



Handbook on Maintenance of Accounts & Preparation of Financial Statements for Farmer Producer Organisations



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Abbreviations

Sl. No.	Abbreviations	Full Form
1	FPO	Farmer Producer Organisation
2	Gol	Government of India
3	BRS	Bank Reconciliation Statement
4	Dr	Debit
5	Cr	Credit
6	B/S	Balance Sheet
7	Bal	Balance
8	P&L	Profit & Loss
9	POPI	Producer Organisation Promoting Institution
10	NBFC	Non-Banking Financial Company
11	FSSAI	Food Safety and Standards Authority of India
12	PAN	Permanent Account Number
13	CEO	Chief Executive Officer
14	GSTIN	Goods & Services Tax Identification Number
15	PRODUCE	Producers Organization Development and Upliftment Corpus
16	NABCONS	NABARD Consultancy Services
17	RO	Regional Office
18	UK	Uttarakhand
19	SMF	Small and Marginal Farmers
20	OFPO	Off Farm Producer Organization
21	SF/MF	Small Farmer/Marginal Farmer
22	DPR	Detailed Project Report
23	PO	Producer Organisation
24	NGO	Non-Government Organization
25	KVK	Krishi Vigyan Kendra
26	MIS	Management Information System
27	SFAC	Small Farmers' Agri-Business Consortium
28	NABARD	National Bank for Agriculture and Rural Development
29	FPC	Farmer Producer Company
30	PC	Producer Company
31	MoA	Memorandum of Agreement
32	AoA	Articles of Association
33	DIN	Director Identification Number

34	FDA	Food and Drug Administration
35	NOC	No Objection Certificate
36	AGM	Annual General Meeting
37	CSR	Corporate Social Responsibility
38	FI	Financial Institution
39	LF	Ledger Folio
40	GST	Goods & Services Tax
41	FIFO	First In First Out
42	CB	Cash Book
43	BB	Bank Book
44	b/d	Brought down
45	A/c	Account
46	WIP	Work in Progress
47	FG	Finished Goods
48	RBI	Reserve Bank of India
49	RM	Raw Material
50	SBI	State Bank of India
51	CC	Cash Credit

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FOREWORD



India has a large proportion of small and marginal farmers. With increase in population, the size of landholdings is shrinking further. Hence, farming is not found viable by small and marginal farmers. It was, therefore, considered appropriate to promote Farmer Producer Organisations (FPOs) with a view to facilitate aggregation and reap benefit of economies of scale in procurement of input and sale of produce so as to enhance the income of farmers. Accordingly, Producers' Organisation Development and Upliftment Corpus (PRODUCE) fund was set up by GOI with NABARD and 2157 FPOs have been formed across the country. Considering the positive results of formation of FPOs, NABARD, as a developmental initiative, has been supporting further formation of FPOs in the country.

These FPOs, being independent organisations registered under different statute, are required to comply with certain requirements with regard to preparation and publishing of their financial statements. Taking into account this statutory obligation as also the need to assess the operational performance of these entities accurately, a need was felt to ensure maintenance of proper books of accounts by these organisations and draw their balance sheet to reflect accurate position of their operations and state of affairs. Therefore, the handbook on maintenance of accounting records and preparation of financial statements for FPOs prepared by UK RO with the help of NABCONS Ltd. is timely, relevant and assumes importance. I am sure this will facilitate the maintenance of proper records by FPOs and analysis of the operational results by their management.

I congratulate team Uttarakhand RO for their timely initiative in this regard and NABCONS UK unit for completing the assignment in a time bound manner.

Shri H R Dave
Deputy Managing Director
NABARD, Mumbai

FOREWORD



Farmer Producer Organisation (FPO) facilitates the aggregation of input required for agriculture and allied activities as also output/ produce for sale in the market. With aggregation, through FPO, benefits accrue to the farmers, due to economies of scale i.e. procurement of inputs at lower cost and sale of produce at higher price due to increased bargaining power. In the circumstance, assessment /evaluation of FPO's performance and benefits accrued to farmers on account of their association with FPOs assumes importance in the context of doubling farmers' income as envisaged by GOI. In order to assess the performance of FPOs, objectively, and to know the benefits, actually received by each farmer member of the FPO, the system of maintaining proper record of accounts by FPOs needs to be established. It is in this context, that the work relating to preparation of handbook on maintenance of accounting records and preparation of financial statements for FPOs was assigned to NABCONS.

I am glad to state that the handbook has been prepared in a simplified manner keeping in view the nature of transactions and the staff working in FPOs. The handbook covers both, maintenance of financial and non-financial records by FPOs, besides providing guidance on stages involved in formation of FPO and good governance practices. It also contains a detailed Case exercise on maintenance of books of accounts & preparation of financial statements by FPOs. While financial record will be useful to assess financial performance and know the position of assets and liabilities accurately, non-financial record would enable to adopt good governance practices by FPOs and to know the progressive rise in the income level of farmers.

I acknowledge efforts taken by the team NABCONS in Uttarakhand Regional office to bring out this handbook.

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Chapter 1

INTRODUCTION

Out of around 13 crore farmer households in India, over 85% are small and marginal farmers (SMF) with the average size of land holding being 1.33 ha/farmer. The major issue faced by the SMF is the viability of farming on account of various factors like shrinking of land holdings, difficulty in accessing critical inputs, poor transfer of technology, absence of bargaining power for fetching better price for their produce and lack of an effective risk mitigation framework. These factors are causing an increase in the per unit cost of cultivation and declining/negative profit due to which many SMF are resorting to subsistence farming or abandoning farming and migrating to cities in search of low skilled employment opportunities. To overcome these issues, SMF can co-operate with each other & form an association or farmers groups called Farmer Producer Organisation (FPO).

It is the absence of collectivization that limits the bargaining power of farmers and increases input cost required for conducting any farm activity. The lack of collectivization also leads to adoption of poor agronomic practices and harvesting infrastructure, which affects the productivity/production adversely & ultimately the farm income. FPOs offer a mechanism that empower its members to leverage their collective strength and bargaining power to access financial and non-financial inputs and services on more equitable terms & also selling their produce at better prices.

Several institutional models are available in India to organize farmers together & form a FPO e.g. Formation of Producer Company under Section IX A of Indian Companies Act, 2013, Formation of FPO under Cooperative Societies Act/Indian Trust Act etc. These organisations facilitate aggregation of inputs, enhance bargaining power, provide access to formal credit, reduce input costs, create opportunities for value-addition services and increase farm income

Efforts of GoI and NABARD in formation of FPOs

Producers' Organisation Development & Upliftment Corpus (PRODUCE) fund of Rs. 200 crores was created by Government of India with NABARD in 2014-15, for building of 2000 Farmer Producer Organisations (FPOs) to supplement the efforts of NABARD in promoting FPOs. PRODUCE fund is being used to address the initial financial requirements of the

emerging FPOs. Many of the FPOs formed under PRODUCE Fund are in a position to avail of credit from financing institutions for new business activities.

Activities of FPO, which are eligible for support are agriculture/activities allied to agriculture including dairy, poultry, fisheries etc. The support covers cost towards promotion of FPOs including capacity building of Board of Directors/CEOs, business planning, registration, preparation of DPR, MIS development, conduct of audit, market linkages and linkage to value chain, administrative expenses of promoting agency, deliberations/interaction meets, documentation, research, publicity, monitoring of progress and such other items of expenditure required for promotion of FPOs.

NABARD has promoted around 2157 FPOs with the grant support under PRODUCE Fund. Considering the immense potential of forming FPOs, particularly in uncovered areas/regions, where there is large proportion of SF/MF, there has been growing demand to build new FPOs. Therefore, NABARD continued to support formation of FPOs by providing grant for the purpose of training of Board members and CEOs, plus Rs. 40000.00 towards registration charges of each FPO.

NABARD also launched a scheme for supporting Off-farm Producer Organisation. Producers dealing in off farm sector activities like handloom, handicrafts etc. can form Off-farm Producer Organisation (OFPO) and provide a strong platform to take up collective business activities.

Chapter 2

FARMER PRODUCER ORGANISATION: CONCEPTUAL UNDERSTANDING

2.1. Definition

A Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. In some forms like producer companies, institutions of primary producers can also become member of PO. A PO formed by Farmers is called as Farmer Producer Organisation (FPO)

2.2. Aim/Objective of FPO

The main aim of FPO is to earn better income & surplus for the producers/members of FPO. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value as compared to the price, the ultimate consumer pays. With formation of a FPO, it can gain from the process of aggregation, the primary producers can avail the benefit of economies of scale on account of better bargaining power while procuring inputs as also selling their produce. Once basic activity of FPO is stabilized, it can expand vertically/horizontally for value addition by undertaking processing activity thereby extending further benefit to farmers.

2.3. Essential Features of a FPO

The essential features of a FPO are:

- ❖ It is formed by a group of producers for farm activities.
- ❖ It is a registered body and a legal entity.
- ❖ Producers are shareholders in the organisation.
- ❖ It deals with business activities related to the primary produce/product.
- ❖ It works for the benefit of the member producers.
- ❖ A part of the profit is shared amongst the producers.

- ❖ Rest of the surplus is added to its owned funds for business expansion.

2.4. Promotion and Support for FPOs

An individual person or institution, which can enter into legally valid contracts with other institutions including the FPO, which they seek to promote, can be a Producer Organisation Promoting Institution (POPI). POPI with the noble objective of socio-economic development of producers can promote FPO using their own resources out of goodwill or through financial support from donor/financing agency. The following persons/agencies can promote a FPO:

- Any experienced person/NGO/Community Based Organisation
- Corporates, Banks, Financial Institutions, Development Agencies
- Government Departments, KVKs, Commodity Boards, Agri Universities/Research Agencies
- Cooperative Societies, Large Producer Companies, Producer Associations or Federations

2.4.1. Role of PO Promoting Institution(POPI)

The broad responsibilities of a POPI include:

- Cluster identification
- Diagnostic and feasibility studies, including value chain analysis
- Mobilization of producers and registration/incorporation of FPO & facilitating framing rules/by-laws, Article/Memorandum of Association
- Capacity building of FPO management/producers and organizing exposure visits
- Business planning & Resource mobilization
- Developing robust systems and procedures in FPO and MIS development
- Facilitating business decisions/Operations, audit and compliances
- Technical handholding and other incubation services for sustainability

Farmer Producer Organisation can be registered under any of the following legal provisions:

- 1) Cooperative Societies Act/ Autonomous or Mutually Aided Cooperative Societies Act of the respective State

- 2) Multi-State Cooperative Society Act, 2002
- 3) Producer Company under Section 581(C) of Indian Companies Act, 1956, as amended in 2013
- 4) Section 25 Company of Indian Companies Act, 1956.
- 5) Societies registered under Society Registration Act, 1860
- 6) Public Trusts registered under Indian Trusts Act, 1882

While choosing a legal form, the following factors may be kept in view:

- ❖ Primary producers should benefit from the surplus generated by the PO.
- ❖ Process of Registration should not be too demanding in terms of time and resources.
- ❖ The legal form needs to fit into its business needs, organisational priorities, social capital and management capacity.

2.5. Support available for promotion of FPO

NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies provide financial and/or technical support to the Producer Organisation Promoting Institution (POPI) for promotion and hand-holding of a FPO. Each agency has its own criteria for selecting the project/promoting institution to support.

Promotional Support

Grant support for training and capacity building initiatives, which directly benefit the FPOs like skill development, business planning, technological extension through classroom training, exposure visits, agricultural university tie ups, expert meetings, tie-up with agribusiness incubators/professional agencies for business facilitation/incubation services.

Credit Linkage Support

NABARD facilitates credit linkage of FPOs through its own subsidiary organisation like NABKISAN Finance Ltd., Commercial Banks, Regional Rural Banks, Cooperative Banks, NBFCs and other lending agencies. In order to ensure proper utilization of loan, necessary capacity building support is also extended to FPOs.

2.6. Important activities of a FPO

The primary producers have skill and expertise in producing. However, they lack scale of

operation and generally need support for marketing of their produce to fetch better price. Therefore, the FPO will engage itself in any one or more activities in the value chain of the produce right from procurement of raw material to delivery of the final product at the ultimate consumers' doorstep. Normally, the FPO undertakes the following activities:

- 1) Procurement & distribution of inputs
- 2) Disseminating market information to members
- 3) Dissemination of technology and innovations to its members
- 4) Facilitating finance for inputs procurement
- 5) Aggregation and storage of produce
- 6) Primary processing like drying, cleaning and grading
- 7) Brand building, Packaging, Labeling and Standardization
- 8) Quality control
- 9) Marketing of produce aggregated, to institutional buyers
- 10) Participation in commodity exchanges
- 11) Export

Chapter 3

VARIOUS STAGES IN FORMATION OF A FPO

Aggregating producers into collectives is one of the best mechanism to improve access of small producers to investment, technology and market. The facilitating agency or POPI should, however, keep the following factors in view:

- 1) Current issues leading to low income to producers
- 2) Types of small scale producers in the target area, volume of production, socioeconomic status, marketing arrangement
- 3) Current demand in the existing market to absorb the additional production without significantly affecting the prices
- 4) Willingness of producers to invest and adopt new technology, if identified, to increase productivity or quality of produce
- 5) Challenges in the market chain and market environment
- 6) Vulnerability of the market to shocks, trends and seasonality
- 7) Previous experience of collective action (of any kind) in the community
- 8) Key commodities, processed products or semi-finished goods demanded by major retailers or processing companies in the surrounding areas/districts
- 9) Support from Government Departments, NGOs, specialist support agencies and private companies for enterprise development
- 10) Incentives for members (also disincentives) for joining the FPO

Once the farmers /informal interest groups in the cluster acquire sufficient understanding of the FPO concept, perceived business risks and positive impact of organizing into FPO, they can be facilitated to come together and form a FPO with initial shareholder membership of not below 100 farmers.

Stages in formation of FPO

- Constitution of Board of Directors – as per provisions of the Act/by-laws
- Preparation of Legal Documents – Article of Association/Memorandum of Association
- Registration/Incorporation under the relevant Act
- Appointment of Professional CEO/other key staff as per business needs

- Obtaining Certificate of Incorporation/Registration of FPO
- Conduct of First General Body Meeting and formal establishment

In case of incorporation of FPO as Farmer Producer Company (FPC), the following steps are involved:

- Preparation of Legal Documents
- Registration

3.1. Registration of a FPO

In order to ensure sustainability to the FPO's activities, FPOs are to be registered under any Statute as mentioned in Chapter 2. Expenditure towards incorporation such as registration fee, stamp duty, preparation of documents and facilitation charges etc., will depend on the legal structure of the FPO. The estimated cost of incorporating a FPO as a producer company is given below:

Estimated cost for incorporation of a producer company

Particulars	Item of expenditure	Amount (Rs.)
Application for Name of PC	Fees	500
Digital signature	Fees	2600
Stamp duty	Memorandum of Association and Articles of Association	1500
Registration/Filing fees	MoA, AoA, Form-1, Form-18, Form-32	17200
Fees of Chartered Accountant or Company Secretary	Consultancy charges	10000
Stamps cancellation	-	300
Affidavit expenses	Fees of Notary	500
Share transfer fees and processing	-	5000
Miscellaneous expenses	-	2000
Total		39600

Registration of a FPO involves the following steps:

1. Obtain Digital Signatures of the nominated Directors
2. Apply for Name Availability(Form – IA)
3. After availability of name, necessary documents to be prepared like:
 - Memorandum of Association(MoA)
 - Articles of Association(AoA)
 - Form No. 18 for Registered Office
 - Form No. 32 for Directors' Appointment
 - Apply online for DIN for Proposed Directors
 - Form 1
 - Power of Attorney in favour of consultant to authorize him to make necessary changes

3.2. Various legal compliances

As the FPO is a registered entity having its own existence, it is required to comply with certain legal compliances, as mentioned below:

- a) Licenses required**, depending upon nature of business a FPO may require Building Plan approval from Competent Authority, License from Industries Department, FDA, FPO, Pollution Control, NOC from Fire Department, FSSAI etc.
- b) Compliance with Taxation Laws (Income Tax, Commercial Tax Act etc.)** – FPO has to procure a PAN number from the Income Tax Department and GSTIN from the Commercial Tax Department to carry out business(for selling/offering the chargeable goods and services). In the wake of recent Budget announcement of 2018-19, FPOs registered under Companies Act with an annual turnover upto Rs. 100 crore, are eligible for 100% Tax exemption for a period of five years from financial year 2018-19.
- c) Compliance under Companies Act or Act under which FPO is registered for maintenance of Records and Preparation of Financial Statements – For a FPO registered under Companies Act, following returns are to be filed:**
 - (i) Balance-Sheet - Form 23AC to be filed by all companies
 - (ii) Profit & Loss Account - Form 23ACA to be filed by all companies
 - (iii) Annual Return - Form 20B to be filed by companies having share capital
 - (iv) Compliance Certificate - Form 66 to be filed by companies with paid up capital between Rs. 10 lakh to Rs. 2 crore

For a FPO registered under Companies Act, following Statutory Registers, Books are to be maintained:

- i) Share/Debenture transfer register [Section 108]
- ii) Copy of every instrument deed, etc., creating any charge which requires registration [Section 136]
- iii) Register of charges [Section 143]
- iv) Register of members [Section 150]
- v) Index of members [Section 151]
- vi) Copies of annual returns and certificates and documents required to be annexed thereto [Section 159 to 161]
- vii) Minute books of Board Meetings & meetings of committee of the Board [Section 193]
- viii) Minute books of general meetings [Section 193]
- ix) Register of dividend declared and remaining unpaid [Section 205]
- x) Proper books of accounts [Section 209]
- xi) Proper books of accounts in relation to transactions effected at Branch Office.
- xii) Register of contracts, companies and firms in which directors are interested [Section 301].
- xiii) Register of directors, etc.[Section 303]
- xiv) Register of directors' share-holdings, etc. [Section 307]
- xv) Books of accounts of producer company [Section 581ZE(1)]
- xvi) Register of particulars of investments of producer companies [Section 581ZL(7)].

d) Holding of Meetings - The Companies Act, 2013 has given elaborate provisions for holding and conducting meetings. It is necessary to observe those provisions; failing which the decisions taken will not be considered binding. These meetings include:

- i) First General Body Meeting
- ii) Annual General Meeting (AGM)
- iii) Extra Ordinary General Body Meeting
- iv) Meetings of the Board of Directors

3.3. Preparation of Business Plan

A business plan is like a roadmap; it provides direction to a FPO to plan for the future and avoid bumps in the road. Creating a good business plan requires substantial investment of

time and human resources, but it is a worthwhile investment that pays off in the long run.

A business plan should be a working document; it should not be something that is created and then remains filed away. Rather, a business plan should be reviewed periodically (e.g., quarterly or more frequently) and, if the organisation is not on track to meet its goals, measures should be taken to improve performance. Alternatively, the plan could be revised to reflect a more realistic set of goals and a strategy for attaining them.

A business plan is a set of business goals and contains defined ways for achieving those goals. A basic business plan is a simplified version that can be developed to register a cooperative or other producer organisation. It can also provide guidance on how to run the business during the early stages of its operation.

The Board members and select producers with support of Resource agency, can undertake business planning keeping in view the inputs from diagnostic study, shared vision of members, nature and scope of commodities, institutional structure, infrastructure in terms of storage, technical extension, quality inputs, etc. and market landscape, business options/potentials in the area and financial capability. Accordingly, operational plan will be prepared and financial resources would be mobilized from various possible funding sources such as banks, other lending agencies, Government donor agencies, CSR funds of corporates, etc.

3.3.1. Development and use of a basic business plan

It is essential for a FPO to understand and feel a sense of ownership over its business plan. While an outside organisation can help develop the plan, the FPO should provide inputs throughout the process to ensure buy-in. To successfully adopt the plan, a business needs to understand and apply the implementation process and operate within the proposed financial projections.

A basic business plan will help the FPO to answer important questions, such as:

- Why are farmers interested in forming a FPO?
- What is the goal of the FPO?
- What products does the FPO want to sell?
- Where will the FPO sell its products?
- How will the FPO accomplish its goal?
- When does the FPO hope to achieve its goal?

3.3.2. Basic Business Plan Development

Outline of a Basic Business Plan: Business plans may differ in their design, detail and complexity. However, most are presented in a similar format. The basic business plan outline is designed to:

- Meet the requirements for registering a FPO.
- Serve as a management tool for the organisation's elected leaders and managers.
- Provide a format for clarifying business activities, management structure, by laws and other elements required by a FPO to successfully function.

An outline of a basic business plan is given as **Appendix I**

4. **Working Capital requirements of a FPO:** For effective conduct of operations as also to expand the activity of FPOs, it may require funds. Fund requirements of a FPO may be classified into: Short term and Long Term, depending upon its nature. Thus, a FPO may approach Bank/FI for availing term loans (longer duration loans) for their fixed/block capital requirements such as requirement for infrastructure, machinery, warehouses, shops, etc., and they may seek working capital loans (short duration loans normally upto a period of 1 year) for their revenue/working capital requirement. Most of the FPOs require working capital fund support for initial activities like input procurement & distribution, procurement of agriculture produce, etc. Therefore, understanding working capital and its assessment is important for a FPO.

Working capital is the capital required by an organisation which is used in its day to day operations and managing business. It includes cash, inventory, accounts receivable, accounts payable, the portion of debt due within one year and other short-term accounts. In simple words working capital is money required by a company for conducting its regular operations & defined as under:

Working Capital = Current Assets (cash and other assets that are expected to be converted to cash within a year) - Current Liabilities (debts or obligations that are due within one year)

An illustration of "Assessing Working Capital requirement of a FPO" is provided as **Appendix II** to this Manual.

Chapter 4

GOVERNANCE OF FPO

Governance of FPO refers to the ways of conducting its activity by a FPO. It includes Board of Directors, allocation of authority & responsibility among the management, systems, processes & procedures, internal checks & controls, compliances & audit. Over a period of time, FPO should build/develop a strong governance to safeguard interest of shareholders, particularly farmers/members associated with a FPO.

To understand the governance of a FPO, it can be viewed at three levels as indicated below:

1. Members/shareholders
2. Board of Directors
3. CEO/Office bearers

4.1. Members/Shareholders

A member is defined as a person or producer institution, whether incorporated or not, admitted as a member of a Producer Company and who retains the qualifications necessary for continuance as such. Being a membership based entity, membership shall be voluntary and is available to all eligible members (in case of a Company, criteria of membership is defined in the Articles of Association of a company) who can participate and avail the facilities or services of the Producer Company. Shares in a Company can be held in more than one name, which is called 'Joint Membership'. Under the Companies Act, there is no ceiling on the number of persons holding shares jointly.

Members act through the General Body, and the Body alone can:

- a) Approve the Budget and adopt the Annual Accounts of the Company;
- b) Approve the patronage bonus;
- c) Authorize the issue of bonus shares;
- d) Appoint an auditor;
- e) Declare a dividend and decide on the distribution of patronage;
- f) Amend the Memorandum of Association and Articles;
- g) Approve or act on any other matters that are specifically reserved in the Articles for decision by the Members.

4.2. Board of Directors

Every FPO should have a Board of Directors of not less than five and not more than fifteen members. The Board may act only in areas not reserved for the General Body and may not exercise executive functions. In general, the Board has authority and is responsible for formulating, supervising, and monitoring of the performance of the FPO in respect of the following matters:

- a) Determination of the dividend payable.
- b) Determination of the quantum of withheld price and recommended patronage to be approved at General meeting.
- c) Admission of new members.
- d) Pursue and formulate the organisational policy, objectives, establish long-term and annual objectives, and approve corporate strategies and financial plans
- e) Appointment of a CEO and other officers, as may be specified in the Articles.
- f) Exercise superintendence, direction and control over CEO and other officers.
- g) Sanction any loan or advance, in connection with the business activities of the Producer Company to any member, not being a director or his relative.
- h) Investment of the funds of the Company in the ordinary course of its business.
- i) Acquisition or disposal of property of the company in its ordinary course of business.
- j) Check that proper 'books of account' are maintained.
- k) Ensure that annual accounts are placed before the annual general meeting with the auditor's report.
- l) Take such measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

4.3. CEO/Office Bearers

Individual appointed to look after the day-to-day affairs of the company, like CEO, accountant, godown keeper etc. have to adopt systems & procedure as has been stipulated by the management. They have to adhere to the policies approved by the Board & implement the decisions taken by the Board & Governing Body.

4.3.1. Chief Executive Officer (CEO)

Board of Directors have to appoint a full time CEO amongst persons other than members. The qualification, experience and the terms and conditions of services shall be decided by the Board. The CEO shall be the ex-officio Director of the Board and shall not retire by rotation. The CEO shall be entrusted with substantial powers of management as may be determined by the Board. He/She is accountable for the performance of the FPO, both, to the Board of

Directors and to the Members. The CEO shall be authorized to exercise the powers and discharge the functions as described below:

- a) do administrative acts of a routine nature including managing the day-to-day affairs of the FPO;
- b) operate bank accounts or authorize any person, subject to the general or special approval of the Board;
- c) make arrangements for safe custody of cash and other assets of the FPO;
- d) sign business related documents as may be authorized by the Board' for and on behalf of the FPO;
- e) maintain proper books of account, prepare annual accounts, place the audited accounts before the Board and in the annual general meeting of the Members;
- f) furnish the members with periodic information to appraise them of the operation and functions of the FPO;
- g) make appointments to posts in accordance with the powers delegated to him by the Board;
- h) assist the Board in the formation of goals, objectives, strategies, plans and policies;
- i) advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
- j) exercise the powers as may be necessary in the ordinary course of business;
- k) discharge such other functions, and exercise such other powers, as may be delegated by the Board;
- l) to provide timely information to the Members and Board of Directors for scheduled meetings or emergency or short notice meetings.

4.4. Audit of Accounts

It is compulsory to conduct Internal Audit in the case of FPO (registered under Companies Act) in terms of Part IX A of the Companies Act, 1956, Section No. 581ZF. Internal audit of its accounts should be carried out, at such interval and in such manner as may be specified in its article of association, by a chartered accountant.

Chapter 5

BOOKS OF ACCOUNTS & PREPARATION OF FINANCIAL STATEMENTS

FPOs are registered under different statutes as mentioned in Chapter 2. Therefore, they are required to comply with the certain requirements with regard to maintenance of accounts for their operations and preparation of financial statements. Besides, there is a need to assess the operational performance of these entities to know the benefits that have accrued to farmers due to their association with FPOs. Against this background, maintenance of proper books of accounts and other subsidiary registers assumes significance. While maintaining these records, the requirement of the statute, under which a FPO is registered would be taken care of. Each FPO should maintain the following records/ books to facilitate legal compliance as also evaluation of its performance.

5.1. Books of Accounts and Records are sub-divided into following two broad categories:

1. Financial Books

1. Cash Book
2. Bank Book
3. Bank Reconciliation Statement
4. Journal
5. Ledger
6. Share Capital Register
7. Subsidiary Books
 - (i) Input(Purchase, Sale & Stock) Register
 - (ii) Produce(Purchase, Sale & Stock) Register

2. Non-Financial Books

1. Members' Profile Register
2. Members' Progress Register
3. Minutes Book/Register

5.2. Objectives of maintaining books of account and records:

1. Financial Books

- i. To know the position of cash and bank balances on a day-to-day basis and facilitate preparation of Bank reconciliation statements.
- ii. To facilitate preparation of financial statements viz. P&L A/c, Balance Sheet and cash flow statement.
- iii. To know profit earned or loss incurred by FPO. Book keeping keeps complete records of business transactions. Thus, profit or loss of business transactions can be easily ascertained/ known.
- iv. Knowledge of assets and liabilities belonging to FPO – When a FPO keeps the books of different business assets and liabilities in a systematic manner, it can easily know the position of assets and liabilities as on a particular date.
- v. To facilitate audit of books of accounts.
- vi. Compliance with legal requirements.
- vii. Facilitate preparation of MIS required by the management and filing of different returns with government authorities.

2. Non-Financial Books and Records

- i. To know the socio-economic status of members after joining the FPO.
- ii. To track record of the improvement in socio-economic condition of the members.
- iii. To monitor the effectiveness of governance system of FPO.
- iv. To facilitate preparation of business plan with concrete steps in order to make the most optimal use of the available resources.

5.3. Different kinds of Financial and Non-Financial Books

5.3.1. Cash Book

Cash receipts and cash payments, pertaining to FPO only, may be recorded in cash book against appropriate account heads (discussed in a separate chapter). The format of cash book is given below:

CASH BOOK

Debit side (Dr.)

Credit side (Cr.)

Date	V.No.	Particulars	L.F	Amt.(Rs.)	Date	V.No.	Particulars	L.F	Amt.(Rs.)

- All the items of cash receipts are recorded on the debit side (left hand side) and all the items of cash payments are recorded on credit side (right hand side) in order of date of the cash transaction.
- The difference between the total of two sides shows balance of cash in hand i.e. excess of summation on debit side over the summation on credit side.
- The entries made in cash book are posted to ledger.
- Cash Book may be balanced whenever there is a cash transaction and CEO may put his/her signature after it.

The columns of the Cash Book are explained below:

- a) Date :** The date of transaction is written in this column.
- b) Particulars :** In this column in case of receipt transaction the corresponding account head being credited is written on debit side. Further in case of cash payment the corresponding account head being debited is written on credit side.
- c) L.F (Ledger Folio):** The page number of the Ledger where the concerned transaction is posted is written in this column.
- d) Amount :** The amount of the transaction is recorded in this column. The amount of cash received is recorded on the debit side in amount column and the amount of cash paid is recorded on the credit side in amount column.
- e) V.No. (Voucher Number):** A voucher is necessary for each item of receipt and payment. Generally, a voucher has a serial number and this number-is written in this column (V.No.)

When cash is received from a debtor or customer, generally a 'receipt' or 'cash memo' is issued to the debtor which is a supporting document for Receipt Voucher. Again, when money is paid to a creditor or supplier an invoice cum receipt is obtained from him which is supporting document for Payment Voucher. These supporting documents are to be attached to the voucher and filed in voucher file.

5.3.2. Bank Book

All transactions related to receipt of money in Bank and payment made through bank are recorded in the bank book. The format of Bank book is similar to that of cash book. However,

it is important to note that transactions routed through a Bank only (i.e. money received in Bank & payment made through Bank) be recorded in this book.

BANK BOOK

Name of Bank:

Account Type & No.

Debit side (Dr.)

Credit side (Cr.)

Date	V.No.	Particulars	L.F	Amt.(Rs.)	Date	V.No.	Particulars	L.F	Amt.(Rs.)

The difference between debit side (left hand) & credit side (right hand) of Bank book on any particular day will reveal the balance in Bank account of FPO. Debit balance (excess of total of debit side over credit side total) represent bank balance, while credit balance (excess of credit side total over debit side total) represent Bank overdraft. The Bank book is closed by striking a balance on a given date. CEO may put his/her signature in Bank Book when Bank balance is struck.

Bank book helps to reconcile difference between balance as per bank book of FPO & balance as per pass book of Bank account of FPO.

5.3.3. Preparation of Bank Reconciliation Statement(BRS)

Normally, bank balance as per bank book of FPO and that as per pass book of Bank should be similar. However, on a particular day this balance may differ. Therefore, to know the reason for difference in balance as per these books, a reconciliation statement is prepared which is called Bank reconciliation statement. The format for reconciliation statement is as under:

Bank Reconciliation Statement as on

Name of Bank:

Account Type & No.

Particulars		Amount(Rs.)
Debit Balance as per Bank Book of FPO		A
Add :	Transactions which have reduced bank balance as per FPO books but not recorded in Bank Pass Book (e.g. Payment made through Bank by FPO or cheque issued by FPO not presented to Bank)	B
Less:	Transactions which have increased the Bank balance as per FPO book but not accounted/recorded by Bank in Pass book (e.g. Amount received from the customer by bank or cheque deposited in the Bank)	C
Balance as per Bank Pass Book		D (A+B-C)

No item of transaction should appear in the Bank Reconciliation Statement, for want of its accounting in the books of FPO e.g. interest credited or Bank charges levied by Bank not accounted for by FPO. Such transaction should be recorded before BRS is prepared, in the Books of FPO instead of allowing them to appear in BRS.

5.3.4. Journal

Financial transaction which does not involve immediate receipt or payment through Cash/Bank is recorded in a journal e.g. Credit purchase or credit sale. Besides this, accounting entries pertaining to closing stock/ opening stock, provision for depreciation, provision for outstanding expenses and income, prepaid expenses, income received in advance, adjustment and rectification entries are passed through journal.

The format of journal is as under:

Date	Particulars	L.F	Amount(Rs.)	Amount(Rs.)
	Account head to be debited Dr. Account head to be credited Cr. (Narration)		XXX	XXX

The account head debited/ credited in journal should be posted in ledger

The various columns of journal are explained in detail below:

1. **Date** : This column is used to write the date of the business transaction.
2. **Particulars column**: In this column the names of the two connected account heads are written. In the first line, the name of account head to be debited and in the second line the name of account head to be credited is written. It is not necessary to place the word 'Cr" before the name of the account credited. Below the account heads narration is written, usually, within brackets.
3. **Ledger Folio (L.F)**: The page numbers of the ledger where the concerned accounts have been posted are written in this column against the name of each account head. Thus, if a folio number stands written in this column, it will mean that the transaction has been posted in ledger.
4. **Amount**: Against account heads debited/ credited, the amount is indicated. It has to be ensured that total amount of account heads debited should be equal to total amount of account heads credited.

5.3.5. Ledger

Ledger is a summarized record of accounting entries for account heads debited or credited in Cash book, Bank book or Journal for the given period of time (i.e. year). Entries made in prime books (cash book, bank book, journal) are posted in ledger to know the cumulative position under each account head. A separate folio is maintained for each account head. On posting of transaction from prime book (cash/ bank book & journal) into ledger, a reference folio number of prime book is indicated in ledger.

The format of Ledger Book is given below:

Name of the Account Head

Debit Side(Dr.)

Credit Side(Cr.)

Date	Particulars	Bank/Cash Book/ Journal Folio	Amt.(Rs.)	Date	Particulars	Cash/Bank Book/ Journal Folio	Amt.(Rs.)

Characteristics of Ledger Account:

The ledger has the following main characteristics:

- a) It has two sides – left hand side (debit side) and right hand side (credit side).
- b) Account heads appearing on the debit side of the cash/bank book will be credited in the ledger whereas, account heads appearing on the credit side of cash/bank book will be debited in the Ledger.
- c) Ledger Posting of Journal – account heads debited in the Journal entry will be posted in ledger by recording the entry on debit side of the account head, while, account heads credited in the journal, entry will be posted in the ledger by recording on the credit side of the account head.
- d) The difference between the totals of the two sides of account appearing in ledger represents balance. The excess of debit side total over credit side of the account indicates debit balance, while excess of credit side total over debit side total in the account indicates the credit balance. If the two sides are equal, there will be no balance.
- e) Generally the balance is drawn at the year end and recorded on the lesser side to make the two sides equal. The balance is known as closing balance.
- f) The closing balance of the current year becomes the opening balance of the next year in case of account heads involving assets or liability.
- g) Closing balance of account heads involving income or expenditure are transferred to Trading and Profit & Loss account. These balances are not carried to next year as opening balance.

Uses of Ledger

- a) Preparation of Trial Balance:** Once all transactions are posted in ledger and all ledger accounts are balanced, the next step is preparation of trial balance. A trial balance is summarized, position of each account head opened in ledger. The closing balance arrived at for each account in the ledger is carried to the trial balance.
- b) Preparation of Receipts & Payment Statement:** In case FPO is registered under Public Trust Act, it will prepare Receipts & Payment Statement instead of trial balance. The said statement can also be prepared from the Ledger. While preparing Receipts & Payment Statements, total of transactions posted for the year is to be considered i.e. opening balances are not to be factored while carrying balances to Receipt and Payment Statement.

5.3.6. Share Capital Register

A Share Capital Register is a list of active owners of a FPO's shares, updated on an ongoing basis. The register contains details of each member's name, address and number of shares held by each member. In addition the register can have details of member's occupation/activity. The Share Capital Register is fundamental to the examination of the ownership of a FPO.

A typical Share Capital Register's format is given below:

Sl. No.	Name of Shareholder	Address	Occupation/ Activity	No. of Share held	Face Value of share(Rs.)	Amount paid(Rs.)	Date of acquisition of shares	Remarks

5.3.7. Subsidiary Books to record Purchase/Sale/Stock

FPO normally undertakes purchases at two levels:

- i) Aggregation of input requirement of farmers & its purchase from the market for distribution among farmer members.
- ii) Aggregation of produce from member farmers & its purchases from the members for selling in the market

In order to have proper control over purchases of input & produce made by FPO, distribution/sale of inputs/produce & proper accounting of closing stock, FPO needs to maintain following registers for recording purchase, sale & stock of input & purchase, sale & stock of produce.

1. Input(Purchase, Sale & Stock) Register
2. Produce(Purchase, Sale & Stock) Register

The format of registers are indicated below:

Input (Purchase/Sale/Stock) Register

Name of Input:

Year

Purchases							Sale/Distribution to member									Stock		
Bill No., Date & Name of Supplier	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) = (2-10)	(18)	(19)
To be filled in based on Supplier's Bill						Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c			To be filled in based on sale invoice of FPO					Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c				

Important points about the maintenance of Input (Purchase, Sale & Stock) Register:

1. A separate Folio may be earmarked for each item of input procurement made by FPO
2. Total of 'Amount' column of purchases in the register to be tallied with the total amount as appearing in the ledger against the account head 'Input Procurement' for the respective inputs
3. Total of 'Amount' column under Sale/Distribution to members in the register is to be tallied with the Account head for the distribution of respective input in the Ledger i.e. Input Distribution A/c – Respective Input
4. In case, sale of input is made to more number of farmers on any day, the total of day's sale/distribution may be accounted in Cash/Bank Book instead of making separate entry for sale to each farmer in Cash/Bank Book.
5. Farmer wise input distribution entries will be made in Farmers/Members progress register based on entries made in input (purchase/sale/stock) register and cross reference of these registers will be indicated.
6. Rate for distribution of input will be decided by the Board, taking into account, the market rate of the input.
7. Sale/distribution of input may be based on 'First in First out (FIFO)' method. Accordingly, accounting entries for closing stock valuation may be done on the basis of rates charged in last purchases made by FPO.

Produce (Purchase/Sale/Stock) Register

Name of Produce:

Year

		Purchase						Sale of Produce								Stock		
Bill No. & Date	Name of Farmer	Qty	Rate (Rs.)	Amount (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Register Folio	Date	Buyer's Name	Qty	Rate (Rs.)	Amount (Rs.)	GST * (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Qty	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)		
		To be filled in based on FPO's Bill				Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c		To be filled in based on sale invoice of FPO. *GST may be included in case the good or services are chargeable							Cash Book Folio, if purchases are made in Cash & Bank Book Folio, if payment is made through Bank A/c			

Important points to be noted about maintenance of Produce (Purchase/sale /stock) register:

1. A separate page may be earmarked for each produce procured by FPO from farmers.
2. Date wise produce procurement done from farmers/members may be recorded under purchase segment of the register. Total produce for the particular day may be totalled and accounting entry for the day's procurement may be passed through cash book/bank book, depending on mode of payment.
3. Cash/Bank Book folio may be indicated in the register to ensure and confirm accounting entry of the procurement.
4. The produce procured details may also be entered in members progress register & folio no. of members progress register entered in the produce purchase register.
5. Total of 'Amount' column under 'purchase segment' of this register should be tallied with the total amount/balance appearing against produce procurement A/c of respective produce in the ledger.
6. Sale of produce procured will be recorded under 'sale segment' of register, based on bill/invoice
7. Total of amount column of sale register to tally with the total/balance amount appearing against 'produce sale – A/c of respective produce in the ledger. Under 'stock' segment entries may be made as & when there is change in stock position of the produce.
8. Stock valuation may be made & entries for closing stock to be passed accordingly, at the end of the year
9. Cash/Bank book folio where entry of sale transaction is made should be indicated under CB/BB folio depending upon mode of payment.

Non –Financial Records/Books

5.3.8. Members' Profile Register

A FPO having farmers as its members, has to keep record in place for getting basic information about its members.

A sample Member's profile register is as follows:

Sl.	Name & Address of Farmer	Village	Area under Cultivation	Crops cultivated	Yield achieved	No. of Animals/Birds	Breed of Animal/Bird
				Before Joining FPO			

5.3.9. Members' Progress Register

The objective of FPO formation is to benefit from collectivization & reflect in the enhancement of income of farmers/members of FPO. Hence, this register is to be maintained to track progress of farmers due to their association with FPO. This register is to be maintained year-wise to record progress made by the farmer on three fronts viz. input consumption, production of produce & income enhancement. The format of the register is indicated below:

Name of the Farmer/member:

Serial No. (Reference) in Share Capital Register

Folio of member's profile register.

Year	Input Consumption				Produce production			Income earned
	Name of input	Qty	Amount (Rs.)	Folio of input register	Produce Name	Qty	Folio of produce register	Amount paid by FPO

Note: A separate folio should be earmarked for each member/farmer to record the year wise progress made.

5.3.10. Minutes Book/Register

Meetings of shareholders/board of directors/AGM/Extra Ordinary General Body meeting etc. are meant for discussing agendas like:

1. Preparation of business plan
2. Reviewing progress of FPO in terms of activity expansion
3. Strategic decisions like which crop/breed of animal to be cultivated/adopted in next season/cycle.
4. Measures to enhance profitability of FPO & income of farmers
5. Share capital contribution (enhancement/reduction etc.)
6. Dividend payout
7. Borrowings from Bank
8. Deciding on rates to be charged to farmers for input supply & rate to be paid for produce procurement

9. Adoption of accounts
10. Appointment of auditors
11. Periodic review of business plan implementation
12. Review of FPO operations & benefit received by farmers

Deliberations in the meeting should be documented in the Minutes Book/Register. A typical Minutes Book format is given below:

Type of Meeting	
Date of Meeting	
Members Present(Name & Signature)	
Agenda items	
Details of deliberations	
Decisions Taken	

5.4. Closing of Books of accounts & preparation of Financial Statements

In order to facilitate review of operations of FPO, books of accounts are closed periodically i.e. at the end of each quarter, besides annual closing of books of accounts. The following statements are prepared on closing of books of accounts:

5.4.1. Trial Balance

A trial balance is a bookkeeping or accounting report that lists the balances in each account of a FPO's ledger. The debit/credit balance of ledger accounts are listed in Trial Balance. The total of each of these two columns should be identical.

The trial balance has following proforma:

Trial Balance as on

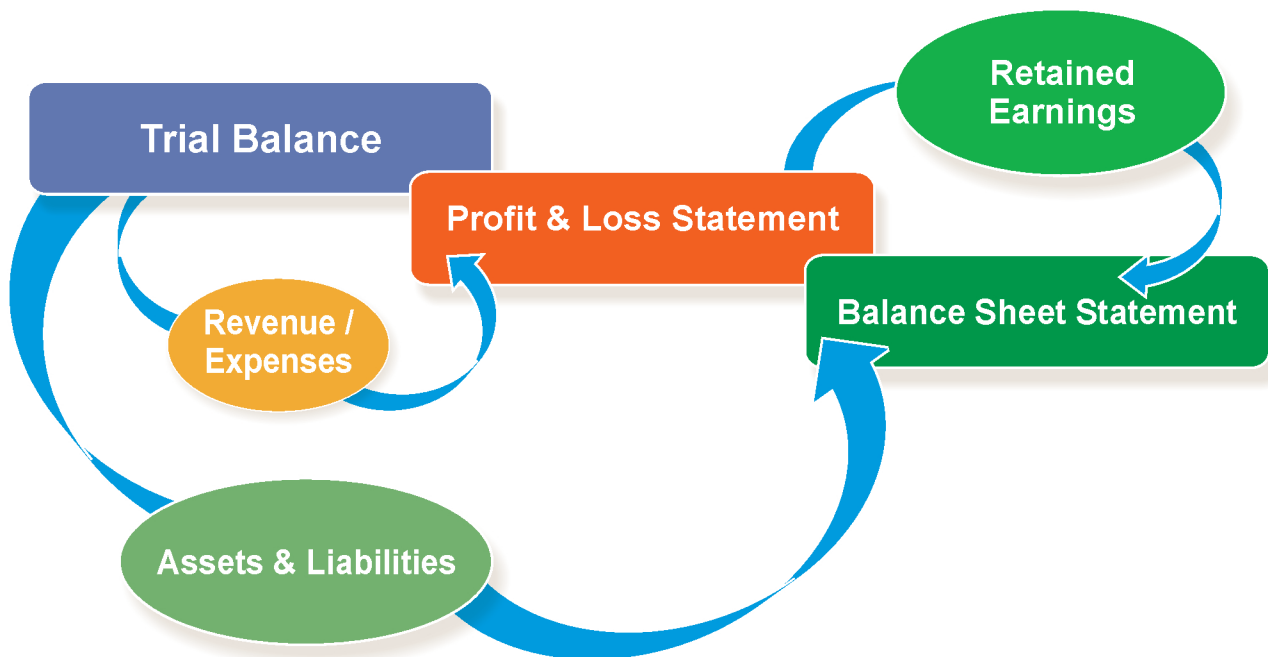
Ledger Account Number	Ledger Account Head	Debit	Credit

The debit balance in ledger will be written under Debit column while Credit balance appears in Credit column. Cash/Bank balances appearing in Cash/Bank Book will also be included in Trial Balance.

Based on Trial balance & other adjustments (provision for depreciation, expenses, income & closing stock, proposed dividend etc.), financial statements are prepared. While, for-profit organisations prepare Trading and Profit & Loss account, non-profit organisations (institutions registered under Public Trust Act) prepare Income & Expenditure account. FPOs registered under Companies Act are required to prepare following Financial Statements:

1. Trading and Profit & Loss Account
2. Balance Sheet

Besides above statement, it is advisable to prepare Cash Flow statement for the year to know the Cash Flow emanating from operational activities, investment activity & financing activity, for the FPO. Interconnection of Trail Balance, Profit & Loss Statement and Balance Sheets is depicted in the following figure:



5.4.2. Trading and Profit & Loss Account

This statement reflects operational performance of FPO, while trading account shows gross profit earned, Profit & Loss account shows net profit earned after operational, administrative and selling expenses.

The format of Trading and Profit & Loss Account is indicated below:

Name of FPO:

Trading and Profit & Loss Account for the year ended on

Dr.

Cr.

Particulars	Amount (Rs.)	Amount (Rs.) – Previous Year	Particulars	Amount (Rs.)	Amount (Rs.) – Previous Year
Opening Stock of			By sales of		
- Inputs			- Inputs		
- Produce			- Produce		
To purchase of			By closing stock of		
- Inputs			- Inputs		
- Produce			- Produce		
To Carriage inward					
To wages					
Gross Profit carried down					
Sub Total			Sub Total		
To Salary			By gross profit b/d		
To rent, electricity, taxes etc.					
To Audit Fee			By Other operating income		
To other expenses			By interest earned		
To Depreciation on assets					
To Carriage outward					
To interest on borrowings					
Net Profit c/d					
Sub Total			Sub Total		
To proposed dividend			Net profit b/d		
To General Reserves					
To other (specific) reserve					
To balance of profit tr. to B/S					
Total			Total		

5.4.3. Balance Sheet/Asset Liability Statement

The balance sheet is a statement that lists the values of a FPO's assets, liabilities and shareholder/members' equity at the end of an accounting period. In other words, the balance sheet provides an overview of the resources the FPO owns, the debts that it owes and the amount of the shareholder/members' equity & its application as on a particular date.

Recall the accounting equation: $\text{Assets} = \text{Liabilities} + \text{shareholder/members' Equity}$.

From the balance sheet one can determine a FPO's net worth as well as its working capital. Net worth is the amount by which total assets exceeds total liabilities. Working capital is current assets minus current liabilities. The level of working capital should be high enough to cover the time needed to convert raw materials into finished goods, finished goods into sales/debtors and realization of cash from Debtors.

The format of Balance Sheet is given below:

Name of FPO:

Balance Sheet as on

Liabilities & Capital	Amount (Rs.)	Amount (Rs.) – Previous Year	Assets	Amount (Rs.)	Amount (Rs.) – Previous Year
<p>1. <u>Share Capital</u></p> <p>a) Authorized (..... Shares of Rs. Each)</p> <p>b) Subscribed & Paid- up (..... Shares of Rs. Each)</p> <p>2. <u>Reserve & Surplus</u></p> <p>a) General reserve</p> <p>b) Other reserves</p>			<p>1. <u>Fixed Assets</u></p> <p>a) Furniture acquired out of grant received from NABARD</p> <p style="text-align: right;">Cost</p> <p>Less: Depreciation till date</p> <p>b) Other assets</p> <p style="text-align: right;">Cost</p> <p>Less: Depreciation till date</p>		

c) Balance of P&L A/c			2. <u>Investments</u>		
2. <u>Grant & Donations received</u>			3. <u>Current Assets</u>		
(i) From NABARD			a) Loans & Advances		
a) Furniture/Office expenses			b) Closing stock of inputs		
Received					
Less : Utilized			c) Closing stock of produce		
b) Revolving Fund			d) Cash & Bank balances		
c) Registration charges					
Received					
Less : Utilized					
d) Salary of CEO					
Received					
Less : Utilized					
(ii) From State Govt.					
a) Capital Grant(in Kind)					
4. Secured Loans					
a) Term Loan					
b) Cash Credit					
c) Bank overdraft					
5. Unsecured Loans					
6. Current Liabilities & Provisions					
a) Sundry Creditors					
b) Proposed dividend					
c) Others					
Total			Total		

Chapter 6

ACCOUNT HEADS TO BE USED FOR DIFFERENT ACTIVITIES OF A FPO

In order to facilitate proper maintenance of prime books, secondary books and preparation of financial statements i.e. Trading and Profit & Loss Account and Balance Sheet as also cash flow statement, account heads to be used by FPOs are broadly divided into four groups.

1. Account heads pertaining to input procurement and its distribution.
2. Account heads pertaining to aggregation of produce.
3. Account heads pertaining to sale of produce.
4. Account heads pertaining to operational expenditure, income & capital items.

Different FPOs may be involved in different kind of activities as also same FPO can be connected with more than one activity. This Chapter illustrates activity wise accounting heads to be used while writing books of accounts by FPOs. In this Chapter, Account heads have been suggested for three activities viz. Farming/Cultivation of Land for Food grains/Vegetables etc., Dairy and Poultry. For any other activity of FPO, Account heads can be created by adopting a similar approach/path i.e. divide account heads under four broad groups viz. Input Procurement & Distribution, Produce aggregation, Sale of Produce & Operational expenditure capitalization on the lines suggested herein below. The account heads suggested provide maximum transparency in the operations of FPO & facilitate better governance.

Illustrations:

1. Activity: Farming or Land Cultivation

Sl.	Input Procurement & Distribution	
1.	Nature of Transaction	Account Heads
i)	Purchase of Seed/Saplings	Input Procurement A/c - Seeds/Saplings
ii)	Purchase of Fertilizer	Input Procurement A/c - Fertilizer

iii)	Purchase of Pesticide	Input Procurement A/c - Pesticide
iv)	Transportation of Inputs	Carriage Inward A/c - Inputs
v)	Sale/Distribution of Seed/Saplings	Input Sale/Distribution A/c - Seed/Saplings
vi)	Sale/Distribution of Fertilizer	Input Sale/Distribution A/c - Fertilizer
vii)	Sale/Distribution of Pesticide	Input Sale/Distribution A/c - Pesticide
viii)	GST paid on chargeable goods/services	GST Paid A/c - Input
2.	Aggregation of Produce	
	Nature of Transaction	Account Heads
a)	Aggregation of Food grain	Produce Procurement A/c -Food grain
b)	Aggregation of Fruits/Vegetables	Produce Procurement A/c – Fruits & Vegetables
c)	Sorting, Grading, Packaging of Produce	Cleaning & Packaging Expenses A/c
d)	Transportation of Produce	Carriage & Cartage A/c - Produce
3.	Sale of Produce	
	Nature of Transaction	Account Heads
a)	Sale of Produce in the Wholesale Market(Food grains)	Produce Sale(Wholesale) A/c - Food grains
b)	Sale of Produce in the Wholesale Market(Fruits & Vegetables)	Produce Sale(Wholesale) A/c - Fruits & Vegetables
c)	Sale of Produce in Retail Market(Food grains)	Produce Sale(Retail) A/c - Food grains
d)	Sale of Produce in the Retail Market(Fruits & Vegetables)	Produce Sale(Retail)A/c - Fruits & Vegetables
e)	GST received on chargeable goods/services	GST received A/c - Output
4.	Operational Expenditure/Income & Capital items	
	Nature of Transaction	Account Heads
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c Registration

b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous
f)	Office rent paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Acquisition of Agricultural Machinery/Equipment for custom hiring	Agriculture Machinery & Equipment A/c
m)	Agri implements(in kind grant) received from Govt. or any other agency	1. Assets acquired out of Govt. Grant A/c - Agri implement 2. Capital grant received(in kind) for asset acquisition
n)	Collection of share capital	Share Capital A/c - Members
o)	Borrowing from Bank for term loan/working capital	1. Borrowings A/c – Term Loan 2. Borrowings A/c – Working Capital
p)	Grant received from NABARD(Produce Fund) for promoting FPO	Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet) i) Grant received from NABARD(Produce Fund) A/c – Furniture ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO

	<p>Grant spent for eligible expenditure:</p> <p>(i) (a) Furniture purchased out of NABARD grant may be debited to</p> <p>(i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to</p> <p>(ii) Expenses on Salary of CEO may be debited to</p> <p>(iii) Revolving Fund</p> <p>(iv) Expenditure on registration of FPO may be debited to</p>	<p>iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund</p> <p>iv) Grant received from NABARD(Produce Fund) A/c – Registration charges</p> <p>(i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture</p> <p>(i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c</p> <p>(ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary</p> <p>(iii) There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations</p> <p>(iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges</p> <p>Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.</p>
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Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity: Farming or Land Cultivation		
Sl.	Activity	Account Head
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr Closing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Food grain Cr Trading A/c
		Dr Closing Stock A/c - Other Produce Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

2. Activity: Poultry Farming(Broiler and/or Layer)

Sl.	Input Procurement & Distribution	
1.	Nature of Transaction	Account Heads
a)	Purchase of Day Old Chicks	Input Procurement A/c - Day Old Chicks
b)	Purchase of Feed	Input Procurement A/c - Feed
c)	Purchase of Equipment (Waterer/Feeder etc.)	Input Procurement A/c - Equipment (Waterer/Feeder etc.)

d)	Transportation of Inputs	Carriage Inward A/c - Inputs
e)	Sale/Distribution of Day Old Chicks	Input Sale/Distribution A/c - Day Old Chicks
f)	Sale/Distribution of Feed	Input Sale/Distribution A/c - Feed
g)	Sale/Distribution of Equipment (Waterer/Feeder etc.)	Input Sale/Distribution A/c - Equipment (Waterer/Feeder etc.)
h)	GST paid on chargeable goods/services	GST Paid A/c – Input
2.	Aggregation of Produce	
	Nature of Transaction	Account Heads
a)	Aggregation of Live Birds/Chicken Meat	Produce Procurement A/c - Live Birds/ Chicken Meat
b)	Aggregation of Eggs	Produce Procurement A/c - Eggs
c)	Dressing, Packaging of Produce	Cleaning & Packaging Expenses A/c
d)	Transportation of Produce	Carriage & Cartage A/c - Produce
3.	Sale of Produce	
	Nature of Transaction	Account Heads
a)	Sale of Produce in the Wholesale Market(Live Bird/Chicken Meat)	Produce Sale(Wholesale) A/c -Live Bird/ Chicken Meat
b)	Sale of Produce in the Wholesale Market(Eggs)	Produce Sale(Wholesale) A/c - Eggs
c)	Sale of Produce in Retail Market(Live Bird/Chicken Meat)	Produce Sale(Retail) A/c - Live Bird/ Chicken Meat
d)	Sale of Produce in the Retail Market(Eggs)	Produce Sale(Retail) A/c - Eggs
e)	GST received on chargeable goods/services	GST received A/c - Output

4.	Operational & Capital Expenditure/Income	
	Nature of Transaction	Account Heads
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c - Registration
b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous
f)	Office rent Paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Equipments acquired out of grant received from Govt. or any other agency	Assets acquired out of Govt. Grant A/c - Equipments
m)	Collection of share capital	Share Capital A/c - Members
n)	Insurance of Birds	Insurance A/c - Birds
o)	Vaccination/Veterinary Aid of Birds	Medical A/c - Vaccination/Veterinary aid of birds
p)	Construction of brooder cum grower house	Construction A/c - brooder cum grower house

q)	Borrowing from Bank for term loan/working capital	<p>1. Borrowings A/c – Term Loan</p> <p>2. Borrowings A/c – Working Capital</p>
r)	<p>Grant received from NABARD(Produce Fund) for promoting FPO</p> <p>Grant spent for eligible expenditure:</p> <p>(i) (a) Furniture purchased out of NABARD grant may be debited to</p> <p>(i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to</p> <p>(ii) Expenses on Salary of CEO may be debited to</p> <p>(iii) Revolving Fund</p> <p>(iv) Expenditure on registration of FPO may be debited to</p>	<p>Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet)</p> <p>i) Grant received from NABARD(Produce Fund) A/c – Furniture</p> <p>ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO</p> <p>iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund</p> <p>iv) Grant received from NABARD(Produce Fund) A/c – Registration charges</p> <p>(i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture</p> <p>(i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c</p> <p>(ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary</p> <p>(iii) There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations</p> <p>(iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges</p> <p>Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.</p>

Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity : Poultry Farming(Broiler and/or Layer)		
Sl.	Activity	Account Head
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr Closing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Eggs Cr Trading A/c
		Dr Closing Stock A/c – Chicken Meat Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

3. Activity: Dairy Farming

Sl.	Input Procurement & Distribution	
1.	Nature of Transaction	Account Heads
a)	Purchase of Dairy Animal	Input Procurement A/c - (Animal breed name)
b)	Purchase of input required by members	Input Procurement A/c - Dry Fodder
		Input Procurement A/c - Green Fodder
		Input Procurement A/c - Feed Concentrate

c)	Purchase of Equipment (Milking Machine/Container etc.)	Input Procurement A/c - Equipment (Milking Machine/Container etc.)
d)	Transportation of Inputs	Carriage Inward A/c - Inputs
e)	Sale/Distribution of Animals	Input Sale/Distribution A/c - (Name of Breed)
f)	Sale/Distribution of Fodder	Input Sale/Distribution A/c - Dry Fodder
		Input Sale/Distribution A/c - Green Fodder
		Input Sale/Distribution A/c - Feed Concentrate
g)	Sale/Distribution of Equipment (Milking Machine/Container etc.)	Input Sale/Distribution A/c - Equipment (Milking Machine/Container etc.)
h)	GST paid on chargeable goods/services	GST Paid A/c - Input
2.	Aggregation of Produce	
	Nature of Transaction	Account Heads
a)	Aggregation of Milk	Produce Procurement A/c Milk
b)	Cleaning, Pasteurization, Packaging of Produce	Cleaning & Packaging Expenses A/c
c)	Transportation of Milk	Carriage & Cartage A/c - Milk
3.	Sale of Produce	
	Nature of Transaction	Account Heads
a)	Sale of Produce in the Wholesale Market(Milk)	Produce Sale(Wholesale) A/c - Milk
b)	Sale of Other Dairy Products in the Wholesale Market (Curd, Ghee, Paneer etc.)	Produce Sale(Wholesale) A/c - Curd, Ghee, Paneer etc.
c)	Sale of Produce in Retail Market(Milk)	Produce Sale(Retail) A/c - Milk

d)	Sale of Produce in the Retail Market (Curd, Ghee, Paneer etc.)	Produce Sale(Retail) A/c - Curd, Ghee, Paneer etc.
e)	GST received on chargeable goods/services	GST received A/c - Output
4.	Operational & Capital Expenditure/Income	
	Nature of Transaction	Account Heads
a)	Registration of FPO(in excess of grant received from NABARD for the purpose)	Office Expenses A/c - Registration
b)	Interest received on SB Account	Interest Income A/c – Bank Interest
c)	Interest on borrowings for Term Loan	Interest on Loans A/c – Term Loan
d)	Interest on borrowings for working capital Loan	Interest on Loans A/c – Working Capital
e)	Meeting expenses/tea snacks etc.	Other Expenses A/c - Miscellaneous
f)	Office rent paid	Office Expenses A/c - Rent
g)	Salary of staff paid	Office Expenses A/c - Salary
h)	Electricity bill Paid	Office Expenses A/c - Bills paid
i)	Auditors fees Paid	Office Expenses A/c - Auditor Fees
j)	Purchase of computers	Fixed Assets A/c - Computers
k)	Purchase of furniture	Fixed Assets A/c - Furniture
l)	Equipments(in kind grant) received from Govt. or any other agency	1. Assets acquired out of Govt. Grant A/c – Equipments 2. Capital grant received(in kind) for asset acquisition
m)	Collection of share capital	Share Capital A/c - Members
n)	Insurance of Animals	Insurance A/c - Animals

o)	Vaccination/Veterinary Aid of Animals	Medical A/c - Vaccination/Veterinary aid of Animals
p)	Construction of Shed	Construction A/c - Shed
q)	Processing of Milk	Processing A/c - Milk
r)	Sale of Heifer Animal	Sales A/c - Heifer
s)	Borrowing from Bank for term loan/working capital	1. Borrowings A/c – Term Loan 2. Borrowings A/c – Working Capital
t)	<p>Grant received from NABARD(Produce Fund) for promoting FPO</p> <p>Grant spent for eligible expenditure:</p> <p>(i) (a) Furniture purchased out of NABARD grant may be debited to</p> <p>(i) (b) Expenditure on Office expenses, postage, electricity expenditure to be debited to</p> <p>(ii) Expenses on Salary of CEO may be debited to</p> <p>(iii) Revolving Fund</p>	<p>Grant received from NABARD(Produce Fund) A/c(to be shown on liability side in Balance Sheet)</p> <p>i) Grant received from NABARD(Produce Fund) A/c – Furniture</p> <p>ii) Grant received from NABARD(Produce Fund) A/c – Salary of CEO</p> <p>iii) Grant received from NABARD(Produce Fund) A/c – Revolving Fund</p> <p>iv) Grant received from NABARD(Produce Fund) A/c – Registration charges</p> <p>(i) (a) Expenditure from NABARD grant(Produce Fund) A/c – Furniture</p> <p>(i) (b) Expenditure out of NABARD grant(Produce Fund) A/c 0 Office expenses A/c</p> <p>(ii) Expenditure out of NABARD grant(Produce Fund) A/c – CEO salary</p> <p>(iii) There will not be utilization of grant from revolving fund for specific item. However, it will remain with FPO for business operations</p>

	(iv) Expenditure on registration of FPO may be debited to	(iv) Expenditure out of NABARD grant(Produce Fund) – Registration charges Note: Expenditure under (i)(b), (ii) & (iv) above may be deducted from Grant received from NABARD(Produce Fund) account under (i), (ii) & (iv) appearing in the Balance Sheet.
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Account heads to be used at the time of closing of accounts, at the end of accounting year

Activity : Dairy Farming		
Sl.	Activity	Account Head
1	Depreciation on assets	Dr Depreciation on asset A/c Cr Provision for depreciation A/c –Name of asset
2	Input procurement remained undistributed	Dr losing Stock A/c - Input Cr Trading A/c
3	Unsold Produce	Dr Closing Stock A/c - Milk Cr Trading A/c Dr Closing Stock A/c - Other Products viz. Curd, Ghee, Paneer etc. Cr Trading A/c
4	Unpaid expenses	Dr Respective expenditure A/c Cr Outstanding expenses A/c - Name of expenditure
5	Dividend Proposed	Dr Dividend on Equity Capital A/c Cr Proposed dividend on Equity share
6	Balance of Profit transferred to Reserve Account	Dr Profit & Loss A/c Cr General Reserve A/c

Appendix I

BASIC BUSINESS PLAN OUTLINE

The elements of a basic business plan are listed below. The information for each section can be collected through a series of questions that are presented in the next section.

1. Purpose and Objective
2. Type of Business
3. Product
4. Customers
5. Competitors
6. Management
7. Source of Funds
8. Budget
9. Cash Flow (recommended, but not required)
10. Bylaws (usually an annex)

3.5. Developing a Basic Business Plan

The following series of questions is meant to help the group consider a range of factors required to develop a FPO's structure and the basic business plan.

1) Purpose and Objectives

- a. Why do you want to form a FPO?

- b. What will be the purpose and objectives of your FPO?

2) Type of Business

a. What type of business activities will your FPO be involved in?

b. Where will the FPO be located?

3) Product(s) and Services

a. What product(s) and/or services will the FPO be selling?

4) Customers

a. Who will the customers be for the product(s) the FPO will be selling?

5) Competitors

a. Are there other organisations, cooperatives or businesses selling or producing the same product(s) in the community?

b. How many other organisations, cooperatives and businesses in the community are selling or producing the same product(s)?

c. Have these other organisations, cooperatives and businesses been expanding in the last year?

d. How will our FPO compare with these organisations, cooperatives and businesses?

6) Management

a. Who will be responsible for managing the business of the FPO after it begins operations?

7) Sources of Funds

a. How does the FPO intend to raise funds for its operations?

8) Budget (Projected Profit and Loss Statement)

a. What is the projected budget for the FPO for the first six months?

Appendix II

ASSESSING WORKING CAPITAL REQUIREMENT OF A FPO

Working capital requirements depend upon the operating cycle of the company's business.

Operating Cycle

Operating cycle means the length of time required to convert items like raw material (RM), work in progress (WIP), finished goods (FG) and receivable into cash. If raw material/ agri produce, etc., are to be held by and FPO for a longer point before actually selling and getting cash then the operating cycle is longer. On the other hand if the time gap between procurement and sale is less then, the operating cycle is shorter.

Components of Working Capital

The following components of the day to day business operations require liquid fund and which form the requirement of working capital when not met by the current assets:

- ❖ Purchase of agri-inputs to be supplied to its members
- ❖ Purchase of raw materials in case of processing
- ❖ Purchase of agricultural produce in case of simple trading
- ❖ Storage of raw material/ finished goods/ agri produce
- ❖ Processing (food processing/ seed processing, etc.)
- ❖ Transportation of raw material, agro produce, items for selling, etc.
- ❖ Staff salary, travel, rent, electricity, telephone, Insurance of goods and other administrative expenses which can be termed as management and administration cost

Methods for assessment of working capital

There are various ways in which working capital of a FPO is assessed based on nature of business and other related factors. As per the RBI guidelines banks have been advised to sanction limits after proper appraisal of the genuine working capital requirements of the borrowers keeping in mind their business cycle and short term credit requirement. For small units operating cycle method and turnover method are used to assess the working capital requirements. FPOs on their part may learn the

following simple methods for estimating their working capital requirements. These methods are used by the financing institutions for calculating working capital loan:

a) Operating Cycle Method

This method estimates the fund requirement for activities which begins with acquisition of raw materials and ends with collection of receivables.

Stages:

- 1) Raw materials
- 2) Work-in-process
- 3) Finished Goods
- 4) Receivables

Less: Creditors

Example:

- i. Procurement of raw material : 30 days
- ii. Conversion/process time : 15 days
- iii. Average time of holding of finished goods: 15 days
- iv. Average collection period : 30 days
- v. Total operating cycle : 90 days
- vi. Operating cycle in a year : 4
- vii. Total operating expenses per annum : Rs.60 lacs(say)
- viii. Working capital requirement : $60/4= 15$ lacs

b) Turnover Method:

The WC requirements may also be worked out on the basis of Nayak Committee recommendations which is popularly known as Turnover Method. Under this method the working capital is assessed on the basis of 20% of the projected annual turnover. In such cases the borrower has to bring in minimum of 5% of turnover as margin. Based on the above, the working capital can be assessed as per following illustration.

Example:

Projected sales = Rs. 5,00,000

Working capital requirements: 25% of projected sales i.e. Rs. 1,25,000

Margin (contribution of Owner) : 5% of projected sales i.e. Rs. 25,000

Working capital to be funded by bank : Rs. 1,00,000

Appendix III

CASE EXERCISE

Case study for Maintenance of Books of Accounts, Registers & Preparation of Trading Profit & Loss Statement and Balance Sheet Statement of a FPO

A group of 100 farmers decided to come together & form a FPO. Accordingly, through Producers Organisation Promoting Institution (An NGO), they formed a FPO namely UK Farmer Producer Company.

- Board of Directors was constituted and the first General Body meeting was held.
- All the members contributed Rs. 1000.00 each as share capital.
- Amount received from members was deposited in Current account of FPO with SBI.
- Registration expenditure of Rs. 40000.00 was incurred by the FPO through Bank. The same was reimbursed by NABARD as grant.
- FPO was sanctioned a cash credit limit of Rs. 5.00 Lakh by SBI at an interest rate of 9% p.a. Total interest charged for the CC account was Rs. 6000.00 for the year ended 31.03.2017
- The transactions of the FPO are given below (Year 2016-17):
 1. An amount of Rs. 2000.00 was withdrawn from Bank account to meet petty expenditures
 2. FPO procured following inputs to be distributed amongst the farmer/members and paid the amount to the supplier from CC account maintained with SBI:

Input Name	Qty. purchased	Rate per unit	Total amount of expenditure incurred by FPO(Rs.)
Seed	500 Kg	Rs. 100/Kg	50000.00
Fertilizer	100 Bags	Rs. 300/Bag	30000.00
Pesticide	10 Liters	Rs. 300/Ltr.	3000.00
Total			83000.00

Transportation cost of Rs. 500.00 was paid by cash.

3. Taking into account the demand for input, further purchase were made as under:

Input Name	Qty. purchased	Rate per unit	Total amount of expenditure incurred by FPO(Rs.)
Seed	200 Kg	Rs. 105/Kg	21000.00
Fertilizer	100 Bags	Rs. 310/Bag	31000.00
Pesticide	5 Liters	Rs. 310/Ltr.	1550.00
Total			53550.00

4. FPO distributed the inputs amongst its 03 members. Member farmers were charged at par with the cost at which those were procured, transportation cost will not be charged to the farmers, as decided by Board of Directors. Details of sale is as follows:

Farmer	Seed	Fertilizer	Pesticide	Total Amount(Rs.)
A	200 Kg	50 Bags	3 Ltr.	35900.00
B	200 Kg	50 Bags	3 Ltr.	35900.00
C	200 Kg	50 Bags	4 Ltr.	37200.00
Total	600 Kg	150 Bags	10 Ltr.	109000.00

Farmers paid the amount in Bank account of FPO.

5. Farmers supplied their produce to FPO as per following details. Sorting and grading cost of Rs. 300 was paid by the FPO in cash:

Farmer	Food grain supplied	Procurement Price	Food grain sold by FPO in Market	Food grain selling price in wholesale market
A	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
B	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
C	8000 Kg	Rs. 19/Kg	7000 Kg	Rs. 21/Kg
Total	24000 Kg	Rs. 456000.00	21000 Kg	Rs. 441000.00

Farmers were paid the amount from CC limit. From the sale proceeds, FPO repaid an amount of Rs. 400000.00 in CC account.

6. CEO was appointed & paid a salary of Rs. 9000.00 per month, for which the grant was received from NABARD amounting to Rs. 120000.00. One Assistant was appointed and was paid a salary of Rs. 1000.00 per month from the FPO's own funds.
7. FPO purchased Furniture of Rs. 20000.00. For these items grant received from NABARD was Rs. 50000.00. Depreciation is provided @ 10%.
8. FPO received Rs. 50000.00 towards revolving fund assistance from NABARD.
9. Amount received for produce sold was received in Bank Account of FPO.
10. Office rent (@ Rs. 500.00 per month) of Rs. 6000.00 was paid for the year through Bank.
11. Electricity Bill (@ Rs. 500.00 per month) was paid for the year through Bank. The item was eligible under NABARD grant mentioned at Sl. No. 7 above.
12. State Govt. provided agricultural equipment in kind worth Rs. 40000.00 with 90% subsidy. Depreciation on Agricultural equipments was @ 10%. Margin money of 10% was paid through CC limit.
13. Audit fees of Rs. 2000.00 was paid through Bank
14. Dividend proposed @2%, which was approved by shareholders.

Exercise: Show the Books of Account of FPO and prepare Trading Profit & Loss A/c and Balance Sheet of FPO for the year 2016-17.

Solution:**Books of UK Farmer Producer Company****Cash Book of FPO****Dr.****Cr.**

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		To share capital A/c - members (being share contribution received from 100 farmers @Rs. 1000.00 each)		100000.00			By Bank A/c (being share contribution of members deposited into Current A/c No....)		100000.00
		To Bank (amount withdrawn for expenses)		2000.00			By carriage inward A/c – Input (being input procurement transportation charges)		500.00
							By cleaning/packaging exp.(being expenditure on cleaning, sorting etc.)		300.00
					Sub Total				100800.00
					By Bal. c/d				1200.00
Total				102000.00	Total				102000.00

(Note: Date, Voucher No. & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Bank Book of FPO

Dr.

Cr.

Date	V. No.	Particulars	L.F	Amt.(Rs.)	Date	V. No.	Particulars	L.F	Amt.(Rs.)
		To Cash A/c (being share contribution of members deposited into Bank A/c No.....)		100000.00			By Cash amount withdrawn		2000.00
		To grant received from NABARD(Produce Fund) A/c – Registration charges (being grant received from NABARD towards registration expenses)		40000.00			By expenditure out of NABARD grant(Produce Fund) A/c – Registration charges (being registration expenses of FPO paid)		40000.00
		To Input Sale/Distribution A/c – Seeds (being amount received towards input sale to A, B & C – seeds)		60500.00			By expenditure out of grant from NABARD(Produce Fund) A/c - Purchase of Furniture		20000.00
		To Input Sale/Distribution A/c – Fertilizer (being amount received towards input sale to A, B & C- fertilizer)		45500.00			By borrowings from SBI CC(WC loan) (being borrowings repaid)		400000.00
		To Input Sale/Distribution A/c – Pesticide (being amount received towards input sale to A, B & C – pesticide)		3000.00			By expenditure out of NABARD grant (Produce Fund) A/c – Salary of CEO		108000.00

		To grant received from NABARD(Produce Fund) A/c – Revolving Fund (being grant received from NABARD for revolving fund assistance)		50000.00		By Office Expenses A/c – Salary (being salary paid to Assistant)		12000.00
		To grant received from NABARD(Produce Fund) A/c – Salary of CEO (being grant received from NABARD towards Salary of CEO)		120000.00		By expenditure out of NABARD grant(Produce Fund) A/c - Office expenses - electricity charges		6000.00
		To grant received from NABARD(Produce Fund) for Furniture & Office Expenses (being grant received from NABARD for furniture & office expenses)		50000.00		By Office expenses A/c - Rent		6000.00
		To Produce Sale(wholesale) A/c – Food grains (being amount received from buyer towards Food grains)		441000.00		By Office expenses A/c - Audit fees		2000.00
						Sub Total		596000.00
						By Bal c/d		314000.00
		Total		910000.00		Total		910000.00

(Note: Date, Voucher No. & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Journal of FPO

1.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Input procurement A/c – Seed Dr		50000.00	
	Input procurement A/c – Fertilizer Dr		30000.00	
	Input procurement A/c – Pesticide Dr		3000.00	
	To Borrowings from SBI – Working Capital Loan Cr (being input procured & paid through CC limit of SBI)			83000.00

2.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Input procurement A/c – Seed Dr		21000.00	
	Input procurement A/c – Fertilizer Dr		31000.00	
	Input procurement A/c – Pesticide Dr		1550.00	
	To borrowings from SBI – Working Capital Loan Cr (being input procured & paid through CC limit of SBI)			53550.00

3.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Produce procurement A/c – Food grains Dr		456000.00	
	To borrowings from SBI – Working Capital Loan Cr (being produce procurement from farmers A, B & C)			456000.00

4.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Asset acquired out of Govt. grant A/c Dr		40000.00	
	To Capital grant received in kind for asset acquisition Cr			36000.00
	To borrowings from SBI – Working Capital Loan Cr (being asset received from Govt. agency & margin paid from CC limit of SBI)			4000.00

5.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Interest paid on borrowings-WC loan Dr To borrowings from Bank Cr (being interest on CC limit)		6000.00	6000.00

6.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Depreciation on asset A/c Dr To Provision for depreciation A/c - Furniture Cr To provision for depreciation A/c – Agri equipments Cr (being depreciation charged @10% on furniture acquired out of NABARD grant & agri equipments acquired out of govt. grant)		6000.00	2000.00 4000.00

7.

Date	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
	Dividend A/c Dr To proposed dividend A/c Cr (being proposed dividend @2% on Capital)		2000.00	2000.00

(Note: Date & Ledger Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably while writing books of account)

Ledger of FPO

1. Input Procurement A/c - Seeds

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		50000.00				
	To borrowings from SBI CC A/c		21000.00		By Bal		71000.00
	Total		71000.00				71000.00

2. Input Procurement A/c - Fertilizer

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		30000.00				
	To borrowings from SBI CC A/c		31000.00		By Bal		61000.00
	Total		61000.00				61000.00

3. Input Procurement A/c - Pesticide

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To borrowings from SBI CC A/c		3000.00				
	To borrowings from SBI CC A/c		1550.00		By Bal		4550.00
	Total		4550.00				4550.00

4. Carriage Inward A/c - Inputs**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Cash A/c(Carriage Inward A/c – Inputs)		500.00		By Bal		500.00
	Total		500.00		Total		500.00

5. Input Sale/Distribution A/c - Seeds**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB / J Folio	Amt. (Rs.)
	To Bal		60500.00		By Bank(Input Sale/Distribution A/c – Seeds)		60500.00
	Total		60500.00		Total		60500.00

6. Input Sale/Distribution A/c - Fertilizer**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB / J Folio	Amt. (Rs.)
	To Bal		45500.00		By Bank(Input Sale/Distribution A/c – Fertilizer)		45500.00
	Total		45500.00		Total		45500.00

7. Input Sale/Distribution A/c – Pesticide**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	By Bal		3000.00		By Bank(Input Sale/Distribution A/c – Pesticide)		3000.00
	Total		3000.00		Total		3000.00

8. Produce Procurement A/c -Food grain**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To borrowings from SBI CC A/c		456000.00		By Bal		456000.00
	Total		456000.00				456000.00

9. Cleaning & Packaging Expenses A/c**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Cash A/c (Cleaning & Packaging Expenses)		300.00		By Bal		300.00
	Total		300.00		Total		300.00

10. Produce Sale(Wholesale) A/c - Food grains**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bal		44100.00		By Bank A/c(Produce Sale(Wholesale) A/c - Food grains)		44100.00
	Total		44100.00		Total		44100.00

11. Expenditure from grant received from NABARD(Produce Fund) A/c – Registration charges**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Expenditure out of NABARD grant A/c – Registration charges		40000.00		By Bal		40000.00
	Total		40000.00		Total		40000.00

12. Grant received from NABARD(Produce Fund) A/c – Registration charges**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bal		40000.00		By Bank A/c(grant received from NABARD(Produce Fund) for registration charges)		40000.00
	Total		40000.00		Total		40000.00

13. Office Expenses A/c - Rent**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/J Folio	Amt. (Rs.)
	To Bank A/c(Rent)		6000.00		By Bal		6000.00
	Total		6000.00				6000.00

14. Office Expenses A/c – Salary**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bank(Paid Salary of Assistant)		12000.00		By Bal		12000.00
	Total		12000.00				12000.00

15. Office Expenses A/c – Auditor Fees**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To Bank(Auditor Fees)		2000.00		By Bal		2000.00
	Total		2000.00				2000.00

16. Grant received from NABARD(Produce Fund) A/c – Furniture & Office Expenses**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	By Bal		50000.00		By Bank A/c(Grant received from NABARD (Produce Fund) for Furniture & Office Expenses)		50000.00
	Total		50000.00				50000.00

17. Expenditure out of grant received from NABARD(Produce Fund) A/c – Furniture & Office Expenses**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bank A/c(Furniture Purchase)		20000.00				
	To Bank A/c(Electricity bills)		6000.00		By Bal		26000.00
	Total		26000.00		Total		26000.00

18. Depreciation on assets A/c**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/J Folio	Amt. (Rs.)
	Provision for depreciation A/c - Furniture		2000.00				
	Provision for depreciation A/c – Agri equipments		4000.00		By Bal		6000.00
	Total		6000.00		Total		6000.00

19. Grant received from NABARD A/c – Revolving Fund**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bal		50000.00		By Bank A/c(Grant received from NABARD(Produce Fund) for Revolving Fund)		50000.00
	Total		50000.00		Total		50000.00

20. SBI CC Limit A/c**Dr.****Cr.**

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bank repayment		400000.00		By Input Procurement A/c - Seeds		50000.00
					By Input Procurement A/c - Seeds		21000.00
					By Input Procurement A/c - Fertilizer		30000.00
					By Input Procurement A/c - Fertilizer		31000.00
					By Input Procurement A/c - Pesticide		3000.00
					By Input Procurement A/c - Pesticide		1550.00
					By Produce procurement A/c – Food grain		456000.00
					By asset acquired out of Govt. grant(Margin money)		4000.00
	To Bal		202550.00		By interest on loans		6000.00
	Total		602550.00		Total		602550.00

Grant received from NABARD(Produce Fund) A/c – Salary of CEO

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/ CB/ J Folio	Amt. (Rs.)
	By Bal		120000.00		By Bank (Grant received from NABARD(Produce Fund) for Salary of CEO)		120000.00
	Total		120000.00		Total		120000.00

21. Expenditure out of grant received from NABARD(Produce Fund) A/c – Salary of CEO

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To Bank (Exp. out of grant received from NABARD(Produce Fund) for Salary of CEO)		108000.00		By Bal		108000.00
	Total		108000.00		Total		108000.00

22. Share Capital A/c members/farmers

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To Bal		100000.00		By Cash A/c		100000.00
	Total		100000.00		Total		100000.00

23. Provision for depreciation A/c - Furniture

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Bal		2000.00		By depreciation A/c		2000.00
	Total		2000.00		Total		2000.00

24. Provision for depreciation A/c – Agri equipments

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To Bal		4000.00		By depreciation A/c		4000.00
	Total		4000.00		Total		4000.00

25. Proposed dividend on Equity A/c

Dr.

Cr.

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/J Folio	Amt. (Rs.)
	To Bal c/d		2000.00		By dividend A/c		2000.00
	Total		2000.00		Total		2000.00

26. Dividend A/c

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To proposed dividend A/c		2000.00		By Bal		2000.00
	Total		2000.00		Total		2000.00

27. Asset acquired out of Govt. grant A/c

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)	Date	Particulars	BB/CB/ J Folio	Amt. (Rs.)
	To Capital grant (in kind) from Govt.		36000.00				
	To borrowings from SBI CC limit		4000.00		By Bal c/d		40000.00
	Total		40000.00		Total		40000.00

28. Capital grant (in kind) from Govt. A/c

Dr.

Cr.

Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To Bal c/d		36000.00		By asset acquired out of govt grant		36000.00
	Total		36000.00		Total		36000.00

29. Interest on Loan A/c**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To borrowings from SBI CC limit		6000.00		By Bal		6000.00
	Total		6000.00		Total		6000.00

30. Carriage inward A/c inputs**Dr.****Cr.**

Date	Particulars	BB/CB/J Folio	Amt.(Rs.)	Date	Particulars	BB/CB/ J Folio	Amt.(Rs.)
	To cash A/c		500.00		By Bal		500.00
	Total		500.00		Total		500.00

(Note: Date & Bank Book/Cash Book/Journal Folio No. has been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing books of account)

Input – (Purchase/Sale/Stock) Register

Name of Input: Seeds

Year 2016-17

Bill No., Date & Name of Supplier	Purchases						Sale/Distribution to member									Stock		
	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	500 Kg	100	50000	0	50000			A	200 Kg	100	20000	0	20000			300 Kg	100	30000
	-	-	-	-	-			B	200 Kg	100	20000	0	20000			100 Kg	100	10000
	-	-	-	-	-			C	100 Kg	100	10000	0	10000			0	-	0
	200 Kg	105	21000	0	21000			C	100 Kg	105	10500	0	10500			100 Kg	105	10500

Name of Input: Fertilizer

Year 2016-17

Bill No., Date & Name of Supplier	Purchases						Sale/Distribution to member									Stock		
	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	100 Bag	300	30000	0	30000			A	50 Bag	300	15000	0	15000			50 Bag	300	15000
	-	-	-	-	-			B	50 Bag	300	15000	0	15000			0	-	0
	100 Bag	310	31000	0	31000			C	50 Bag	310	15500	0	15500			50 Bag	310	15500

Name of Input: Pesticide

Year 2016-17

Bill No., Date & Name of Supplier	Purchases						Sale/Distribution to member									Stock		
	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Date & Bill No. of FPO	Name of member farmer	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book / Bank Book Folio No.	Member Progress Folio	Closing Stock Qty.	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17) =(2-10)	(18)	(19)
	10 Ltr	300	3000	0	3000			A	3 Ltr	300	900	0	900			7 Ltr	300	2100
	-	-	-	-	-			B	3 Ltr	300	900	0	900			4 Ltr	300	1200
	-	-	-	-	-			C	4 Ltr	300	1200	0	1200			0	-	0
	5 Ltr	310	1550	0	1550											5 Ltr	310	1550

Produce – (Purchase/Sale/Stock) Register

Name of Produce: Food Grains

Year 2016-17

		Sale of Produce													Stock		
Bill No. & Date	Name of Farmer	Qty	Rate (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Member Progress Register Folio	Date	Buyer's Name	Qty	Rate (Rs.)	Amount (Rs.)	GST (Rs.)	Total Amount (Rs.)	Cash Book/ Bank Book Folio No.	Qty	Rate (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	A	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
	B	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
	C	8000 Kg	19	152000					7000 Kg	21	147000	0	147000				
Total		24000 Kg	19	456000.00					21000 Kg	21	441000.00	0	441000.00		3000 Kg	19	57000.00

(Note: Bill No., Date, Name of Supplier, Bank Book/Cash Book Folio No. & Member Progress Folio No. have been left blank for sake of convenience for case exercise, however the same may be mentioned by the FPO invariably, while writing the registers)

UK Farmer Producer Company Ltd.
Trial Balance as on 31.03.2017

Ledger Account Number	Ledger Account Head	Debit(Rs.)	Credit(Rs.)
	Input Procurement A/c - Seeds	71000	
	Input Procurement A/c - Fertilizer	61000	
	Input Procurement A/c - Pesticide	4550	
	Carriage Inward A/c - Inputs	500	
	Input Sale/Distribution A/c - Seeds		60500
	Input Sale/Distribution A/c - Fertilizer		45500
	Input Sale/Distribution A/c – Pesticide		3000
	Produce Procurement A/c -Food grain	456000	
	Cleaning & Packaging Expenses A/c	300	
	Produce Sale(Wholesale) A/c - Food grains		441000
	Expenditure from grant received from NABARD(Produce Fund) A/c – Registration charges	40000	
	Grant received from NABARD(Produce Fund) A/c – Registration charges		40000
	Office Expenses A/c - Rent	6000	
	Office Expenses A/c – Salary	12000	
	Office Expenses A/c – Auditor Fees	2000	
	Grant received from NABARD(Produce Fund) A/c – Furniture & Office Expenses		50000
	Expenditure out of grant received from NABARD(Produce Fund) A/c – Furniture - Office Expenses	26000	
	Depreciation on assets A/c	6000	
	Grant received from NABARD A/c – Revolving Fund		50000
	SBI CC Limit A/c		202550
	Grant received from NABARD(Produce Fund) A/c – Salary of CEO		120000

Ledger Account Number	Ledger Account Head	Debit(Rs.)	Credit(Rs.)
	Expenditure out of grant received from NABARD(Produce Fund) A/c – Salary of CEO	108000	
	Share Capital A/c members/farmers		100000
	Provision for depreciation A/c - Furniture		2000
	Provision for depreciation A/c – Agri equipments		4000
	Proposed dividend on Equity A/c		2000
	Dividend A/c	2000	
	Asset acquired out of Govt. grant A/c	40000	
	Capital grant (in kind) A/c from Govt. A/c		36000
	Interest on Loan A/c	6000	
	Cash A/c	1200	
	Bank A/c	314000	
	Total	1156550	1156550

At the end of the year, as per Input and Produce registers, FPO had stock as under:

Input (Purchase/Sale/Stock) Register

Seed	100 Kg	Rs. 10500.00
Fertilizer	50 Bags	Rs. 15500.00
Pesticide	5 Ltr	Rs. 1550.00

Produce (Purchase/Sale/Stock) Register

Food grain	3000 Kg	Rs. 57000.00
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UK Farmer Producer Company Ltd.

Trading and Profit & Loss Account for the year ended on 31.03.2017

(Amount in Rs.)

Particulars	2016-17	2015-16	Particulars	2016-17	2015-16
Opening Stock of			By sales of		
- Inputs	0.00		- Inputs	109000.00	
- Produce	0.00		- Produce	441000.00	
To purchase of			By closing stock of		
- Inputs	136550.00		- Inputs	27550.00	
- Produce	456000.00		- Produce	57000.00	
To Carriage inward	500.00				
To wages	0.00				
Gross Profit carried down	41500.00				
Sub Total	634550.00		Sub Total	634550.00	
To Salary	12000.00		By gross profit b/d	41500.00	
To rent, electricity, taxes etc.	6000.00				
To Audit Fee	2000.00		By Other operating income		
To other expenses(cleaning)	300.00		By interest earned		
To Depreciation on assets	6000.00				
To Carriage outward	0.00				
To interest on borrowings	6000.00				
To Net Profit c/d	9200.00				
Sub Total	41500.00		Sub Total	41500.00	
To proposed dividend	2000.00		Net profit b/d	9200.00	
To General Reserves	0.00				
To other (specific) reserve	0.00				
To balance of profit tr. to B/S	7200.00				
Total	9200.00		Total	9200.00	

**UK Farmer Producer Company Ltd.
Balance Sheet as on 31.03.2017**

(Amount in Rs.)

Liabilities & Capital	As on 31.03.2017	As on 31.03.2016	Assets	As on 31.03.2017	As on 31.03.2016
Share Capital			Fixed Assets		
Authorized (..... Shares of Rs. 1000.00 Each) – Rs.			Furniture acquired out of grant received from NABARD Cost – Rs. 20000.00 Less: Depreciation till date – Rs. 2000.00	18000.00	
Subscribed & Paid-up (100 Shares of Rs. 1000.00 Each)	100000.00		Other assets Cost – Rs. 40000.00 Less : Depreciation till date – Rs. 4000.00	36000.00	
Reserve & Surplus	0.00		Investments	0.00	
General reserve	0.00		Current Assets	0.00	
Other reserves	0.00				
Balance of P&L A/c	7200.00		Loans & Advances	0.00	
Grant & Donations received	0.00				
(i)From NABARD			Closing stock of inputs	27550.00	
Furniture/Office expenses Rs. 50000.00 Less : Utilized(Rs. 6000.00)	44000.00		Closing stock of produce	57000.00	
Revolving Fund	50000.00		Cash & Bank balances		
Registration charges Rs. 40000.00 Less: Utilized(Rs. 40000.00)	0.00		Cash in hand	1200.00	
Salary of CEO Rs. 120000.00 Less: Utilized(Rs. 108000.00)	12000.00		Bank Balance	314000.00	
(ii)From State Govt.					
Capital Grant(in Kind)	36000.00				
Secured Loans	0.00				
Term Loan	0.00				
Cash Credit	202550.00				
Bank overdraft	0.00				
Current Liabilities & Provisions	0.00				
Sundry Creditors	0.00				
Proposed dividend	2000.00				
Others	0.00				
Total	453750.00		Total	453750.00	

(Note: This being first year of operations, previous year figures are not there)