

What type of policies should one set in an organisation?

Speaker: What policies will you set up in an organization? We make policies for Mars and try to implement them on Earth. If we make policies which are not normally possible to comply with, they will definitely be violated. Therefore, please look at your policies – that is learning no 1. An exercise you must do is look at each of your policies and see whether they can be implemented or not. Case Study - what is a good policy - should one ask for quotations or not?

Audience: We should have quotations.

Audience: You could have a policy where you select regular suppliers, use them for a fixed period, say a year and then review them again after the given period of time

Audience: We should also have an override stating that this might not be essential every time, if you have a tried and tested supplier for a period of time.

Speaker: Using due diligence, we can create policy in a robust manner and freeze it for a period of time. If the purchases are infrequent, you can afford to adopt one of these quotation processes, but if there are regular purchases then you cannot. Therefore you need to find the correct policy. However, it cannot compromise on the accountability and the quality of your work.

Audience: You can also have a financial committee with members from different functional areas. The committee can have 3 to 4 members

Speaker: Ok. But decisions will be made only every time the financial committee meets. If purchases are made often, then every time the financial committee may be challenged to meet. This could affect the functioning of the organization. For example, large hospitals who regularly buy supplies still have a committee to oversee since the value is very high. When you are buying Rs 5 crores worth of supplies every month, just shortlisting suppliers and leaving them to supply is not the best option. You would need a committee to supervise on time delivery and quality. Policies depend on the kind of work you are.

Speaker: How many types of accounting can you have?

Speaker: Cash basis and accrual basis. Accrual basis is due basis, whenever the payment is due you have to make the entry in your books. Cash basis is when you pay cash whether the payment is due or not. When it is paid you make an entry in the books. That is the basic difference.

Speaker: What should be a good limit for cash payments?

Audience: Ten thousand

Speaker: Anyone else?

Audience: Much less.

Audience: Five thousand

Audience: One to one and half thousand. Because we do not need to make such heavy cash payments, the rule is that it has to be by cheque

Speaker: That rule works when we are in Mumbai or another large city. Rural based NGOs may say that access to banks is limited so how shall we make these payments? It depends on the circumstances.

Speaker: For assets procurement, it is good to have a committee and follow the process of getting quotations, as we do not procure assets every day.

Speaker: Having travel rules is important. It prevents confusion regarding who is entitled, at what level and the basis. Salary structure is another important aspect. What kinds of salaries, increments, benefits and leave rules. Processes on investments need to be laid out – how the surplus funds are going to be invested? This is an indicative list of areas where policies are required.