

AccountAble™

72: Filling up FC-6 (Part 2)

Oct-12 (rev.)

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Columns 5 to 9: Receipts

This section has several columns. There are three main sub-sections: 'As first recipient', 'As second/subsequent recipient' and 'Total'.

First Recipient

For each receipt, check whether you have received it directly from the foreign donor or not.¹ If yes, you will be known as 'first recipient'. You will then show the particular receipt in the 'first recipient' columns.

Second Recipient

If you have received your funds through another FCRA registered NGO or donor agency, then you become a 'second/subsequent recipient'.² Show this receipt in the column for 'second recipient'.

Interest earned on foreign contribution should also be shown here.³

What about FCRA loans? Soft loans taken from a foreign source should be deposited in FCRA bank account and reported in FCRA Receipts and

Payments Account. These loans should also be reported in FC-6 as receipt of foreign contribution. Repayment of FCRA loan is treated as utilisation of FC funds.

Sale of Assets

With the donor's consent, you can sell FCRA assets to any one (whether they have FCRA or not).

If you sell off any asset (purchased earlier with foreign funds), then show the amount received as sale price here (column 7). This can be shown under the activity for which the asset was originally received (such as 'rural development').

Columns 5 and 7: Receipts in Cash

Most grants come in by cheque or fund transfer. Some small donations may also be in the form of currency or coins.⁴ All such grants or donations should be shown in the 'cash' column (either column 5 or column

7). Take the figure of receipt from your FCRA Receipts and Payments Account.



¹ This typically means that the donor does not have FCRA registration in India. If the donor is registered under FCRA, then the receipt should be classified as 'second or subsequent receipt.'

² How do you find this out? You can go the FCRA web-site and check the database (<http://www.mha.nic.in/fcra/intro/fcmenu.html>). If your source is listed there, the receipt should be classified as second receipt. A number of foreign agencies are now registered under FCRA in India. Receipts from these should be reported as second or subsequent receipt.

³ Q.16 Whether interest or any other income earned out of foreign

contributions be shown as fresh foreign contribution receipt during that year or not?

Ans. Yes. The interest or any other income earned out of such deposit should be shown as second / subsequent foreign contribution receipt in the annual return during the year in which it is earned.'

Source: Frequently Asked Questions (FAQs) on FCRA; http://mha.nic.in/pdfs/ForeignD-ForeignD-FCRA_FAQs.pdf; Last accessed 30-Sep-12

⁴ Such donations are often not earmarked by the donor for any particular activity. These should be shown under 'miscellaneous' category (item '56: Other Activities').

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Dealing with Interest

How do you deal with the interest you reported in the summary? This has to be allocated across various rows in the Utilisation Table, depending on the nature of interest. In all cases, such interest should be shown in the 'second or subsequent receipt' column.

Earmarked Interest

Some donor agencies ask for accounting of interest earned on their funds lying in the bank account. Such interest can be shown as addition to their funds in column seven of the relevant row. This is the row where their main project funds are shown such as 'rural development' or 'animal husbandry', etc.

Non-Earmarked Interest

However, some agencies do not insist on allocation of interest to their project. Some bank interest, therefore, remains surplus. Such unallocated⁵ bank interest can be shown under item '56: Other Activities'.

Micro-credit Interest

This includes interest and service charges, etc. on micro-credit loans. This income can be shown under item '56: Other Activities', under the sub heading 'interest / service charges on-revolving fund'. You can use column seven for this.

Any interest paid out on revolving fund capital can be shown in column ten (utilisation) of the same row.

Corpus Interest

This interest income would come from investments made out of Corpus/ Endowment Fund. This can be shown in column seven, against item 55 (i) (a) 'Establishment of Corpus Fund'.

Alternatively, you can show this income against item '56: Other Activities' as 'interest on corpus / endowment investments'.

It will be useful to give a footnote showing the nature of this income in the FC-6.

Columns 6 and 8: Receipts in Kind⁶

Sometimes donors give material or assets instead of funds. These are also foreign contribution.⁷ Such items may be vehicles, blankets, food, oil, medicine, computers,

etc. All such receipts have to be reported here at estimated value.⁸ These should match the figures reported separately in form FC-7.

Column 9: Total Receipts

This column is a total of columns 5, 6, 7, and 8. Remember not to add up columns 3 and 4 when you write the total here.



No Receipts?

What happens if you have not received any foreign contribution this year or since your registration? You should still file a 'nil' return each year.⁹

Columns 10 and 11: Amount Utilised

The funds utilised during the year should be shown in column 10. Pick up the figures from your FCRA Receipts and Payments Account. If you have received materials also, show the utilisation of these items in column 11 as utilised in kind.¹⁰

Transfers to Secondary Bank Accounts

A statement showing funds transferred to such accounts for utilisation should be attached to FC-6.¹¹

Funds utilised through secondary FCRA bank account should also be included in normal utilisation figures reported in form FC-6.

⁵ Interest that has not been allocated to particular grant making agency.

⁶ Under the old rules, receipts in cash, kind and securities, were all to be reported in FC-3 [Rule 8(2)]. Under the new rules, FC-6 should include only contribution in the FCRA bank account [Rule 17(2)]. Receipts in kind or as shares are to be reported in form FC-7 and FC-8 [Rule 17(3), (4)].

However, Form FC-6 has retained the columns for cash and kind. This creates some confusion – should contribution in kind be reported twice, in FC-6 as well as FC-7? Also how should receipt of shares be reported in FC-6? Probably, the Department will issue a clarification or realign the forms with the rules.

⁷ 'Receipts in kind' are different from assets purchased by your organisation out of foreign funds. These are items (goods, materials, etc.) donated or given at a nominal price by a foreign source.

⁸ How should these be valued? The valuation does not have to be very accurate. You can give estimated values, which are reasonably fair. You can also talk to the donor and find out approximate landed price in India. Or you can find out the value from insurance documents. In some cases, you may have received a proforma invoice also. This can be used as a basis for the valuation.

⁹ Rule 17(8) of FCRA 2010. This may lead to non-renewal of FCRA registration.

¹⁰ You also have to file form FC-7 for these.

¹¹ Rule 17(2) of FCR Rules 2011

Transfers to Other NGOs

Any amount given to another association out of FCRA funds for carrying out a program or under direction of Funding Agency should be shown against item '56: Other Activities'.¹² Give the FCRA number (or prior permission reference), name and address of the second recipients as a footnote.



Level of Detail

How much detail should be given in FCRA Receipts and Payments Account? This depends on the amount of total funds involved and the nature of programmes. For instance, if utilisation of a crore of Rupees is shown in one line as 'rural development', then the purpose of reporting is not met. In such cases, FCRA department might ask for more details or make a field visit.

Your auditors can guide you in this. Where feasible try to break down the figures so that each line item is not more than 5% of total receipts or Rs.1 lakh, whichever is higher.

For example, if your total receipts are Rs.10 lakhs, then try to break down individual line items to Rs.1 lakh or lower. However, if your total receipts are Rs.2 crores, then you can show individual line items up to ten lakhs each.

Columns 12 and 13: Balance

Show the unutilised balance for each item. This should be shown separately for cash and for kind. Figures for column 12 are derived as follows:

$$\begin{array}{|c|} \hline 3. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Previous} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Balance} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Cash} \\ \hline \end{array} + \begin{array}{|c|} \hline 5. \\ \hline \end{array} \begin{array}{|c|} \hline \text{As First} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Receipt} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Cash} \\ \hline \end{array} + \begin{array}{|c|} \hline 7. \\ \hline \end{array} \begin{array}{|c|} \hline \text{As} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Second} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Recipient} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Cash} \\ \hline \end{array} - \begin{array}{|c|} \hline 10. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Utilised} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Cash} \\ \hline \end{array} = \begin{array}{|c|} \hline 12. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Unutilised} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Balance in} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Cash} \\ \hline \end{array}$$

The figures for column 13 are worked out as below:

$$\begin{array}{|c|} \hline 4. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Previous} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Balance} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Kind} \\ \hline \end{array} + \begin{array}{|c|} \hline 6. \\ \hline \end{array} \begin{array}{|c|} \hline \text{As First} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Receipt} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Kind} \\ \hline \end{array} + \begin{array}{|c|} \hline 8. \\ \hline \end{array} \begin{array}{|c|} \hline \text{As} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Second} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Recipient} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Kind} \\ \hline \end{array} - \begin{array}{|c|} \hline 11. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Utilised} \\ \hline \end{array} \begin{array}{|c|} \hline \text{in Kind} \\ \hline \end{array} = \begin{array}{|c|} \hline 13. \\ \hline \end{array} \begin{array}{|c|} \hline \text{Unutilised} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Balance in} \\ \hline \end{array} \begin{array}{|c|} \hline \text{Kind} \\ \hline \end{array}$$

You have to repeat this for each row, till all 56+ rows are completed.

The total of two columns (12 and 13) should then be added. This will give you the Total Unutilised Balance with you at the year-end.

Loan transactions with Indian Section

Though FCRA provides for separate watertight compartments for FCRA and Indian funds, this is sometimes difficult to achieve in practice. Two common inter-fund transactions are discussed here:

For Opening Bank Account

When you opened the FCRA bank account, you might have deposited a small amount in this account from Indian funds.¹³ Often this money remains in the bank account. This is shown in the partial FCRA balance sheet here. Note that the FCRA bank account balance of Rs. 36,000/- includes Rs.10,000 which was deposited initially to open the account

FCRA Balance Sheet (Partial) 31.3.11			
Liabilities		Assets	
Loan from Indian Section	10,000	FCRA Bank Account	36,000

Transactions during the Year

Can you have loan transactions with the Indian section of your account books? FCRA Department treats this as mixing of FCRA and Indian funds. It should be avoided as far as possible.

¹² Rule 24(3) of FCR Rules 2011. The FCR Rules are silent on how these transfers should be classified, but merely lay down that these should be reported. In our view, as the funds become the responsibility of recipient NGOs, it would be best for them to report how these have been used.

¹³ Some banks now offer zero-balance accounts also.

Nevertheless, many NGOs frequently borrow / lend money to the Indian section. This happens when FCRA funds are delayed but the project has to continue. This also happens when a shared expense (such as telephone or rent) is paid out of Indian funds. Part of this may later be allocated to an FCRA project.

What happens if you have such inter-fund loan transactions? How should these be disclosed? Such loans should be shown in the Receipts and Payments Account and Balance Sheet as below:

Receipts		Payments	
Grant Received	10,00,000	Project Expenditure	9,11,000
Loan from Indian Section	1,36,550	Loan returned to Indian section	1,00,000

Liabilities		Assets	
Unspent Grant	89,000	FCRA Bank Account	1,61,550
Loan from Indian Section	46,550		

Column 14: Activity Locations

This new column is designed to help correlate actual activities with money spent. The location is to be specified for each of the row items that you have used.¹⁴ For instance, let us say that you reported some money as used for '45- Awareness Camps, etc.' Against this, give the location of each of the events that you organised.¹⁵ If the space is not sufficient, the information can be given as separate annexures.

Most NGOs maintain detailed program records. However, compiling and correlating this information from records may take some time and effort. You will also have to make sure that this information is reasonably accurate.¹⁶

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¹⁴ 'Places with addresses of specific activities': Location address is required for each activity.

¹⁵ This may not be difficult for smaller NGOs. However for large NGOs with programs across several states, this can be quite challenging. This might also create difficulties where NGOs are not breaking down the utilisation, and reporting everything under one head, such as 'rural development'.

¹⁶ Form FC-6 contains a declaration by the Chief Functionary that all the particulars are correct and no fact has been concealed. Therefore, if wrong information is given in form FC-6 knowingly, the Chief Functionary can be fined (or imprisoned!) under section 33, read with sec. 18 and rule 17.

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April 2013 CE

Printed and published by Ms. Renu Agarwal for AccountAid India, New Delhi (Ph. 26343128) at PRINTWORKS, F-25, Okhla Industrial Area, Phase 1, New Delhi 110 020

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Editing: Ms. Soumyasree Mullick

Design: Ms. Moushumi De

Images: Gear and symbols © iStockphoto.com/ Vladgrin;

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