

# **Leadership Enhancement and Animation Programme (LEAP)**

**Operational and Organisational Leadership**

**Financial Management and Documentation**

**Resource Person**

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# A Plan of the Presentations and Discussions

Time Plan	Topic wise detailed plan of the session
11. 45 AM 12.15 PM	Resource Mobilisation and Utilisation
12.15 AM 12.45 PM	Accounting and Auditing ( Latest norms/issues)
12.45 PM 01.00 PM	Maintenance of Documents and Interactions

# Methodology and expected outcome

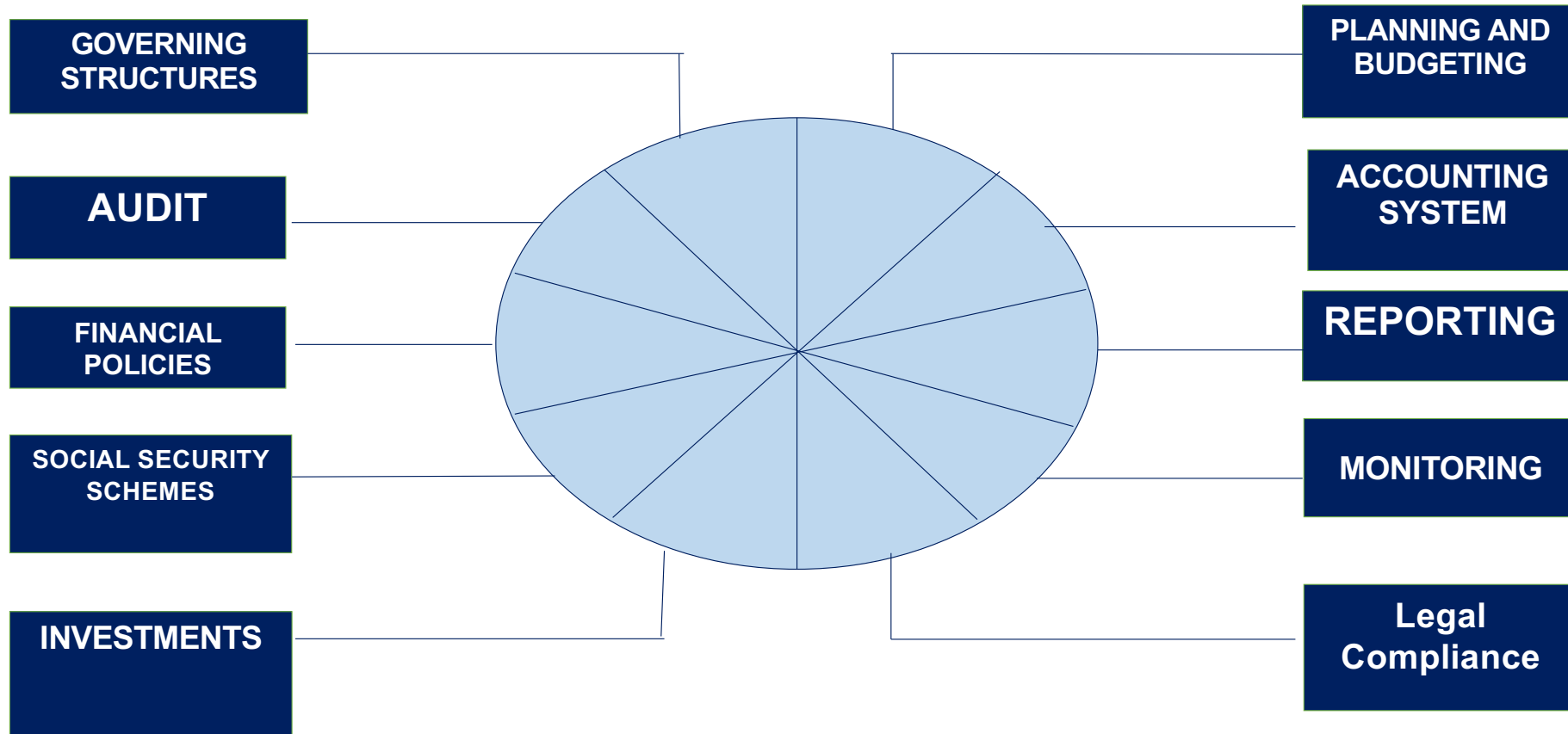
- Short Presentations in PowerPoint for **sharing knowledge**
- Sharing thought-provoking points for **encouraging discernment**
- Interactive approach for **exchanging concerns as well as ways forward**

# **Financial Management and Documentation**

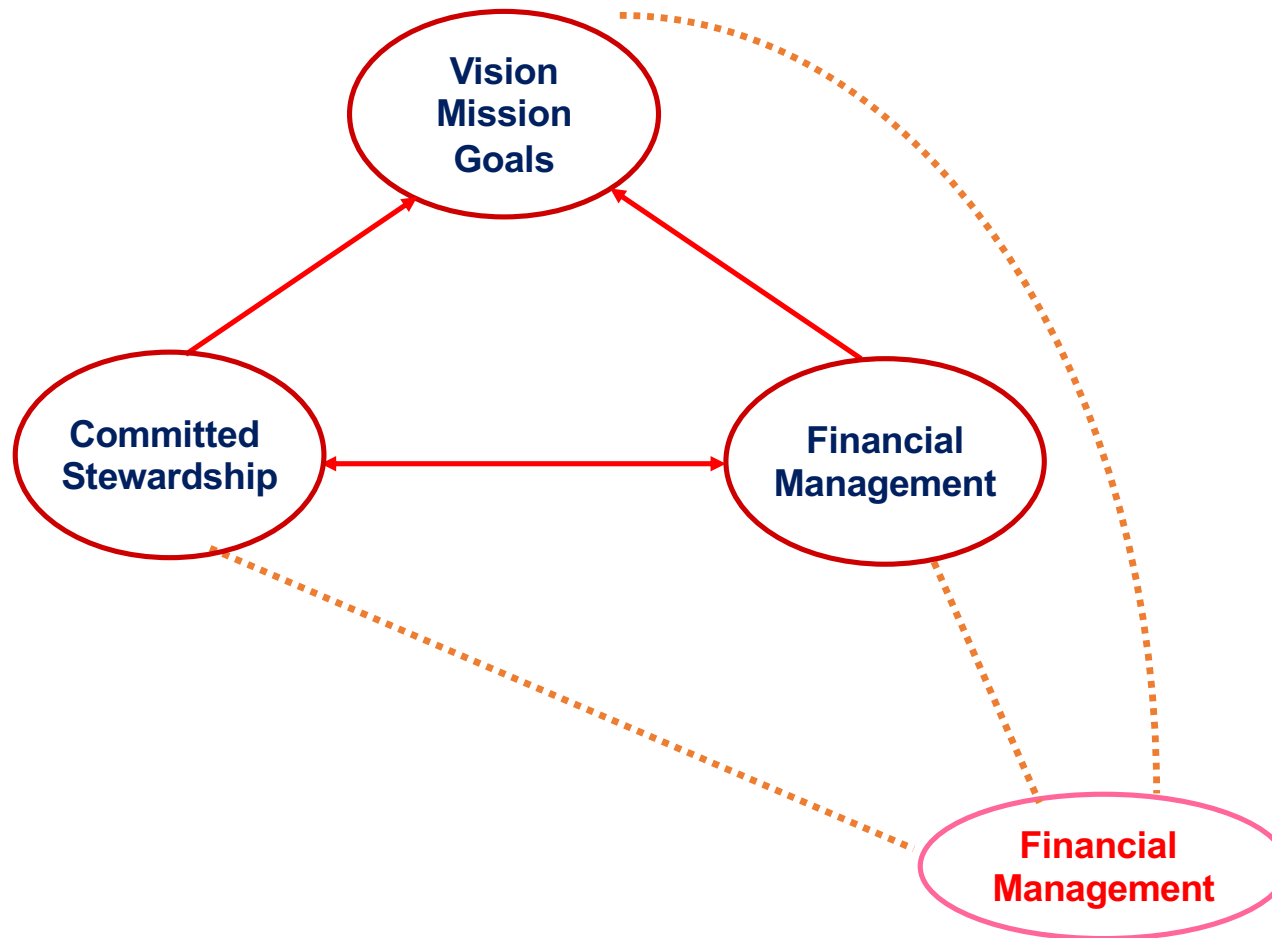


# **What is Financial Management?**

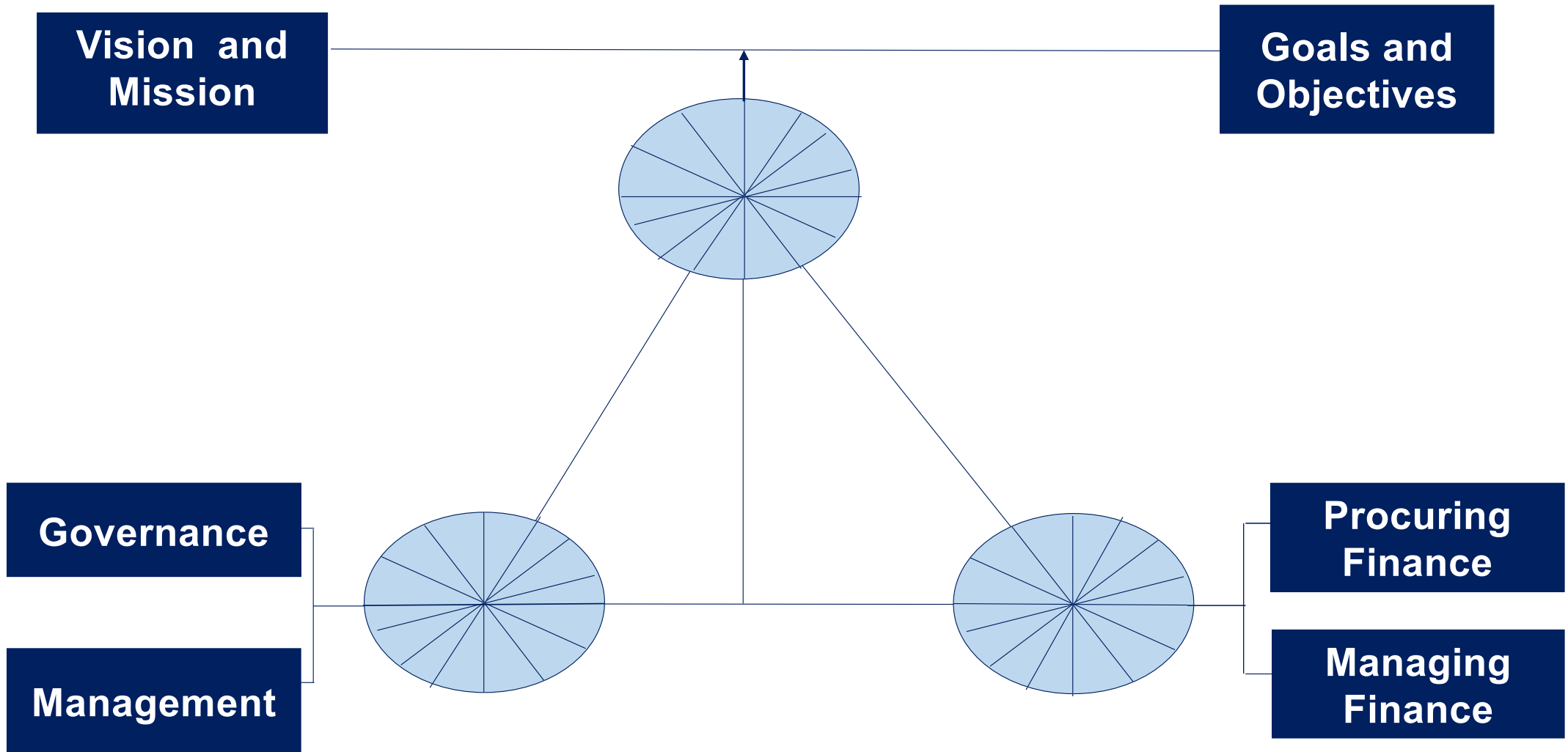
# What is **SOUND FM** in Non Profit Organisations



# *F M is an integral part of Organisational System*



# **Vision oriented FM in Schools / NPOs**



# **Emerging New Strategies for Financial Management in the Post Covid era**

# **Planning and Budgeting or**

## **1.Resource Mobilisation and Utilisation**

**Recent Developments  
in the Education Sector  
have to be factored**

# **Education Sector Schools and Colleges in the Post Covid era**

- **Complete disruption to recovery**
- **Physical to Digital Platforms**
- **Class Room to Virtual Learning**



# Physical Classrooms?

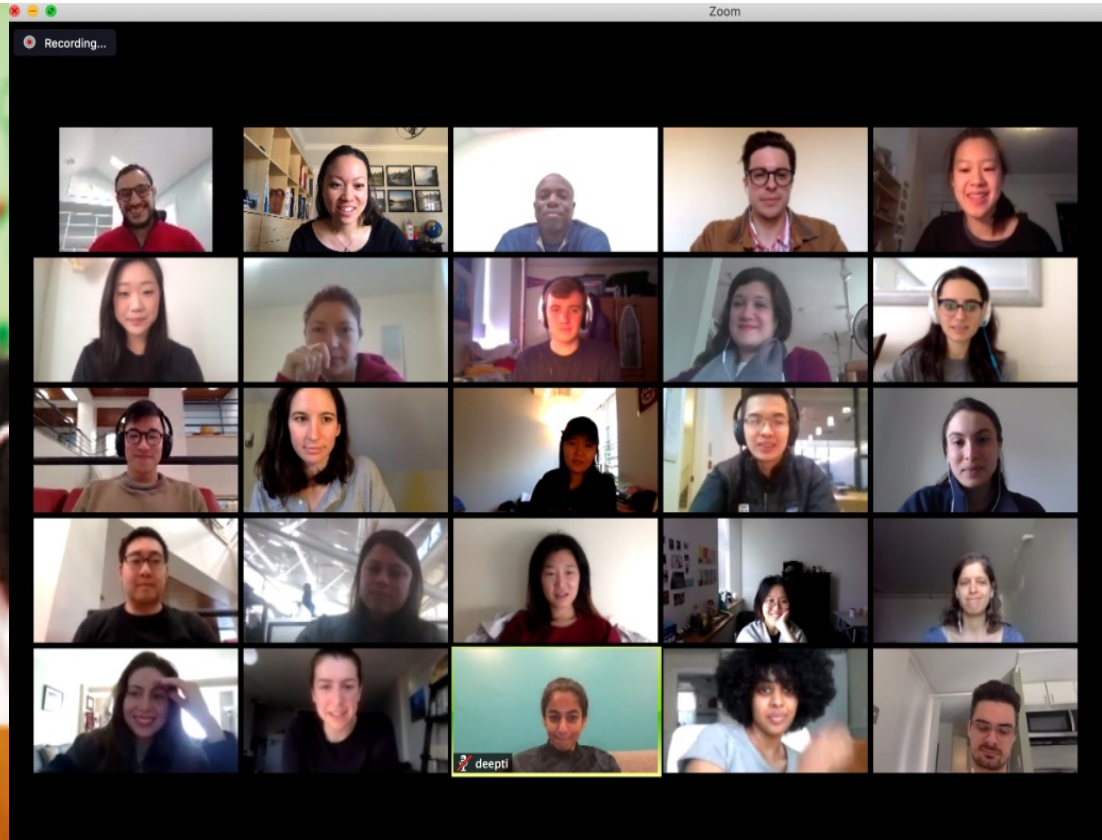


# PCRs moving to VCRs

From PCR



To VCR



# **Transformation in Education and changing role of educators**

- **Disruption to Transformation**
- **Current World is a Global village**
- **Change in Social / Family structures**

**Technology may not be  
eliminating Teachers, but**  
***Tech-savvy skills will be  
elevating teachers  
separating from others***

**Changing the face may  
not change anything, but**  
***Facing the change will  
change everything***



# **Important aspects for Planning and Budgeting**

- **Fees & Salaries(I & E in the budget) - major**
- **Fees [FDC] – Expenditure – [VED] approach**
- **Vital Investments for the FY budget is critical**
- **E.g. Digital Infra and Portal for each Student**
- **Faculty Development and CB in DC at all levels**

# **Procuring Finance**

- **Cash - Online collection**
- **School office to Virtual**
- **Counter to E-options**
- **Virtual with Vendors**

# **Why Online Fee Collections?**



**High Risk  
Counting and  
Checking  
and Fake notes**

# Covid and viral risks



# Cash counter during Covid era

Lisa Montero

*Cash counter*



# No Cash hence Go Digital

THE GARUDA  
EXPRESS



No Cash!



Go Digital

**Go Digital**



# Numerous Digital options



# Numerous digital options for Remittance in 2 tier towns and Rural areas



## **2.1. Accounting System includes Documentation System**



**Recent Notification  
Books of Accounts and  
other Documents**

**Rule 17AA of ITRules  
dated 10.08.2022**

# **Accrual vs Cash System**

**Cash expenditures  
exceeding Rs.10,000  
and TDS and Non-TDS**

# **Reporting System**

# **Monitoring System**

# **Legal Compliance System**

# **Emerging Scenario for NPOs**

- **NPOs in general facing high scrutiny**
- **Institutions are under heavy stress**
- **Several Laws / Regulations enacted**

# **Regulatory Framework for NPOs**

**Incorporation Laws/Registration**

**Other laws, Rules & Regulations**

**Social Security Laws/Regulations**



# Incorporation Laws

**Societies  
Registration Act**

**Trust Act 1882**

**Section 8 Company**

**Any Others**

# Other Laws and Regulations

Income Tax  
Act, 1961

**FCRA,  
2020**

Goods and  
Services Act  
(GST)

**Others**

# **Social Security Laws and Regulations**

**The Employees' Provident Fund And Miscellaneous Provisions Act, 1952**

**Payment of Gratuity Act, 1972**

**The Employees State Insurance Act, 1948**

**The Payment of Bonus Act, 1965**

**The Minimum Wages Act, 1948**

# **Governance Role in Financial Management**

## **Financial Governance**

## **2.2. Audit System**

# **Financial Policies**

# **Social Security System**

# **Investment System**



# Investment System

- Age old – Rol, CA, Security and ethics
- Focus V in VED,–Digital/HR–**Avoid NPA**
- Maximising Portfolio–Unfixed/Flexi/CB
- Non-Deduction of Tax at Source - NDC

**Recent Developments in the**

**INCOME TAX**

**For NPOs**

# **Income Tax Act 1961 (Finance Act 2020)**

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# ***Section 10***

## ***Exemptions***

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## Exemptions - Section 10

Section	Education	Medical	Conditions
10 (23C)	(iii ab)	(iii ac)	Wholly or Substantially financed by Government (Exceeds 50%-Rule 2BBB wef 1.4.2015)
10 (23C)	(iii ad)	(iii ae)	Gross Receipts below Rs. 5 Crore
10 (23C)	(vi)	(via)	Gross Receipts above Rs. 5 Crore
10 (23C)(iv)			Charitable Institution of <b>importance through out India</b> or through out the state or states
10 (23C)(v)			Wholly <b>public Religious purposes</b> or wholly for <b>public Religious &amp; Charitable</b> purposes

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***Section 11 Exemption  
with registration u/s 12A  
under the new 12AB***

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## Conditions for Exemptions

	<i>Sections</i>	<i>Conditions for Exemptions</i>
		Explicit Conditions
Condition 1	12A(1)(a)	Registration u/s 12A / 12AA / 12AB
Condition 2	12A(1)(ab)	Modification of objects, apply for registration within 30 days
Condition 3	12A(1)(b)	Audit of accounts and submission of audit report
Condition 4	12A(1)(ba)	Filing of Return of Income
		Implied Conditions
Condition 5	11(1)(a)	Application of income 85%
Condition 6	11(1) &(2)	Accumulation of Income
Condition 7	11(5)	Investments in Prescribed Modes



# ***Accumulation of Surplus***





# ONE YEAR ACCUMULATION OF SURPLUS

- ❖ Income applied **falls short of 85%** of the income derived during the previous year
  - (a) For the reason that the whole or part of the income has **not been received during the year** (or)
  - (b) For any other reason
- ❖ **File an application electronically** in “Form 9A” to the AO on or before due date of filing of return
  - (a) Such income shall be applied in the P.Y in which it is received or succeeding P.Y
  - (b) Such income shall be applied in P.Y immediately following the P.Y in which income is derived.

Section 11(1), Explanation 1(2)



## 5 Year Accumulation- Sec 11(2)

**5**years

Sec	Description
11 (2)	<b>Income not applied</b> or not deemed to have been applied. Comply the following <b>2 conditions</b> .
11 (2) (a)	<b>Furnish a statement</b> in prescribed form (10) to AO, stating the purpose and period of accumulation for a <b>maximum period of 5 years</b> .
11 (2) (b)	Accumulated income to <b>be invested as per sec 11(5) of IT Act 1961</b>
11 (2) (c)	The statement referred in clause (a) to be <b>furnished on or before</b> the due date specified in section 139 (1) for filing return of income.
1 <sup>st</sup> Proviso	Period of an <b>order or injunction of any court to be excluded</b> from 5 years.
Explanation	<b>Any amount paid or credited</b> out of accumulation to 12AA or 10(23C) (iv) to (via) institutions are <b>not application w.e.f 1.4.2003</b> (so payments to 10(23C) (i) to (iiia) institutions are not restricted.

**Cash expenditures  
exceeding Rs.10,000  
and TDS not done**

# **Disallowance of Expenditure Exceeding Rs.10000/- by cash**

**Section 40A(3) & (3A)**

**Promoting Digital Economy**



**Finance Act 2018**

**First time Renewal of 12AA to  
12AB/10(23C)/80G of the  
Income Tax Act 1961**

# Finance Act 2020 and implications

- |          |  |
|----------|--|
| <b>1</b> | <b>Repeal of 12AA and New 12AB era</b>         |
| <b>2</b> | <b>Fresh Renewal 12AB / 10(23C) &amp; 80 G</b> |
| <b>3</b> | <b>Section 10(23C) - Approval Process</b>      |
| <b>4</b> | <b>Section 80G Renewal and Statement</b>       |
| <b>5</b> | <b>Modification of Objects and steps</b>       |

# **Related Party Transactions Section 13**

**Income Tax  
Violations u/s  
13(1)(c) and (d)**



**Cancellation of  
Registration and  
Accredited Income Tax  
Huge Tax Implications**

# ***Filing of Income Tax Return in ITR 7***

# **Uploading in the Income Tax Portal**

**Form No.10BD – 31<sup>st</sup> May**

**Giving the donor Form No.10BE**

**Emerging Scenario in  
the compliance aspects  
of NPOs**

**Go Digital**

**Paradigm shift in compliance process**

**Entire Compliance Process  
[now VIRTUAL/DIGITAL]**

## 3.1.1 Govt. Portals for Compliance



Incomet Tax Portal  
(E-filing / FAS & Appeal)



Goods and Services Tax

GST Portal

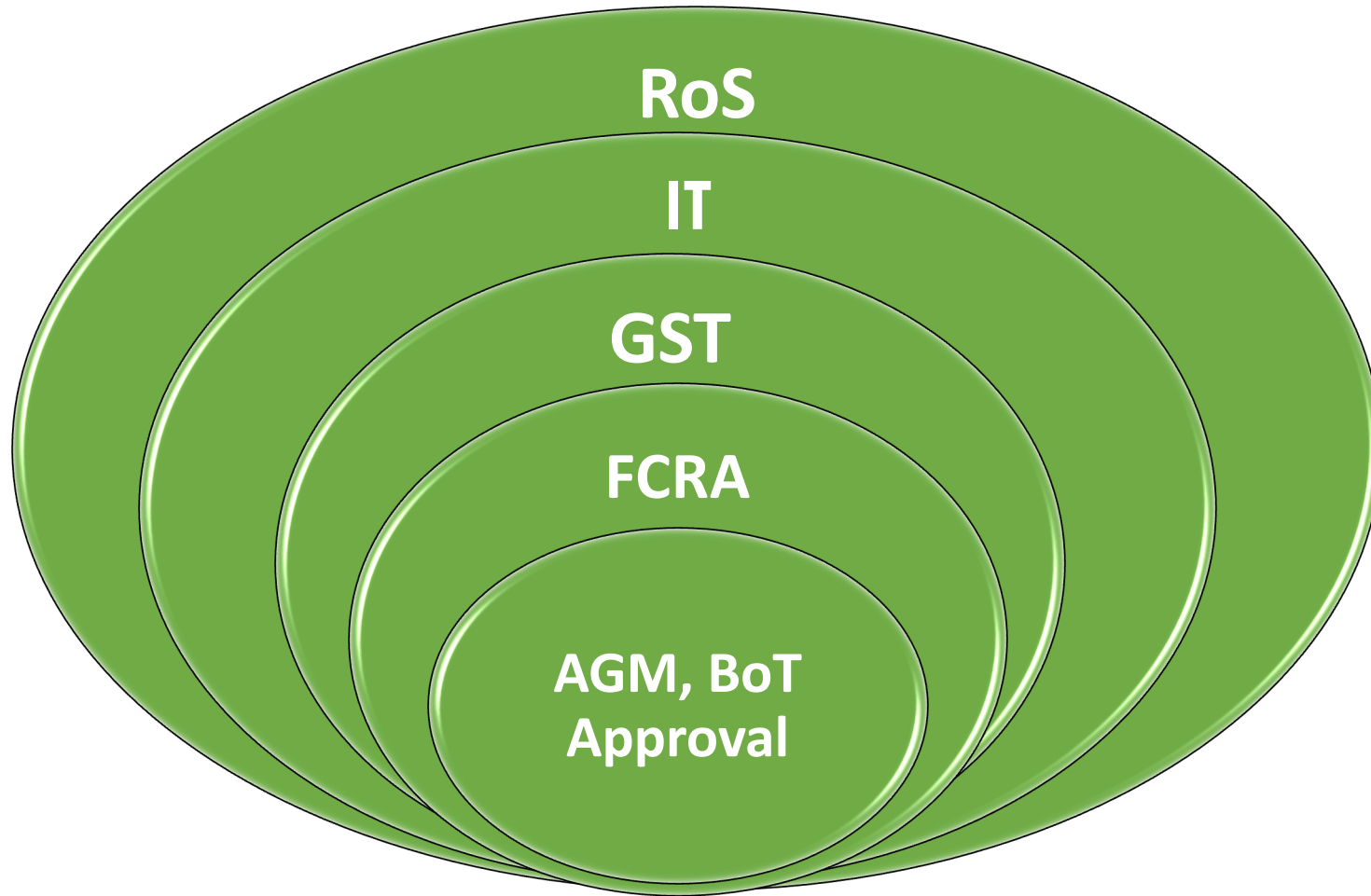


भारत सरकार, गृह मंत्रालय  
Ministry of Home Affairs

FCRA Portal

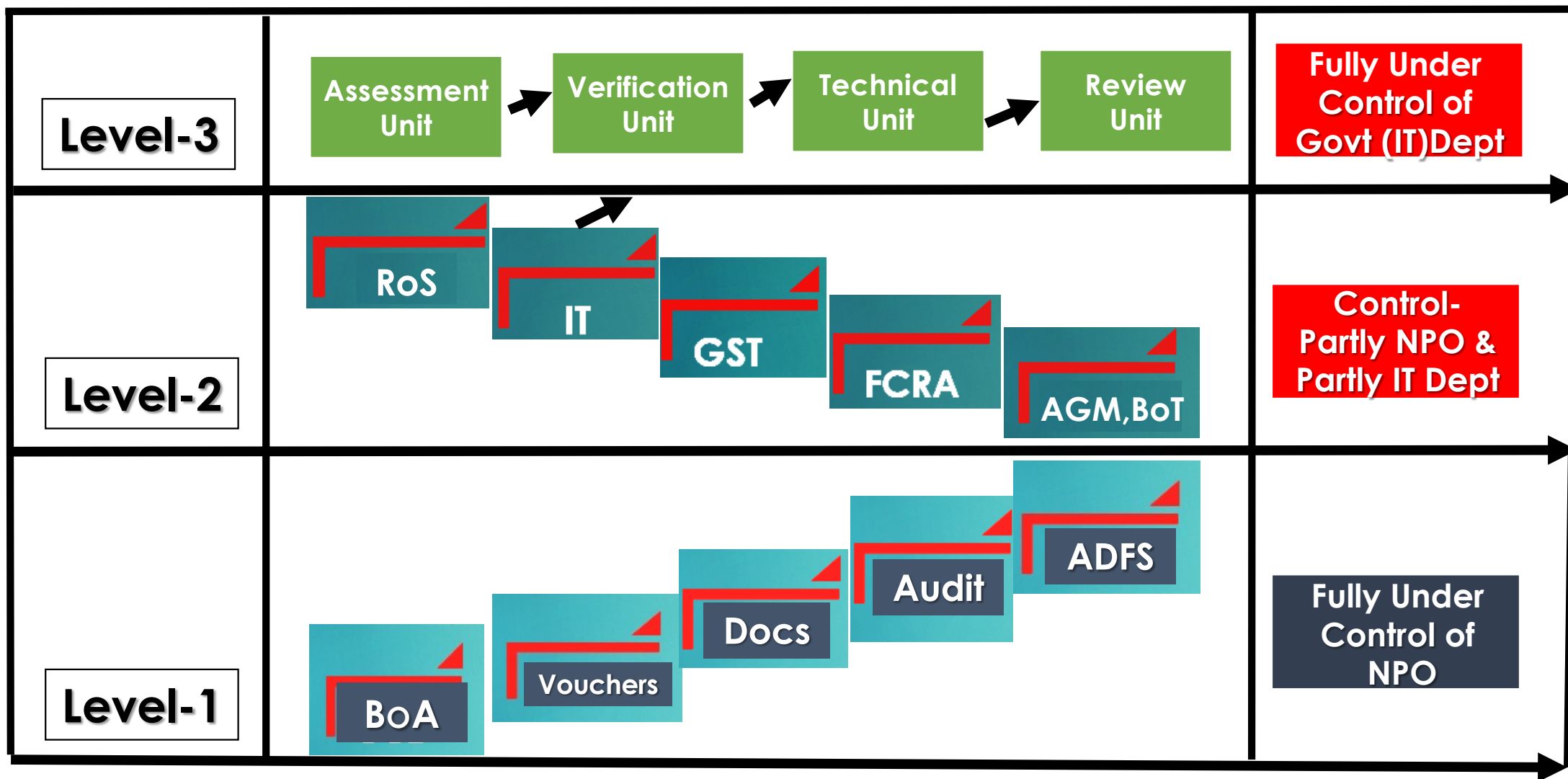
**and many  
others**

# Digital compliance process





# Compliance Paradigms



**Down to the  
Details**

# Examples

- 1. PAN – Wrong PAN - Serious**
- 2. Certificates of Registration**
- 3. ITR form – Wrong filling etc.**



**PAN** of the **Assessee** should have the **“Correct Status”** as per the legal entity.

The **“Fourth”** letter of PAN indicates the **Status** of the PAN holder.

- **“P”** stands for Individual
- **“C”** stands for Company
- **“T”** stands for **Trust**
- **“H”** stands for Hindu Undivided Family (HUF)
- **“A”** stands for Association of Persons (AOP)
- **“B”** stands for Body of Individuals (BOI)
- **“G”** stands for Government Agency
- **“J”** stands for Artificial Juridical Person
- **“L”** stands for Local Authority
- **“F”** stands for Firm/ Limited ( L ) Partnership

AACTB2346F

**“T”** Stands for **Trust**

Compliances are now in **Portal - not Postal**

Are you **Digitally prepared** for Portal  
based compliance

*[filing, faceless scrutiny, response,  
orders, Appeal, and any other  
proceedings]*

**High Risk if no  
Digital Competency**

**Need for New Strategies for  
FM and Compliance  
in the current era is  
critical for continuity  
of the mission**



**FMCB Approach**

**Financial  
Management  
Capacity Building**

# Papua New Guinea



*Kandasami & Associates, Chartered Accountants*



Philippines

Discussion with Program  
Team

13.01.2009 15:38







Debriefing  
Philippines

13.01.2009 16:37



## Program and Finance (GHANA)





# Debriefing, Kenya



# Financial Management Implementation Plan (FMIP)

## SMART Compliant Framework

S.N	Ref. No.	Recommendations (What)	Responsibility (Who)	Mechanism (How)	Time frame (When)

**Thanks for the great  
opportunity to exchange  
some thoughts and  
experience and very best  
wishes to all of you**