

Accounting Systems - Programme Heads v/s Natural Heads of Accounting

Speaker: When setting up an accounting system, budget heads should collaborate with expense heads so that when expenses are recorded they automatically get booked in the budget heads also.

Sometimes we open natural heads of accounts and then we try to fit it to the programme heads. Now what is a natural head v/s a programme head of accounting?

Audience: Travel could be a natural head but when it comes to programming, it could be travel for a particular purpose.

Speaker: So the purpose is the natural head. So we can say that 'what' is the natural head while 'why' is the program head. I will give you an example of an organization who approached me when their FCRA application was rejected. I suggested that the NGO meet the officer in charge. While going over the files, the section officer mentioned that the application was rejected as all expenses were booked under only 3 natural heads which indicated the employees were travelling, eating food and staying in good hotels. There was no evidence of expenses on programs. I helped them reorganize the reporting part and submitted it and they got the FCRA. Program heads must be mentioned.

The primary expenses are always under natural heads but have to be aligned to a program head.

Audience: So does the natural head come first and the program head comes second?

Speaker: Program head will come at the top and under that appears the natural head. When you book expenses, you must book under the program head.

Audience: So different program heads will have similar natural heads?

Speaker: Yes that is possible. Sub-heads will be natural and the top head will be program head.