

Name of Entity: Blossom Seeds Limited

Subject: Accounting and Control Manual

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1.0 Overview

1.1 The objective of this manual is to provide procedures for the Accounting, Finance and Asset Management processes, which Blossom Seeds Limited ("BSL") can take guidance from so that it can:

- (a) Ensure that proper accounting records are kept.
- (b) Ensure that expenditure of BSL is properly authorised and correctly disbursed.
- (c) Ensure that monies (including income) are properly accounted for and managed.
- (d) Provide the user department with defined policies and procedures on all financial matters.

1.2 Scope and application

Staff are reminded that procedures are to be strictly observed. Where situations arise which are not specifically dealt with, observance of the spirit of this manual must always be exercised.

1.3 Amendments and modifications

Users of this manual are encouraged to make suggestions so that the efficiency of this manual could be further enhanced.

This manual will be reviewed and updated in the course of time to cope with change in circumstances.

General Provisions

The financial procedures listed in this manual must be read in conjunction with the following general provisions:

Alterations to documents

No removal or alteration shall be made on any accounting record/document. If any minor alteration is required, the original figure/word shall be cancelled in such a way as to expose the original figure/word. The correct figure/word should be written on the space above the cancelled figure/word. Each correction of an error must be initial by an officer of an appropriate level in relation to the magnitude of the error.

Record keeping

The records must be retained for at least 5 years from the end of the financial year in which the relevant transactions were made.

The approval of the Finance committee must be obtained before the records can be destroyed.

A detailed list of the records destroyed, and a certificate of destruction must be prepared and kept.

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1.4 Accounting Principles and Standards

BSL adopted the Charity Accounting Standards (“CAS”) to prepare its financial statements. CAS set out the overall considerations for the presentation of financial statements, guidelines for their structure, requirements for their content, and recognition, measurement and disclosure of transactions and events.

BSL has to adhere closely to them and apply them consistently when preparing its financial statements because these financial statements are directed towards the common needs of a wide range of users.

The financial statements also contain notes and supplementary schedules and other information about items in the statement of financial position and statement of financial activities.

1.5 Internal Controls

Internal control system will consist of many specific policies and procedures designed to provide BSL with reasonable assurance that its goals and objectives shall be met.

An effective internal control system is able to provide reliable data, safeguard assets and records, promote operational efficiency, and encourage adherence to prescribed policies.

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2.0 Authority for Expenditure

2.1 Control of Expenditure

An annual budget shall be established based on the Service Programme Model as agreed between BSL and the relevant agencies in respect of each financial year. The board of directors shall be briefed and shall give approval to this annual budget.

The board of directors' acceptance of the annual budget constitutes only approval in principle for the incurrence of budgeted expenditure. Actual incurrence of expenditure is subject to further specific approval as stipulated in this manual.

The Chief Executive Office ("CEO") will conduct regular periodic review of the budget and shall report to the board of directors of the progress and relevance of the budget, where appropriate.

Definition of Expenditure

Expenditure as defined by the categorisation of expenses is classified as follows:

Expenditure on Manpower (EOM)

Expenditure incurred for manpower related matters (e.g. salaries, CPF and SDL).

Other Operating Expenses (OOE)

Expenditure incurred for day-to-day operations (excluding EOM) such as staff welfare, printing and stationery, rental, utilities and communication, supplies, repair and maintenance, etc.

Capital Expenditure (CAPEX)

Expenditure incurred to acquire or significantly improve the capacity or capabilities of a long-term asset such as equipment or building.

Revised Budget

A revised budget may be done to adjust for any short-term changes as required by the board of directors. This would make the budget a more relevant document.

2.2 Purchasing Procedures

BSL has established a purchasing function that procures goods and services to fulfil its requirement, as approved by management. The manager of the various departments shall perform this function.

A major consideration within the purchasing procedures is management review, authorisation and approval by the CEO.

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All the purchasing is undertaken on the basis of three quotations, subject only to the exception mentioned as follows:

- (a) When the market conditions indicate the potential need for secondary supply sources to ensure uninterrupted supply.
- (b) In the procurement of certain professional or technical services, where the competencies are known, and it is the overriding consideration.
- (c) When the value of purchases does not exceed S\$3,000, or
- (d) For reasons connected with protection of exclusive rights such as patent or copyright.

In the event where purchases may be made without calling for quotation, the purchaser should always ensure that a fair price is negotiated.

2.3 Approved Vendors List

For recurring operating purchases such as supplies, repair and maintenance, the list of approved vendors should be identified. The list should be submitted to the board of directors for approval together with the annual budget. It should be reviewed at least once every year and revised, if appropriate.

While calling for quotations for purchases from approved vendors may not be necessary, the purchaser should always ensure that a fair price is negotiated.

2.4 Delegation of Authority

The authorisation matrix for purchases is established as follows:

<u>Designation</u>	<u>Tier of approval</u>
Head of department/Head of Programme	Not more than S\$3,000
Chief Executive Office	Not more than S\$5,000
Board of Directors	More than \$5,000

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3.0 Cash Management

3.1 Basic Concept

The purpose is to ensure that BSL manages its net cash balances with the following objectives:

- (a) Maintain adequate degree of liquidity to ensure that BSL has sufficient funds to meet its operational needs.
- (b) Prevent theft and fraud.

3.2 Opening New Bank Account

A resolution of the board of directors explaining the cause for the opening of the new bank account must be obtained to authorise the opening of a new bank account.

3.3 Closing of Bank Account

Bank accounts must be closed as soon as they are no longer required and that all outstanding payments have been cleared. If the account has been used for collections or payments by bank transfer, instructions must be given as to how future receipts and payments will be handled.

3.4 Banking of Cash and Cheque

All receipts must be deposited with the bank at least once a week.

All deposits to the bank must be documented in the bank deposit slip. The bank deposit slip together with all the supporting documents must be submitted to the Finance & Account manager (F&A manager), after the receipts are deposited with the bank.

Any discrepancy noted by the bank during the banking process must be recorded and highlighted. This matter would be reported to the CEO for follow up actions.

3.5 Maintaining Cash Book

The cash book contains records of both the bank and cash accounts and shows the balances at the end of period. The F&A manager has to check the details of the cashbook transactions once it has been balanced off by means of monthly bank reconciliation.

3.6 Periodic Cash Counts

It is good accounting and control practice to periodically count the amount of cash balance. Such checks should be conducted on a surprise and ad-hoc basis.

The cash count figures must be reconciled to the cash records, which would serve as a check on the staff.

Any discrepancies noted should be duly reported and resolved. The F&A Manager shall undertake this task.

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3.7 Management of Petty Cash

The process of petty cash is managed by an imprest system.

The responsibility for the proper custody and usage of the petty cash is with the designated manager.

The manager shall maintain a petty cash journal in which the amount of petty cash and subsequent payments (purchases or reimbursement) made from this petty cash are entered into the petty cash journal. The manager will keep the petty cash under locked in the office.

The petty cash is for payment of cash expenses such as reimbursement to staff, general office supplies and urgent purchases. The amount for cash payment is limited by the amount of petty cash available.

All petty cash payment must be supported with a petty cash/payment voucher together with receipt(s) or duly signed and approved reimbursement form.

On no account should private cheques be cashed from the petty cash. All petty cash must be approved by the CEO.

3.8 Signing of Cheque or Bank Transfer

All cheque or bank transfer must be signed by a combination of at least two authorised signatories. The authority to sign cheques or bank transfers is approved by the board of directors.

Authorised cheque or bank transfer must be dispatched to the payee.

3.9 Bank Reconciliation

Bank reconciliation statement is an explanation of the differences between the accounting records and bank statements. This explanation takes the form of a written calculation. Differences arise can be due to timing of recording of transactions and errors made by BSL or the bank.

The F&A manager must perform bank reconciliation for all the bank accounts on a monthly basis.

Once the bank reconciliation statement is prepared, it has to be reviewed by the CEO. Both the preparer and reviewer have to initial the statement. If there is no reconciling item, both the preparer and reviewer also have to initial the bank statement as proof that the bank account and cash amount is correct.

Reconciling items must be investigated promptly to ensure that these are valid timing differences.

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4.0 Fixed Assets

4.1 Basic Concept

Accurate and reliable fixed assets record must be maintained to:

- (a) Allow accurate financial reporting.
- (b) Safeguard fixed assets.

Definition:

Fixed assets are tangible items (assets) held by BSL:

- (a) For use in the supply of services, or for administrative purposes.
- (b) Are expected to be used for more than one period.

4.2 Responsibility of the Various Departments

All departments are responsible for ensuring that assets in use are physically present in their recorded locations at any point in time. They should also ensure that all assets purchased, transfer, dispose and write-off are promptly reported to the F&A manager.

4.3 Acquisition of Fixed Assets

All acquisition of fixed assets has to be supported with duly approved purchase requisition form. No acquisition of fixed assets is allowed without approval.

Fixed asset items acquired which are less than or equal to S\$1,000 are not capitalised as fixed assets but expensed to the statement of financial activities.

4.4 Tagging of Fixed Assets

All fixed assets are to be tagged for reasons of identification and control. At no time should the fixed assets be untagged. Fixed assets found without tag should be investigated and re-tag.

4.5 Fixed Assets Count

Fixed assets count shall be conducted at least once a year.

4.6 Accounting Policy

Recognition of Fixed Assets

An item should be recognised as a fixed asset when it is probable that future economic benefits associated with the asset will flow to BSL and the cost of the asset can be measured reliably.

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Measurement of Fixed Assets

An item of fixed asset should initially be measured at its cost.

The cost of a fixed asset comprises its purchase price, and any other direct costs of bringing the asset to working condition for its intended use.

Any subsequent expenditure relating to a fixed asset that has already been recognised, will only be recognised as fixed asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to BSL.

All other subsequent expenditure should be recognised as expense in the period in which it is incurred.

Expenditure on repairs or maintenance of property and equipment made to restore or maintain the future economic benefits that BSL can expect from the originally assessed standard of performance of the asset are to be recognised as expense when incurred.

Depreciation

Depreciation is calculated on the straight-line method to write off the cost less residual value of each asset over the following useful lives:

Computers and laptop	1 – 3 years
Centre equipment	1 – 3 years
Exercise equipment	3 years
Kitchen equipment	1 – 3 years
Motor vehicles	5 years
Renovation, fixtures and fittings	1 – 3 years

The depreciation charge for each period should be recognised as an expense.

Fixed assets not in use should continue to be depreciated.

The following factors need to be considered in determining the useful life of an asset:

- (a) Expected usage of the asset.
- (b) Expected physical wear and tear.
- (c) Technical obsolescence, and
- (d) Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

4.7 Impairment of Fixed Asset

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount.

BSL should assess at each date of the statement of financial position whether there is any indication that an asset may be impaired. If such indication exists, BSL should estimate the recoverable amount of the asset and provide for impairment.

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4.8 Fixed Asset Register

For each fixed asset, the following details have to be recorded in the fixed asset register:

- (i) Date of acquisition.
- (ii) Description sufficient to identify the individual asset.
- (iii) Asset part number.
- (iv) Purchase price.
- (v) Reference to accounting entries (e.g. journal voucher number).
- (vi) Location
- (vii) Identification number (tag-number)
- (viii) Associated assets, where part of a larger asset.
- (ix) Depreciation term
- (x) Depreciation charge for each accounting year since acquisition
- (xi) Accumulated depreciation
- (xii) Net book value
- (xiii) Disposal date and price

In addition, the register must lend itself to easy compilation of summaries and analysis including:

- (i) Statement of financial position amount, depreciation total and disposal prices
- (ii) Description

Fixed asset registers must be reconciled to the general ledger fixed asset figure on a yearly basis. Any reconciling items must be followed up and explained.

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5.0 Income and Receipts

5.1 Basic Concept

The objective of this section is to ensure that all income and receipts are accounted for and controlled. To achieve this objective, accurate and reliable income and receipt records must be maintained. Income includes:

- (a) Government grants
- (b) Donations
- (c) Programme fees
- (d) Interests

5.2 Government Grants

The amount of grants is based on the annual operating cost budget of BSL, and it is confirmed by way of funding agreements with the agencies.

The grants are remitted directly to the bank accounts on a regular basis.

BSL is notified of the remittances from which it will record the remittances in the accounting records accordingly.

5.3 Donations

All donation monies received whether in the form of cash or cheques, direct remittances or PayNow, or from donation platforms such as giving.sg must be acknowledged by way of an official receipt or letter of acknowledgement. Unless information to prepare the official receipt or letter of acknowledgement is not available or incomplete, then with the approval of the CEO the requirement to issue an official receipt or letter of acknowledgement may be excused.

As an IPC, tax exempt receipt will be issued for donations received for the welfare activities of BSL (operating cost to keep BSL on-going, cost incurred to meet the charitable objectives of BSL). However, there could be occasions where no tax exempt receipt is issued. This would only be upon request by donors.

Any conditions laid down by a donor regarding the use of the donations must first be cleared with the CEO before the donation is collected and deposited to the bank.

5.4 Programme Fees

Fees which are usually nominal could be charged for programmes that BSL organised.

The programme coordinator provides an event attendance list for participants to sign as a form of acknowledgement that fees are collected. The programme coordinator will then submit the fees collected to the F&A manager for deposit to the bank.

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5.5 Interests

Interests are from deposits with the banks.

5.6 Donation in kind

Type of Donation in kind

There are the following categories of donation in kind:

(a) Donated perishables

These constitute foodstuffs that need to be consumed immediately. Common donations are an assortment of vegetables, fruit, milk and milk products, drinks, cooked food, etc.

(b) Donated consumables, to be consumed within 6 months

Examples are rice, packed biscuits, cooking oil, bottle sauces, powdered drinks, toiletries, etc.

(c) Donated fixed assets

Donated fixed assets include used home and office furniture, used IT equipment (PC, keyboards, hard disks), small IT equipment, etc. Vehicles and vans that are purchased from designated donations are not included in this policy. These are individually capitalised.

Treatment of Donation in kind

All incoming donations in kind are to be recorded in the DIK Received Record. As a minimum, the following need to be taken into account:

- (i) Date of receipt;
- (ii) Donor name & particulars;
- (iii) Item description;
- (iv) Quantity received;
- (v) Value amount (if any);
- (vi) Expiry date (if any).

Valuation of Donation in kind

(a) Donated perishables

As a reliable and reasonable valuation cannot be ascertained practicably for donated perishables, such donations are not recorded in the financial statement. However, recording and tracking of these items are to continue.

(b) Donated consumables, to be consumed within 6 months

If the donors of the items can provide original receipts and the value of donations is material, they shall be recorded as income.

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(c) Donated fixed assets

Fixed assets that are donated are usually IT equipment and furniture and fittings. Such donations would normally not be recorded in the books of accounts. However, if the number involved is significant and it is practicable to ascertain the value of the items involved, such a receipt should be disclosed in a note to the accounts.

5.7 Income Recognition

Income is recognised upon receipt and collection.

5.8 Fund Raising

Refer to the Charity portal for guidance on:

- (i) Fundraiser duties and obligations*
- (ii) Type of fund-raising permit or license*

BSL has to strictly comply with the terms and regulations laid down in the license or permit. If it fails to comply with the regulations pertaining to fund-raising events, BSL could be liable upon conviction to a fine.

Costs relating to the fund-raising event shall not exceed 30% of the proceeds of the collection.

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6.0 Purchases and Payment

6.1 Basic Concept

Creditors from purchases are liabilities and they represent amounts owed by BSL. Accruals are incurred liabilities. The objective of this section is to ensure that all liabilities and accruals of BSL have been properly accounted for and controlled. To achieve this objective, accurate and reliable creditors records must be maintained, and all potential liabilities must be identified as and when it is incurred or to be accrued in the accounts.

6.2 Purchase Requisition

Purchase requisition is a request of approval for the purchase of supplies, services, equipment, etc.

All purchase requisition and the subsequent purchases must be approved by respective programme heads or CEO.

Where appropriate, 3-quotes comparison must be exercised. In the event it is not practical for 3-quotes comparison, the reason must be clearly stated. (See Section 2.2)

The approval for the purchases must comply with the authorisation matrix as defined by the board of directors. The authorised and/or delegated person are responsible for satisfying themselves that funds are available and budgetary provision exists before they commit any expenditure and subsequently ensuring that the conditions for payment have been satisfied.

All authorised persons are to observe the conflict of interest policy in administering the purchase and procurement process and comply with the annual declaration requirement established by BSL.

6.3 Receipt of Goods and Services

The purchaser should inspect and acknowledge that the goods received are in good condition and the quantity is correct. Comparison of goods received should be made against the purchase order description, quantity and price, and supplier invoices.

6.4 Vendor Accounts

Individual vendor accounts must be maintained. Details such as vendor's name, address, amount ordered, goods order status has to be recorded.

The vendor's record has to be reviewed regularly and any changes of vendor's information updated promptly.

6.5 Reconciliation

The F&A manager must perform monthly reconciliation of the creditor ledger against the control accounts. Any discrepancies must be investigated and resolved promptly.

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6.6 Processing Disbursement

All payments made have to be accompanied with the necessary documents such as suppliers' invoice, vendor's delivery order and purchase order.

Paid documents must be invalidated with a "PAID" stamp showing details of bank name, bank account number, cheque number and cheque date.

6.7 Accounting Policy

Accruals

Where a liability is known to exist, it must be accrued promptly.

Where the sum is easily determinable, the accrual must be based on the value of the purchase order or invoice received. Where the sum is not easily determinable, the accruals must be based on management estimates which may include reference to payments previously made for similar goods and services.

A prior accrual has to be reviewed at the end of each financial period (or earlier if necessary) to ensure that it is still adequate and relevant.

Each accrual account in the general ledger must be supported with a detailed worksheet showing how the amount of the accrual is determined. The balance in the ledger must be reconciled to this worksheet at the end of the accounting period.

Provisions

A provision is an estimation to provide for any liability or loss which is either likely to be incurred or certain to be incurred but uncertain as to the amount or as to the date on which it will arise.

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7.0 Accounting Records

7.1 Basic Concept

General Ledger:

The book, which contains the accounts that are necessary to reflect the summary or in detail the financial operations and financial condition of BSL. The sequence of accounts in the general ledger will follow the order in which the accounts are presented in the financial statements.

Chart of Accounts:

A list of all the accounts in BSL and there are numbers assigned to the accounts. New accounts may be added, or unnecessary ones may be deleted.

7.2 Responsibilities of Accounting Records

The F&A Manager is responsible for maintaining the accounting records of BSL.

7.3 Maintenance of Accounting Records

All records must be complete and well kept. The records must be maintained in a systematic manner so that it could be referred to easily. Every transaction in the accounts must be referenced.

7.4 Subsidiary Ledger

Subsidiary ledgers are a system in which a particular account has its own ledger. There is generally an account in the subsidiary ledger for each customer or supplier. The purpose of the subsidiary ledger is to keep the main ledger uncluttered with details and provide management with useful and necessary information.

Accounts receivable

This ledger keeps track of who the clients are, what are their addresses, and the amount outstanding. It also analysed the aging of the outstanding balance through the date of invoiced as well as the date of payment by the clients.

Accounts payable

This ledger accomplishes many of the same things as the accounts receivable ledger and provides a record of to whom money is owed and for how long.

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8.0 Financial Reports

8.1 Basic Concept

Financial statements are structured representation of the financial position of as well as the transactions undertaken by BSL. The financial statements are to provide information about the financial position, performance and cash flows of BSL.

8.2 Responsibility for the Financial Statements

The management and the board of directors is responsible for the financial statements.

8.3 Components of the Financial Statements

A complete set of financial statements includes the following component:

- (a) Statement of financial position;
- (b) Statement of financial activities;
- (c) Statement of cash flows
- (d) Notes to the financial statements

8.4 Statement of financial position

The statement of financial position presents a snapshot of and the relationship between assets, liabilities and funds of BSL as of a specific date.

Assets:

Assets are resources controlled by BSL as a result of past events and from which future economic benefits are expected to flow to BSL.

Current assets are assets that could be converted into cash in the ordinary course of the business of BSL and in less than 12 months. They are listed in the order in which the asset may most be easily converted into cash. This category is important because it measures how quickly BSL can repay its liabilities and deal with an unexpected situation that requires lots of cash quickly.

Fixed assets are assets such as properties and equipment that are used in the operating activities of BSL and which have a life span of more than 12 months. They are generally not convertible into cash in the ordinary course of the business of BSL.

Liabilities:

Liabilities are present obligations of BSL arising from past events, the settlement of which is expected to result in an outflow from BSL of resources embodying economic benefits.

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Current liabilities refer to liabilities due to be paid within 12 months or less. If possible, they are list in the order to be paid. This category is important because it is a measure of how much money BSL owes to others that must be paid relatively soon.

Long-term liabilities are liabilities that are not due to be paid within the next 12 months after the date of the statement of financial position.

Funds:

Funds refer to a pool of income, held and maintained separately from other pools because of the circumstances in which the income was originally received or the way in which they were subsequently treated. At the broadest level, a fund will be one of two kinds: a restricted fund or an unrestricted fund.

Restricted funds are funds that are subject to specific trusts, which may be declared by the donor(s) or with their authority or created through legal process, but still within the wider object of BSL.

Unrestricted funds are funds that are expendable at the discretion of the board of directors in furtherance of the object of BSL.

8.5 Statement of financial activities

The statement of financial activities presents all items of income and expenditures recognised in a period, and a reconciliation of all movements of the funds of BSL for a period.

Income:

Income is an increase in economic benefits during the reporting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in funds of BSL.

Expenditure:

Expenditure is a decrease in economic benefits during the reporting period in the form of an outflow or depletion of assets or incurrence of liabilities that result in decreases in funds.

8.6 Statement of cash flow

Statement of cash flows provides information about the changes in cash and cash equivalents of BSL for a period, showing separately changes during the period from operating, investing and financing activities.