of money is brought to account at once without exception or reserve.
- (b) The class register of attendance normally provides for additional columns showing the fees and fines realised from each student and the amount of daily collection.
- (c) The daily collections are compiled in a collection Register of which the daily total is taken into the cash book.
- (d) An Acquittance Register of salaries and scholarships is kept in a specied form.
- (e) The cash book is kept daily in specified forms. It is generally initialled daily by the headmaster or other superior authority. The items of receipt and the voucher numbers of payments run in two consecutive series from the beginning to the end of each year.
- (f) A monthly abstract is prepared from the cash book in the specified form as soon as after the end of the month as possible.

The following books of accounts are required to be maintained in order to have a clear and correct picture of school accounts :-

(i) Fee Collection Receipt Books, (ii) Daily Fee collection Book, (iii) Fee Ledger, (iv) Cash book, (v) Subsidiary fund Accounts books, (vi) Loan Register, (vi) Acquittance Register, (vii) Monthly Abstract Register, (ix) P.F.Account Books, (x) Stock Register etc.

The books of accounts are maintained at the instruction of the headmaster or assistant headmaster, as the case may be, if not otherwise directed by the Managing Committee or the Administrator of the school. The account books so maintained are required to be signed by the headmaster/Asstt. headmaster and should also be countersigned by the Secretary/Administrator.

Naturally bills and vouchers below Rs. 100/- are passed for payment by the headmaster, but if it is above Rs. 100/-, the same must be passed by the members of the Finance Committee viz., Secretary, Headmaster and Member.

It is the duty of the headmaster to prepare a monthly statement of accounts of the school in the first week of every next month for submission to the Secretary/Administrator of the School.

The statement of accounts for 12 months (i.e. April to March) should be placed before the meeting of the Managing

Committee and got it passed before it is placed for audit to panel auditors appointed by the Govt.

Every item of non-recurring expenditure involving big amount should be placed before the Managing Committee for approval. Quotations should be called from the relevant concern, for supply, if otherwise not decided by the Managing Committee or the Education Department.

Big amount should not lay at the hands of Secretary or the Headmaster of the school and more than Rs.100/- should not be shown as cash in hand on the closing date of accounts.

Undistributed amount of any grant/stipend or scholarship received from the competent authorities should be disbursed within the financial year and if not possible, by the next financial year positively. Expenditure shown on any suspense account must be supported by relevant and complete voucher within the financial year as far as practicable.

Stock book should be maintained for recording purchase of library books, furniture and laboratory articles etc.

Audit reports should be placed before the Managing Committee for its acceptance. Necessary steps should be taken to comply with the observation of the auditor.

#### OPERATION OF BANK ACCOUNTS

The accounts of an institution shall be operated jointly by the Secretary and the Joint Secretary. All Bank

transactions should be over the joint signatures of both the Secretary and the Joint Secretary. In the event of a vacancy in either office, the President of the Committee and in the absence of the President any other member of the Committee, authorised by the Committee by a resolution, shall operate the bank account on behalf of the incumbent absent unless otherwise ordered by the Govt.

The Head of the institution is responsible for supervising maintenance of accounts with the help of the clerical staff. A review of the qualification of the persons engaged in maintaining accounts shows (Table: I) that only 39% of them have commerce background and about 50% are not even graduates.

Table-I

Qualification of persons engaged in maintaining accounts

<u>Educational Qualification</u>	<u>No. of persons</u>
School Final	21.3%
Higher Secondary/Intermediate	28.6%
Arts Graduate	10.8%
Commerce Graduates	39.3%
Science Graduates	None
Total:	100%

AUDIT :

The auditor is annually appointed by the D.S.E. from the panel maintained by him. The auditor shall examine the accounts of the school and submit his report to the Managing Committee on or before the 31st December of the year following the financial year in respect of which accounts have been audited. Two copies of the audit report is to be forwarded to the D.S.E. who shall submit one copy to the Board.

The D.S.E. has the power to call for an explanation of the Managing Committee on the irregularities pointed out in the audit report. The Managing Committee shall have to submit to the D.S.E., its explanation along with details of action taken or proposed to be taken within 6 weeks of the receipt of such communication. If the D.S.E. is not satisfied with the explanation given by the Managing Committee, he may move to the Board for supersession of the Managing Committee<sup>5</sup>.

## III

## SOURCES AND UTILISATION OF FINANCE

In case of non-government aided school the government bears the salary for the teachers and sometimes some amount in the form of development funds. Since the abolition of charging tuition fees w.e.f. 1980, the schools can-

-not charge any tuition fee from students except some necessary charges like magazine, games and sports, electricity etc. and the amounts so collected should be spent exclusively for those purposes. In addition, schools in rural areas get some assistance for building etc. from the village Panchayet. Very few schools take some amount as donations from students and well wishers and out of sale proceeds of admission forms etc. On the other hand, the government schools(both State and Central) are fully financed by the respective governments. An analysis of break up of incomes of various schools shows (Table-II) that in most of the cases, barring a few nearly 99% of the total income comes in the form of government aid (mainly towards salary for teachers and non-teaching staff), the average being nearly 95%. Collection from students varies between 5% to below 1% of the total income, while the share of donations varies from 5% to  $\frac{1}{2}$ % and other sources remaining very insignificant in view of its share in the total income.

Break up of expenditures, as can be seen from (Table-III) that in most of the cases, the salary component is more than 95%. On an average it is more than 75% while share of recurring expenditures like stationary and miscellaneous contingencies, repairs etc. is only 4% on an average. On the other hand share of capital expenditure (such as construction of building, purchase of furniture, fixtures, purchase of teaching aids, books etc.) is 6% of the total expenditure.

Table-II

## Break-up of Income

Sl.No.	School code	Govt. Aid (salary etc.)	Collection from students	Donations	Misc. Income
1.	JPGSNLA	98.8%	0.98%	0.13%	0.00%
2.	SLGNIL	96.8%	3.2%	-	-
3.	JPGHS	99.8%	0.2%	-	-
4.	KVT	99.1%	0.9%	-	-
5.	SLGBH	97.2%	2.8%	-	-
6.	FKTHS	95.5%	2.7%	1.6%	0.07%
7.	JPGADM	98.8%	0.98%	0.21%	0.03%
8.	SKTB	95.7%	3.6%	5.84%	-
9.	NTGB	93.9%	2.9%	-	-
10.	SLGV	95%	4.95%	-	-
11.	DNSL	97.4%	2.55%	-	0.9 %
12.	JPLH	92.8%	3.32%	3.9%	-
13.	DNB	98.6%	1.4%	-	-
14.	DNG	98.4%	1.6%	-	-
15.	JMJG	82.1%	1.6%	-	16.33
16.	MTGHS	72.4%	5.42%	1.13%	21%
17.	SLGBK	96.6%	3.33%	-	0.09%
18.	JPGMN	96.4%	-	-	3.6%
19.	HPBV	90%	5.0%	5.0%	-
20.	RKSM	95.4%	3.8%	0.38%	0.42%
		$\bar{X}=94.56\%$	$\bar{X}=2.7\%$	$\bar{X}=2.1\%$	$\bar{X}=5.4\%$
		n=20	n=19	n=9	n=8
		H.V.=99.8%	H.V.=5.42	H.V.=5.84%	H.V.=21.0%
		L.V.=72.4%	L.V.=0.20%	L.V.=0.13%	L.V.=0.03%
		'R'=27.4	'R'=5.22'	'R'=5.71	'R'=20.97

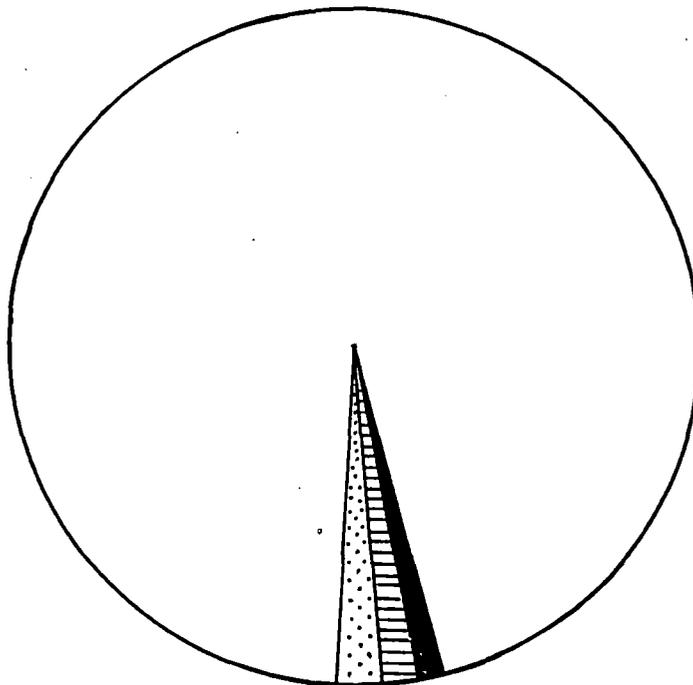


Fig - 1  
SOURCES OF INCOME

Table-III

## Break-up of Expenditure

Sl.No.	School Code	Salary Component	Recurring Expenditure	Capital Expenditure	Total Expenditure/student
1.	JPGSNLA	23.53%	0.52%	75.96%	3657
2.	SLGNIL	96.90%	3.10%	0.00%	1214
3.	JPGHS	97.21%	1.26%	0.84%	1432
4.	KVT	49.23%	49.25%	1.55%	3555
5.	SLGBH	97.22%	2.78%	1.16%	1851
6.	FKTHS	95.64%	0.28%	0.34%	1163
7.	JPGADM	44.62%	0.10%	0.00%	2275
8.	SKTB	95.78%	3.05%	1.17%	1787
9.	NTGB	96.00%	0.43%	0.00%	1400
10.	SLGV	96.00%	1.90%	2.10%	1111
11.	DNSL	97.92%	1.25%	0.83%	1337
12.	JPLH	98.84%	0.25%	0.00%	1117
13.	DNB	98.72%	1.27%	0.00%	2064
14.	DNG	99.44%	0.56%	0.00%	1723
15.	JMJG	82.61%	0.10%	17.29%	1521
16.	MTGHS	76.61%	0.00%	23.39%	842
17.	SLGBK	98.18%	2.27%	0.09%	1258
18.	JPGMN	97.28%	2.72%	0.00%	1866
19.	HPBV	93.26%	6.74%	0.00%	257
20.	RKSM	96.73%	3.27%	0.00%	1083
		$\bar{x}=75.71\%$	$\bar{x}=4.10\%$	$\bar{x}=6.24\%$	$\bar{x}=1626$
		n=20	n=20	n=20	n=20
		H.V=99.44	H.V=49.23	H.V=75.96	H.V=3657
		L.V=23.53	L.V=0.10=L.V=0.09		L.V=257
		'R'=95.91	'R'=49.13	'R'=75.87	'R'=3400

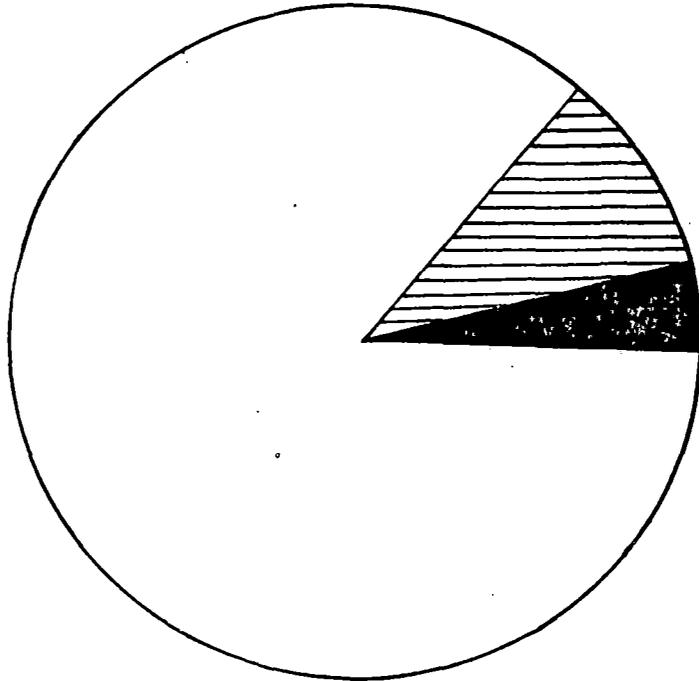
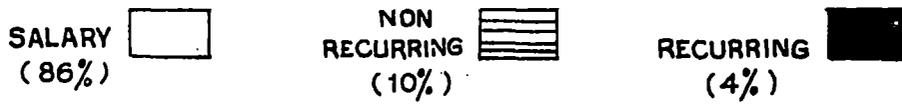


Fig. 2.  
- BREAK - UP OF EXPENDITURE -

It can be observed well from the enclosed pie-diagram that majority expenditure is spend towards salary, while very little amount is spent on educational development etc.

While we turn to calculate total expenditure per student we find broad divergence among the schools. As it varies between Rs.257/- to Rs. 3657/-, the average expenditure per student being Rs.1626/-. This difference is due to the disparity in number of teaching staff and number of students. As we have observed in earlier chapters that there are schools with teacher student ratio of 1:30 and also there are schools with 1:100 teacher-student ratio. If this disparity cannot be removed we are bound to come across schools where expenditure per student is more than 3,500 and the schools where <sup>it</sup> is  $\frac{1}{4}$ th of this. Hence, proper assessment of fund requirement of a school should be made. More funds should be allocated to schools who do not have minimum infrustructural facilities than those who are already well established. The rational yardstick for assessing fund requirement could be the number of students.

#### IV

#### A CASE FOR FINANCIAL VIABILITY

In the course of our study, we have observed that most of the schools are suffering from acute shortage of

Table-IV

## Fund Deficit of the Schools

Sl.No.	Abbreviated School Names	Income from own Sources <sup>1</sup> (as % of total Income)	Deficit(%)
1.	JPGSNLA	1.11	98.89
2.	SLGNIL	3.20	96.80
3.	JPGHS	0.20	99.80
4.	KVT	0.90	91.10
5.	SLGHS	2.80	97.20
6.	FKTHS	4.37	95.63
7.	JPGADM	1.22	98.78
8.	SKTB	9.44	90.56
9.	NTGB	2.90	97.10
10.	SLGV	4.95	95.05
11.	DNSL	2.64	97.36
12.	JPLH	7.22	92.78
13.	DNB	1.40	98.60
14.	DNG	1.60	98.40
15.	JMJG	1.60	98.40
16.	MTGHS	6.55	93.45
17.	SLGBK	3.42	96.58
18.	JPGMN	3.60	96.40
19.	HPBV	10.00	90.00
20.	RKSM	4.60	95.40

1 Income from own sources includes: collection from students, donations and misc. income e.g. sale of forms etc.

funds which stood in their way for further development. Till today, all most all the schools (except the private schools) rely exclusively on government funding and they have no other sources even for funding their developmental programmes as they cannot charge tuition fees from the students. Each student is required to pay fifty to one hundred rupees only per annum. The salary deficit is borne by the Government and a school can hardly generate 1% to 5% of its total requirements, thus running on 95% to 99% deficit on account of total funds required. (Table-IV).

In order to make these institutions financially viable they should be allowed to try to stand on their feet through raising finance from own sources. Those students who can afford to pay should pay tuition fees and other charges. The poor students should only be allowed to reap the benefits of free education and they should get weiver from paying any charges or fees. The schools can also accept donations from private sources such as businessmen, industrial houses and other persons of the society as none of them can deny their obligations towards the society.

Thus, the schools should be allowed to move towards self- financing scheme, as far as practicable, by which they can finance their developmental programmes which they are unable to undertake at present due to shortage of funds. This attempt will make themselves viable, not only on the financial front but also will help them to offer better educational facilities to their students<sup>6</sup>.

NOTES AND REFERENCES

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