



Reference Guide and Tools on Health
Micro-Insurance Schemes in the Philippines

Accounting and Financial Management of a Health Micro-Insurance Scheme



STRATEGIES & TOOLS
AGAINST SOCIAL EXCLUSION
& POVERTY



International Labour Organization
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South East Asia and the Pacific

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Purpose

This Module hopes that you will be guided in establishing sound financial management and control of your HMIS to ensure its viability and credibility among your members and service providers. It aims to enhance your knowledge in preparing your HMIS for the new financial year, in accounting its day-to-day financial transactions and in generating financial statements and reports. It is designed to make you appreciate better the financial management systems and tools which your HMIS needs to efficiently and effectively run its operations.

Content

This Module begins with the accounting principles in operating an HMIS. It walks you through the systems and tools in financial planning, day-to-day accounting and financial reporting. It describes to you the development of an action plan, the preparation of budget and the forecasting of cash flow as your HMIS approaches a new financial period. It presents tools how to account for the daily transactions of your HMIS and describes how financial statements and reports are generated and consolidated at the end of each financial period. In all these phases, the Chapter provides you with templates of financial documents to be accomplished and maintained by your HMIS.

Sections

- Section 4.1 : Financial Management System and Tools
- Section 4.2 : Preparing for a New Financial Year
- Section 4.2 : Day-To-Day Accounting and Financial Management
- Section 4.3 : Generation of Financial Statements and Reports

Section 4.1 Financial Management Systems and Tools

4.1.1 Significance of Financial Management to Your HMIS

Accounting and financial management is a critical system that your HMIS needs to establish and maintain. It covers the preparation phase for the new financial period, the day-to-day accounting and management of resources and the generation of financial statements and reports at the end of a financial period.

Preparing for the new financial year entails action planning, budget preparation and forecasting cash flows. These enable you to make critical decisions as to your HMIS' overall activities and program for a given period and help you estimate the revenues you expect to generate and the amount you will spend for the same period. Cash Flow Forecast ensures that your HMIS is in a position to finance the expected expenditure for a given time.

Day-to-day financial management allows you to record the inflow and outflow of your resources and helps you generate the financial statements. The recording of cash flow enables information on expenditure, revenue and income within the different accounts to be filed, making it possible for you to determine the results and financial situation of your HMIS. In the same way as for commercial companies, the function of accounting management for HMIS is to describe, among other things the following:

- the financial structure of your HMIS, specifying the source and application of funds
- changes in the criteria and value between the beginning and end of a particular period

The consolidation and generation of financial statements and reports is essential in managing your HMIS. They give you information as to the cash standing of your HMIS and assess its viability. It helps you to focus on critical items in your revenue and disbursements. You must note that all the information concerning the functioning of your HMIS must be clearly and precisely recorded to enable you to produce these documents.

4.1.2 The Accounting System As Applied in the Philippines

The accounting and financial management system must be tailored to the specific needs of your HMIS. It must also comply with the accounting system requirements in force in the Philippines. Your HMIS is a non-profit-making organization which offers insurance, solidarity and mutual assistance services by means of your member's contributions. Through these contributions, your HMIS guarantees that all or part of the cost of your members' health care will be paid for or reimbursed. The care is supplied by providers with whom you have actually contracted to deliver the service, covered by signed MOA stipulating the pricing and quality of care among others. The viability of your HMIS is determined by the benefits you offer and the contributions you receive.

HMIS in the Philippines are often small or medium-sized and usually operate in the informal sector. Because of lack of resources, they often function on a voluntary basis and do not have the funds to ensure professionalized management. Your accounting management tools and administrative operating system should adapt to these characteristics. Another specific feature common to your HMIS is its financial vulnerability following unexpected risks such as epidemics, adverse events (due to their small size) and abuse. You must therefore take preventive measures and ensure sound financial monitoring of activities to preserve the viability of your scheme.

In the Philippines, there are no specific regulations for managing HMIS. With respect to accounting and tax regulations, your HMIS naturally falls within the regulations covering non-profit organizations or cooperatives. Apart from the specific features referred below, the accounting and financial management of your HMIS does not differ from classical accounting principles and mechanisms common to all social economy companies.

The non-profit principle involves a series of specific accounting features such as:

- **The Distribution of Profits:** While in the commercial sector the goal is to seek distributable profit, this does not apply for organizations in the non-profit-making sector. Where there are positive results, for example, the term 'surplus' is used rather than 'profits'.

-
- **Income Tax (surpluses):** Non-profit-making organizations are not generally subject to income tax.
 - **Voluntary Service:** The voluntary contribution of members is a feature specific to certain non-profit-making bodies such as your HMIS. The different voluntary acts are contributions in terms of work, goods or other services. Your HMIS may record such voluntary contributions in the accounts to give a value to such contributions in work.

This Guide does not deal with all aspects of accounting and financial management of your HMIS. Neither does it tell you step-by-step what need to be done. If you are interested to know more how to set-up these systems, you should consult other HMIS with advanced experiences on this regard, refer to special publications or materials or seek advice from national or subnational government agencies, NGOs or from the concerned donor agencies.

4.1.3 Accounting and Financial Management Tools

The accounting and financial management documents include:

Preparing for a New Financial Year

- the Action Plan
- the Budget
- the Cash Flow Forecast

For Day-to-Day Accounting and Management

- the Cash Journal
- the Cash-in-Bank Journal
- the Cash Receipt Book
- the Cash Disbursement Book
- the Petty Cash Form
- the General Ledger

For Generation of Financial Reports

- the Statement of Income and Expenditure
- the Balance Sheet

Section 4.2 Preparing for a New Financial Period

This Guide distinguishes between the recording of cash flow and the preparation of financial tools and statements. Cash flow should be recorded by all HMIS while the production of financial tools and statements may require the support of external agencies or groups such as unions or specialist firms. The classical accounting notions of 'debit' and 'credit' is also replaced by 'inflows', 'outflows' and 'balance'. The balance is defined as the difference between inflows and outflows.

4.2.1 Process in Preparing for the New Financial Period

There are basically three activities that must be done in preparing for the new financial period, which is usually a year. These are the development of an Action Plan, the preparation of the Budget and establishing the Cash Flow Forecast. These activities are essential to fully prepare your HMIS for the next financial period. The following table shows the overall process in preparing for the financial year.

Table 4.1: Preparation of a New Financial Year

Internal Organization				External Partners	
General Assembly	Executive Body	Board of Directors	Auditing Body	Providers	Savings Bank
	(1) Prepare action plan, budget and cash flow forecast: first proposal	(2) Review and/or revise action plan, budget and cash flow forecast: second proposal			
(3) Adopt action plan, budget and cash flow forecast during annual GA	(4) Execute action plan, budget and cash flow forecast	(5a) Monitor action plan, budget and cash flow forecast	(5b) Control implement action plan, budget and cash flow forecast		

Table 4.1 illustrates the preparation for the new financial year.

- (1) The Executive Body develops the Action Plan, prepares the Budget and the Cash Flow Forecast and submits these to the Board of Directors for review. These are still considered drafts or first version.
- (2) The Board of Directors review these drafts and make the necessary adjustments, if needed. These are called the second versions. Once the BD approves these documents, these are submitted to the annual General Assembly for final approval and adoption.
- (3) When the GA has given its approval, the Executive Body carries out the activities provided for, supervised by the Board of Directors.
- (4) The Auditing Body verifies if the action plan is carried out as intended, the budget is executed as approved and the cash flow forecasts are reviewed.

4.2.2 Tools in Preparing for the New Financial Year

To ensure that your HMIS is effectively managed, you must know where your HMIS is going and where it stands in terms of its financial health status. To know where your HMIS is going, is to define first the objectives and programmes of your HMIS with an accompanying Action Plan, Budget and Cash Flow Forecast. As mentioned earlier, there are three outputs or documents that need to be prepared. These are the Action Plan, Budget and Cash Flow Forecast. The purpose, information and use of these documents or tools are described in the following section. Formats and examples of these tools are provided in the Annexes.

Document 4.2.2.a The Action Plan

a.1 What is the Action Plan for?

Within a given financial period (usually a financial year), the achievement of activities of your HMIS will be compared regularly with your budget estimates in order to identify deviations or differences. This review enables you to take measures so that you can realize the objectives and activities you have laid down at the beginning of the financial year.

In this regard, you need to develop an Action Plan which reflects the key programs and activities that you intend to do within the financial period. This Action Plan must be consistent with your estimated budget for the same financial period.

a.2 What information does the Action Plan contain?

The Action Plan contains the objectives, activities, people-in-charge of these activities, the targets of each activity and the means to achieve these activities.

Objectives: These are statements of what your HMIS wants to accomplish at the end of the financial period. The objectives of your Action Plan must be S.M.A.R.T. (Specific, Measurable, Attainable, Realistic and Time-Bound). They should also be quantifiable in terms of the indicators for easier monitoring and assessment.

Activities: These are actions that you need to undertake in order to realize your objectives. Each objective therefore will have a set of activities to accomplish it. For these activities to be carried out, they should be clear, precise and well-defined to help attain your objectives.

Staff Responsible: This refers to the people in your HMIS who are in-charge of the activity. Note that these people or individuals are assigned with the responsibility of making the activities happen. They are to ensure that the actions envisaged are executed soundly.

The targets are the people whom the activities are aimed at. A distinction can be made between the direct and indirect beneficiaries of the activity. You should be able to define which activities are for BOTH women and men, and which activities are specifically intended for men or women.

The means consists of what the activities to be carried out require. These should be quantifiable and must be consistent with the budget.

The schedule of implementation should cover the whole year (or the specified financial period). This can be broken down into months or quarters. Each activity in the plan must have an identified date or schedule when it should be carried out.

a.3 How will the Action Plan be used?

The Action Plan that is drafted by the Executive Body will be reviewed by the Board of Directors and then submitted to the GA for final approval and adoption. The Action Plan reminds you of the key activities that your HMIS should undertake and when you should carry them out.

The Action Plan is also used as a reference to validate the budget that you have prepared, whether the budget is consistent and is enough to support the planned activities or not. On the other hand, it helps you assess which actions need not be pursued considering the status of your finances or other interim events during the financial period. The action plan guides you in preparing your Cash Flow Forecast. Since activities are programmed according to schedule, this will help you plot out when cash are mostly needed. It is also a basis for monitoring the status of implementation by your HMIS.

a.4 Format of an Action Plan: Please refer to Annex 4.1 for the format of the Action Plan.

Document 4.2.2.b The Budget

b.1 What is the Budget for?

The budget is the financial reflection of your HMIS action of programme for each new financial year. It is a forecast of the revenue and expenditure necessary to carry out your activities and attain your objectives. The budget should be balanced with regard to revenue and expenditure. The preparation of budget involves the choices concerning the benefits to be given, the corresponding contributions to be collected and the respect according to these decisions during the financial year. Your HMIS must be aware of the limits not to exceed its expenditure, taking the forecast revenue into account.

b.2 What information does the budget contain?

The budget presents the financial forecasts of your HMIS, grouped into two major categories:

- ä estimated expenditure
 - health benefits or the reimbursement of the cost of beneficiaries' care
 - operating costs which include staff allowances, travel expenses, supplies, etc.
 - training expenses and other expenditures
- ä estimated revenue
 - membership fees
 - contributions
 - additional resources: income from other activities, interest on investments and other revenues

It will be useful to present these information using sex-disaggregated data, where appropriate, in order to come up with more nuanced analysis.

The special feature of your budget as an HMIS is that it is easier to estimate your revenue than your expenditure since the amount of contributions is known, but the number of members and beneficiaries expected for the new financial year still needs to be assessed. Your

expenditure, in fact, depends on several external factors which your HMIS does not have a great deal of control over: For example, these are:

- the state of health of the population
- the behaviour of care providers as regards prescribing medicines, tests, etc.
- the outbreak of epidemics

After operating for more than a year, your HMIS would have gained experience and collected information which allow you to improve your estimates for the next financial year. You will be now in a better position to estimate certain parameters such as:

- the development of the number of members
- the cost of health services
- rates of risk (expected use by beneficiaries of the different health services covered)
- operating costs
- inflation

Those of you who are just beginning, you may have to draw up your first budget according to assumptions you made in your situational analysis.

b.3 How is the Budget used?

The Budget is prepared from the information of the past and assumptions about the future. The first Budget will be based on information collected during the situational analysis.

During the financial year concerned, the achievement your activities will be compared regularly with your budget estimates so as to identify possible differences and take measures in order that the objectives you laid down at the beginning of the financial year will be achieved.

- (1) The Budget is prepared by the Executive Body and the Board of Directors and then submitted to the General Assembly.
- (2) The GA approves the budget or may amend it, particularly by adjusting the forecast activities proposed by the BD.
- (3) The budget thus adopted by the General Assembly must comply with the By-Laws of your HMIS and with the legal provisions. It must be balanced and must foresee the reservations imposed by the regulations and required in all cases for sound management.

The interest in using the Budget lies above all in monitoring its execution. Execution is the act in which the HMIS carries out the activities planned and implements the revenue and expenditure programmed in its Budget. The decision makers of your HMIS play an important role in executing the Budget. For example, an expense cannot be incurred without the agreement of the Chairperson and unless it complies with the Budget.

Monitoring the execution of the budget is particularly important: like any company, your HMIS must be able to adjust its forecasts periodically according to interim achievements. For example, a quarterly comparison of budget forecasts and achievements would enable essential measures

to be taken, if necessary, to re-establish a balance between revenue and expenditure. Having a sex-disaggregated budget will help in analysing sex-based patterns in health expenditures towards formulating promotive and preventive measures.

b.4 Example of Budget: Please refer to Annex 4.2 for the actual sample of an HMIS budget.

Document 4.2.2.c: The Cash Flow Forecast

c.1 What is the Cash Flow Forecast for?

You should pay attention to your cash flow. You must ensure all the time that your HMIS have sufficient money on hand or in the bank to be able to meet your expenditure. The management of your cash flow is even more important when your HMIS is subject to seasonal variations connected in particular to:

- seasonal peaks of the disease; For example, the prevalence of malaria, one of the main causes of disease, increases in the rainy season and declines in the dry season.
- seasonal or irregular income of members. In rural environments, for example, they are dependent on the sales periods of crops

In managing your cash flow therefore, you need to take these variations into account during planning to ensure that you have sufficient cash flow to honour your commitments to your members and care providers. The Cash Flow Forecast is a tool for planning, monitoring and control of your resources.

c.2 What information does the Cash Flow Forecast contain?

The Cash Flow Forecast covers the principal information on your HMIS budget. It divides the forecasts for cash flow on a monthly basis, taking into account the seasonal variations.

ä estimated expenditure

- health benefits: reimbursement of beneficiaries' care expenditure
- operating costs: staff allowances, travel costs, supplies;
- training costs
- other expenditures such as investments, loan repayment

ä estimated income

- membership fees
- contributions
- additional resources: revenue from other activities (investment interest, loans)

c.3 How is the Cash Flow Forecast used?

The Cash Flow Forecast enables your HMIS to ensure that it has enough liquid assets to meet its obligations at any time. It also allows you to avoid keeping too high a level of liquid assets on hand in a period of low expenditure. During such periods, you may have to decide to make

the liquid assets pay by investing them in interest-bearing accounts.

- (1) In order to establish the Cash Flow Forecast, you need to assess all your expenditure and income items monthly.
- (2) Obtain monthly cash balances by drawing up the balance of these monthly receipts and disbursements.
 - (2.1) When a balance is positive, it means that your receipts are greater than your disbursements and that there will be no liquid asset problem. If the surplus is significant, you can invest part of your HMIS' liquid assets in an interest-bearing bank account.
 - (2.2) If the balance is negative, it means that your disbursements are greater than your receipts and that there will be liquidity problems. In this case, you must choose from the following solutions how to meet your commitments:
 - withdraw the amount necessary from your savings account
 - negotiate for a loan
 - defer certain expenses by obtaining longer payment periods
 - take action to obtain revenue from members whose contributions are in arrears

Note that establishing an accurate Cash Flow Forecast is particularly difficult for the first, or even the second or third year of operation of your HMIS. This is due to limited information that would accurately measure the seasonal variations in your health benefit expenditure. Only after several financial years will you be able to see trends every month to be able to work out the pattern of seasonal variations.

c.4 Example of Cash Flow Forecast: Please refer to Annex 4.3 for the actual sample of an HMIS Cash Flow Forecast.

Section 4.3: Day-to-Day Accounting and Financial Management

4.3.1 Paramount Considerations in Accounting and Managing Your HMIS' Financial Resources

Day-to-day transactions of your HMIS involve the movement of assets, services or money. Movements of money are also called 'cash flow'. As managers of your HMIS, you have a daily task in managing inflows and outflows of your cash and bank accounts.

What is paramount in the accounting and management of your day-to-day transactions is first, your ability to record these transactions appropriately, correctly and immediately as they occur. Second, your recording must enable you to keep track of the cash you have on hand and your cash in-bank on a daily basis. These records must be able to provide you with information that leads you to assess readily your financial status and take immediate actions as needed.

It is also important that your financial management system considers the accounting principle of control and balance. Ensure that person/staff assigned are competent and above board with clear delineation of their respective tasks. Staff assigned to receive and record cash (Bookkeeper) must be different from the one who will deposit and withdraw (Treasurer) from the Bank and from the one who issues checks or handles payments or cash releases (Cashier). Above all, you must ensure that your financial recordings are transparent and stand the scrutiny of your Auditing Body and members of the general assembly.

4.3.2 Common Day-to-Day Accounting and Financial Management Practices of HMIS

There exist a lot of variations in the way HMIS manage and account their day-to-day financial transactions. It usually depends on the size of members, their organizational set-up, existing agreements with their external partners (e.g. the service providers), their access to bank institutions, the nature/classification of revenue and expenditures and the availability of staff to manage such financial transactions.

HMIS in the Philippines use different terms for their financial records even though these have similar functions and provide the same information. They adopt different formats and levels of detail. Some have their Cash Receipt and Cash Disbursement Books more detailed than others to reflect specific classifications of disbursements (e.g. supplies, training, etc.) and receipts (contributions, donations, membership fees, etc).

In some HMIS, cash receipts and cash disbursements are recorded in one document. Others record them separately. In smaller-sized HMIS where transactions are only few, no Cash Disbursement and Receipt Books are maintained. Transactions are recorded directly to the General Ledger. In more advanced HMIS like the ORT-OHPS in La Union, all their disbursements are done through checks, hence their Cash Disbursement Book reflects movements only of their cash in bank and none from their cash-on-hand, except the petty cash.

Almost all HMIS maintain a petty cash, in varying amounts and different recording formats. Most HMIS use "Credit" and "Debit" for in-flow and out-flow respectively. Regardless of these variations, your HMIS must be able to properly account your financial resources and transactions.

4.3.3 Tools for the Day-To-day Accounting and Financial Management

Given the differences in the financial terminologies, recording format and practices, you must be able to use appropriately the following tools to record and keep track of the movements of your financial resources. The following are the most common:

- Cash Journal : This is to record your daily transactions involving your cash on hand

- Cash-in Bank Journal : This is to record your daily transaction involving your cash-in-bank
- Cash Receipt Book : This records the day-to-day amount of received by your HMIS
- Cash Disbursement Book: This records the day-to-day disbursements made by your HMIS
- Petty Cash Form : This records disbursements out of your petty cash
- General Ledger : This is to record at the end of each month your day-to-day transactions according to the classification or nature of your transactions

Before discussing each tool in detail, take note that the Cash Journal and Cash-in-Bank Journal are quite similar with the Cash Receipt Book and Cash Disbursement Book respectively. In this case, you may need to select which of these tools you want to use and maintain in your HMIS.

Note that the Cash Journal and the Cash-in-Bank Journal are tools to record the daily movements of your cash-on-hand and cash-in-bank accounts respectively. In the Cash Journal, you record both the amount of cash received (in-flow) by your HMIS and how much it is disbursing (out-flow). Your Cash-in-Bank Journal records the same thing. Both give you a rundown of how much cash you have on hand and in the bank on a daily basis.

The Cash Receipt Book and the Cash Disbursement Book are also tools to record the daily movements of your finances. However, the Cash Receipt Book records the in-flow of cash (receipts) in both your cash-on-hand and cash-in-bank while the Cash Disbursement Book records the out-flow of cash (disbursements) also from both cash accounts. These two records provide you a rundown how much cash you have received and how much you have disbursed on a daily basis.

The following section discusses the purpose, use and information provided by the each of the above-listed tools.

Document 4.3.3.a : The Cash Journal

a.1 What is the Cash Journal for?

The Cash Journal is otherwise called as the Cash Record or Cash Book. The Cash Journal records on a daily basis the cash transactions carried out by your HMIS. It allows the movements of your funds in cash to be recorded chronologically and serves as a "continuous memory." It makes it possible for you to find all the details about the cash transactions which your HMIS made and verify at any time the accuracy of your cash in hand. It is therefore an essential tool for you in managing your HMIS.

a.2 What information does the Cash Journal contain?

The Cash Journal generally includes the following information:

- date
- reference of supporting document: invoice number, receipt, cash certificate, etc.
- object: the nature or name of the cash transaction carried out (other name: description)
- inflows: the amount coming into your cash-on-hand account if the transaction involves cash coming in
- outflows: the amount going out of the cash-on-hand account, if the transaction involves

- cash going out
- balance: the difference between the amount of inflows and outflows which can be calculated at the end of the day

a.3 How is the Cash Journal used?

The following outlines to you how to accomplish the Cash Journal:

- (1) any transaction carried out by your HMIS involving cash should :
 - be recorded in the Cash Journal exactly at the time when you carried out the transaction
 - specify the reference of the supporting document corresponding to the transaction
- (2) You should previously identify each page of the Cash Journal you used according to the month concerned
- (3) At the end of each day and after recording the last transaction of the day in the Cash Journal, you need to calculate the new balance
- (4) Record the amount identified for the close-of-day balance under the Balance Column on the last line of the day. You will carry the same amount forward to the beginning of the following day.
- (5) At the end of each month and after recording the last transaction of the month, you need to close the Cash Journal for the month. To close the Cash Journal, it is necessary for you to:
 - (5.1) Calculate and record the last balance, after the last transaction at the end of the last day of the month.
 - (5.2) Check the accuracy of this final balance. You can check the final balance by:
 - (5.2.1) adding up all the sums coming in during the month under the "In-Flow Column."
 - (5.2.2) adding up all the sums going out during the month under the "Out-Flow Column."
 - (5.2.3) by carrying out the following calculation:

new end		start of month balance	
of month	=	+	total inflows during month
balance		-	total outflows during month

The amount identified after this check should be equal to the balance you calculated after the last transaction at the end of the month.

- (6) At the end of the month, use a new page of the Cash Journal to record your transactions relative to the following month by carrying forward the previous balance. Identify this by the new month beginning and carrying forward the previous end of month balance to the top of the new page, specifically on the line marked 'carry forward'. Your preceding end of month balance becomes your new start of month balance for the

month beginning.

(7) The Cash Journal is usually managed by your HMIS Treasurer.

Table 4.2: The Recording of Cash Flow –The Cash Journal

Health Micro-Insurance Scheme Internal Organisation				External Partners	
Beneficiaries	Executive Body	Board of Directors	Auditing Body	Providers	Savings Bank
	(1) Pay invoice ↓				
	(2) Record expenditure in Cash Journal	(3) Monitor and assess	(3) Monitor and control		

Table 4.2 describes the daily management of expenditure, particularly cash payments. After receiving the invoice from the service provider, the HMIS pays it from cash on hand and records the transaction in the Cash Journal (outflows).

a.4 Example of Cash Journal: Please refer to Annex 4.4 for the actual sample of an HMIS Cash Journal.

Document 4.3.3.b: The Cash-in Bank Journal

b.1 What is the Cash-in-Bank Journal for?

The Cash-in-Bank Journal is otherwise called as the Bank Record or the Bank Book. In a day-to-day basis, the Cash-in-Bank Journal records all transactions carried out by your HMIS through your bank account. It presents the chronological succession of all bank transactions and constitutes its continuous 'memory'. It makes it possible for you to find all the details relative to your HMIS bank transactions. It also enables you to check the accuracy of the amount available in your HMIS bank accounts at any time. This tool is therefore essential in managing your HMIS.

In certain cases also, the Savings and Credit Passbook may replace the Cash-in-Bank Journal. These usually contain the same information. In most remote areas, the HMIS may be far or too distant from the existing bank, hence they may not have opened a Bank Account.

b.2 What information does the Cash-in-Bank Journal contain?

The Cash-in-Bank Journal allows you to record chronologically the movements of your HMIS funds in the bank. It allows you to carry out the bank reconciliation of your assets. The Cash-in-Bank Journal generally includes the same information as the Cash Journal.

- date

- reference of supporting document
- object: nature or name of the transaction (also called description)
- In-flows: the amount coming into the bank account
- outflows: the amount going out of the bank account
- balance: the difference between the amount of inflows and outflows can be calculated at the end of each day

b.3 How is the Cash-in-Bank Journal used?

Your HMIS must have as many Cash-in-Bank Journals as it has separate bank accounts. Separating accounts may help your HMIS to manage its different budgets better. It is therefore possible for your HMIS to develop separate accounts for your reserves, for budgeted operating costs and the management of a pharmaceutical store, if you operate one. The following outlines to you how the Cash-in-Bank Journal should be accomplished:

- (1) any transaction carried out by your HMIS through your bank should:
 - (1.a) be recorded in the Cash-in-Bank Journal at the time you
 - carry out the transaction (For example: withdrawal), or at the time you have been informed about it (For example: advice of bank charges).
 - (1.b) specify the reference number of the supporting document corresponding to the transaction.
- (2) Identify each page of the Cash-in-Bank Journal that is being used according to the month concerned.
- (3) Calculate the new bank balance at the end of each month and after recording the final transaction of the month in the Cash-in-Bank Journal. Carry out a bank reconciliation based on the bank statements. You should record the amount identified as the end of month balance under the "Balance Column" on the last line of the day.
- (4) You carry the same amount forward to the start of the following month.
- (5) You need to close the Cash-in-Bank Journal at the end of the month. To close the Cash-in-Bank Journal, you need to:
 - (5.1) calculate and record the final balance after the last transaction at the end of the month.
 - (5.2) check the accuracy of the final balance by:
 - (5.2.1) adding up all sums coming in to the bank during the month under the "Inflow Column"
 - (5.2.2) adding up all sums going out of the bank during the month under

the "Outflow Column"

(5.2.3) carrying out the following calculation:

$$\begin{aligned} &\text{new end} && \text{start of month balance} \\ &\text{of month} = && + \text{total 'inflows' of the month} \\ &\text{balance} && - \text{total 'out-flows' of the month} \end{aligned}$$

The last amount identified after this check must be equal to the balance you calculated after the last transaction at the end of the month.

- (6) At the end of the month, use a new page of the Cash-in-Bank Journal to record transactions relating to the following month and carry the previous balance forward. Identify it with the new month beginning. Carry the previous end of month balance forward to the top of the new page on the line marked 'carry forward'. The preceding end of month balance becomes the new start of month balance for the month beginning.
- (7) The Cash-in-Bank Journal is usually managed by your Bookkeeper.

Table 4.3 describes the movement of your cash in-bank transactions as recorded in the Cash-in-Bank Journal.

Table 4.3: The Recording of Cash Flow – The Cash-in-Bank Journal

Beneficiaries	HMIS: internal Organisation			External Partners	
	Executive Body	Board of Directors	Auditing Body	Providers	Savings / Credit bank
	(1) Pay invoice				(2) Bank withdrawal
	(3) Record expenditure in Cash-in-Bank Journal				
		(4) Monitor and assess	(4) Control		

- (1) The service provider sends in the invoice.
- (2) The Executive Body checks the invoice and orders payment by withdrawing cash from the bank.
- (3) The HMIS records the withdrawal in the Cash-in-Bank Journal with the reference document. It also notes the date, the number of the supporting document and the amount paid out in the 'outflows' column. The balance is then calculated.
- (4) A similar procedure is used for payments by cheque.

b.4 Example of Cash-in-Bank Journal: Please refer to Annex 4.5 for the actual sample of an HMIS Cash-in-Bank Journal.

Document 4.3.3.c: The Cash Receipt Book

c.1 What is the Cash Receipt Book for?

Most community-based organizations (e.g. cooperatives, etc.) in the Philippines commonly use the Cash Receipt Book to record the amount of cash their HMIS receives day-to-day. This cash either flows into your cash-on-hand or cash-in-bank account. Together with the Cash Disbursement Book, they provide another way of recording day-to-day transactions of your HMIS just like the Cash Journal and the Cash-in-Bank Journal. Their purpose though is the same, which is to help you keep track your cash flow on a daily basis and to keep a record of these in chronological manner.

c.2 What information does the Cash Receipt Book contain?

The Cash Receipt Book contains the following information:

- date
- particulars
- Reference Document
- Amount of Cash received under Cash-on-Hand
- Amount of Cash received under Cash-in-Bank
- Classifications of the received cash: (e.g. contributions or premiums of members, donations or grants, etc.)
- total amount received for the month and by classification
- cumulative amount of cash received from previous months

Where appropriate, it is helpful if data is sex-disaggregated to help in forming analysis.

c.3 How is the Cash Receipt Book Used?

The Receipt Book is used to record cash received by your HMIS on a day-to-day basis. This means that every time that cash is remitted to your HMIS or donated/granted, these should be recorded appropriately under the Cash Receipt Book. For each cash received, the above information should be recorded. The cash received is further classified either under "contributions" or "premiums" received from members, "grants" given by other agencies, "subsidies" from the HMIS other fund-raising activities or "donations" from other groups. At the end of each month, all the cash you received under your cash-on-hand and cash-in-bank accounts are summed up. This gives you an overall picture of how much cash you have received for the month. You can add then these amounts to the cash you received the previous months to give you a running account of all your cash receipts. You apply the same procedures for the incoming month.

c.4 Example of a Cash Receipt Book.: Please refer to Annex 4.6 for the actual sample of a Cash Receipt Book.

Document 4.3.3.d: The Cash Disbursement Book

d.1 What is the Cash Disbursement Book for?

On a daily basis, disbursements made by your HMIS must be recorded in your Cash Disbursement Book. Cash disbursed may either come from your cash-on-hand or your cash-in-bank account. The Cash Disbursement Book records in a chronological order these disbursements, classifies them by the nature or category of the disbursements and serves as the "memory" source of cash outflows day-to-day. This tool makes it possible for you to find all the details relative to your HMIS cash-out flow transactions. It also enables you to check the accuracy of the amount available in your HMIS bank accounts and cash-on-hand at any time.

d.2 What information does the Cash Disbursement contain?

The Cash Disbursement Book records all daily cash-out-flows of your HMIS. Specifically, it provides you information on the amount of financial resources disbursed by your HMIS out of your HMIS cash-on-hand and cash-in-bank accounts. Specifically, it contains the following information:

- date
- particulars
- amount of cash disbursed from cash-on-hand
- amount of cash disbursed from cash-in-bank account
- classification of the disbursement (e.g. supplies, training, communications, health service payment, etc.)
- total amount disbursed for the month and by classification
- cumulative amount disbursed from previous months

Similar to cash receipts, it is helpful if data is sex-disaggregated, were appropriate, to help in forming analysis.

d.3 How is the Cash Disbursement Book used?

The Cash Disbursement Book is used to record cash outflows of your HMIS on a day-to-day basis. This means that every time your HMIS uses or disburses money, these should be recorded appropriately, whether they are taken from your cash-on-hand or cash-in-bank account. You need to further classify the nature or purpose of your disbursement (e.g. supplies, training, communications, payment to your service provider for health services offered, etc.) At the end of each month, all cash disbursed are summed up. This gives you an overall picture how much cash you disbursed for the month. These amounts are then added to the disbursements from the previous months. The recorded information allows you to keep track of the amount and nature of cash disbursed by your HMIS on a daily and monthly basis including the purpose for which they were used. Information on your daily and monthly disbursements becomes your basis for establishing trends of your monthly expenditure, thus enabling you to make a better forecast of your cash requirements over the financial period.

d.4 Example of a Cash Disbursement Book: Please refer to Annex 4.7 for the actual sample of a Cash Disbursement Book.

Document 4.3.3.e: The Petty Cash Form Ledger

e.1 What is the Petty Cash Form for?

The use of petty cash is a common practice in the day-to-day transactions of all HMIS. As the term "petty" indicates, these are small amounts of cash that you keep as a ready source for small amount transactions of your organization. Though these are small in amounts, it is still necessary and a sound financial management practice to record the disbursements from your petty cash. Each HMIS has its own format and structure in recording the utilization of their petty cash. Regardless of these variations, your Petty Cash Form must be able to record on a daily basis the amounts used and the purpose or nature of your disbursement. It should enable you to make timely remittance before your petty cash become completely utilized.

e.2 What information does the Petty Cash Form contain?

The Petty Cash Form contains the following information:

- Total amount of Petty Cash
- Date
- Particulars: describes briefly for what purpose the petty cash was used for (e.g. for supplies, transportation, etc.)
- Reference Document
- Amount released/disbursed
- Balance

e.3 How is the Petty Cash Form used?

Indicate at the beginning of your Petty Cash Form the total amount of petty cash you are allowed to maintain. You must also be clear on the minimum balance you can maintain at which point you can request for replenishment.

Every transaction paid from your petty cash must be recorded into the Petty Cash Form as they occur. You must indicate the particulars of the transaction, the reference document and amount. At the end of the day, you sum up the amount disbursed and determine the balance. The balance should be consistent with the actual amount of money you have in your petty cash. Once you have reached the minimum balance, you can request for replenishment with the accompanying supporting documents.

e.4 Example of a Petty Cash Form: Please refer to Annex 4.8 for the format of a Petty Cash Form.

Document 4.3.3.f The General Ledger

f.1 What is the General Ledger for?

The General Ledger summarizes the daily transactions of your HMIS during the month according to the classification or nature of your activities or transactions. It summarizes debit transactions (inflows) and the credit transactions (outflows) for each account, in accordance with your HMIS accounting plan.

The General Ledger reduces the number of entries to be made and gives an overall view of the transactions in the accounting plan. It allows all transactions to be recorded in chronological order, while indicating the accounts to be credited ('inflow') or debited ('outflow'). It also makes it possible for you to find all the details relating to all transactions carried out for each account and to know the balance used by your HMIS at any time. By comparing the different accounts used, it also makes it possible for you to rapidly calculate the provisional results of your HMIS activities.

By accomplishing the General Ledger, it makes it easier for you to draw up the Statement of Income and Expenditure at the end of the financial year, and to calculate the different indicators of activities and useful statistics.

f.2 What information does the General Ledger contain?

The General Ledger summarizes the daily transactions of each of your accounts that can be sourced from your Cash Journal and Cash-in-Bank Journal or from your Cash Receipt Book and the Cash Disbursement Book. In general, it contains the following information:

- date
- subject
- in-flow, out-flow, balance in your cash-in-bank
- in-flow, outflow, balance in your cash-on-hand
- sundry activities: the other asset accounts that it has not been possible to open:
 - fixed assets: buildings, land, transport equipment (e.g. vehicles);
 - significant investments: amount of purchase;
 - stocks: balance of stocks of consumables, such as health books, medicines or registers;
- realizable assets: credits, time investments, deposit accounts;
- credits:
 - when members owe arrears in contributions;
 - when they must reimburse the cost of benefits;
 - when a subsidy is granted without being received;
 - different undertakings/debts;
- deposit: the amount demanded by a service provider in relation to a guarantee -non-payment, reductions- for example;
- sundry liabilities (other liabilities accounts it has not been possible to open in the journal):

- reserves;
- short, medium and long-term debts
- income: new members, contributions, sundry (sale of medicines, subsidies, other);
- expenditure: benefits, functioning, sundry.

Sex disaggregated information in the statement of income and expenditure.

f.3. How is the General Ledger used?

(1) On a daily basis, you must administer the accounts used in connection with the HMIS activities. You have to record each transaction in the balance sheet headings:

- In the Cash-in-Bank Column: if it concerns an activity involving inflows or outflows of money to or from the bank account (Refer to your Bank Book)
- In the Cash-on-Hand Column: if it is an activity concerning cash in hand. This column corresponds to the Cash Journal and therefore follows the same rules
- In the Sundry Assets Column: when it involves activities concerning fixed assets, the guarantee or the deposit
- In the Sundry Liabilities Column: when it involves reserves and short, medium or long-term debts

(2) The same amount is simultaneously recorded to the Statement of Income and Expenditure Column, specifying whether it concerns a charge or an income:

a charge:

- Operating costs: transport, training, etc
- Benefit costs: consultations, medicines, other income: contributions, benefits, others (such as subsidies or income from events)

(3) After you have recorded each transaction in a balance sheet account, you must recalculate the balance of that account.

(4) At the end of each month and after recording the last transaction of the month, you must close the General Ledger for the month ending. To close the General Ledger at the end of a month, it is necessary for you to:

- (4.1) calculate and record the last balance of each account, after the last transaction of the month
- (4.2) carry forward the previous balance
- (4.3) add up each column in total (total month + carry forward)

(5) You can check your recording by:

(5.1) In the inflows column, by adding up all the amounts that have gone into the account during the month + total income.

(5.2) In the outflows column, by adding up all the amounts that have gone out of the account during the month + total expenditure.

(5.3) Making a comparison between these two totals and having the balance equal to zero by carrying out the following calculation:

$$\begin{aligned} & \text{New End Start of Month Balance} \\ & \text{of Month} = + \text{Total Inflows and Income of the Month} \\ & \text{Balance} - \text{Total Out-Flows and Expenditures of the Month} \end{aligned}$$

(5.4) Verify if the amount identified after this check should be equal to the last balance calculated after the last transaction of the month.

(6) You must open a new page of the General Ledger and identify it by the new month beginning, and carrying forward the balance of the end of the previous month to the top of the new page on the line marked 'carry forward'. The previous end of month balance becomes the new start of month balance for the month beginning.

(7) You must record each transaction in the General Ledger. This makes it possible for you to follow the development of the balance sheet and statement of Income and Expenditure information of your HMIS at any time.

f.4 Example of a General Ledger: Please refer to Annex 4.9 for the format of a General Ledger.

Section 4.4 Generation of Financial Statements and Reports

4.4.1 Importance of Financial Statements and Reports

This section deals with the production of financial tools and statements. In many small-scale HMIS in the Philippines, they only record cash flow. Such recording is necessary but not sufficient. Accounting and financial documents make it possible to have a better knowledge of and to analyze the financial situation of your HMIS.

Your HMIS should try to improve and professionalize its accounting and financial management. This reinforces the transparency of management, the confidence of your members and partners, and better decision-making by your management and staff. It should be noted that if your HMIS lacks certain abilities, it may also opt to seek external support provided by unions, accounting companies or specialist support structures.

4.4.2 Application and Limitations

As stated in the introduction of this Chapter, the accounting used should be adapted to the special needs of your HMIS but should also comply with the requirements of the accounting system in force. This Guide does not offer a complete explanation of the preparation, use and analysis of financial tools and statements. Where the accounting work is more complete, the preparation of financial statements is preceded by recording the accounting events of the day in the book or rough book, followed by chronological recording in the journal. The information is finally recorded in the different journals and is filed in the General Ledger or accounting record.

This section of the Guide is limited to a summary description of the principal accounting and financial tools and will therefore not deal with the accounting stages that precede the establishment of these tools. Readers interested in this topic should consult a more specialized publication or material or consult national or sub-national government agencies, NGOs or concerned donor agencies.

4.4.3 Tools in Generating Financial Statements and Reports

Note that the accounts of your HMIS usually are grouped into two major categories:

- the Balance Sheet accounts which track the development of resources (liabilities) and their use (assets);
- the Income and Expenditure accounts which record the resources generated by activities (contributions, membership fees, others) and the consumption of goods and services necessary for those activities (benefits, functioning) respectively.

The documents and tools described below are used for a given period, called the financial year. The profit and loss account and the balance sheet, for example, are often drawn up at the end of a period of one year.

The HMIS will work mainly with the following documents:

- Statement of Income and Expenditure
- Balance Sheet

Document 4.4.3.a The Statement of Income and Expenditure

a.1 What is the Statement of Income and Expenditure for?

The Statement of Income and Expenditure (SIE) is otherwise known as the Operating Account or Profit and Loss Account. As managers of HMIS, you must keep your income always greater than your expenditure. Your HMIS must seek to produce a surplus (refers to the positive result of the HMIS and not refer to it as a profit). A surplus is sought not to make a profit but to reinforce the financial solidity of your HMIS by enabling financial reserves to build up.

The SIE is the summary of the expenditure and income of your HMIS during a given period called the 'financial year' (generally one year). It compares the expenditure and income of your HMIS and allows you to calculate the result for the year.

a.2 What information does the Statement of Income and Expenditure contain?

The SIE is presented in a summary table with two columns:

- the left-hand column presents the expenditure, and
- the right-hand column presents income

In each column the expenditure and income are categorized according to a standardized classification.

The accounting principle of balance between the two parts of an account (the Statement of Income and Expenditure in this case) involves a comparison between total expenditure and total income. The difference is recorded in either of the two columns of the table in order to obtain the same total for both columns. This difference corresponds to the result for the financial year. It is called a deficit when total expenditure exceeds total income and a surplus, if the inverse is true. Take note of the different information that are recorded or derived from your SIE:

- (1) Expenditure: It refers to the consumption of goods and services necessary to implement the activities of your HMIS during a given period. The expenditure affects the result of the HMIS negatively. For the HMIS, these involve, among other things: the reimbursement of care expenditure, operating costs (wages, premises, bank charges), training costs and depreciation allowances.
- (2) Income: It is composed of financial resources generated by the activities of your HMIS in a given period. Income affects the results of your HMIS positively. Sources of income for your HMIS may include: membership fees, contributions, operating subsidies, financial incomes (interest) and other incomes following promotional activities and other income-generating benefits or services. The costs paid by your members to

replace passbooks and penalties for arrears are also to be recorded as sundry incomes.

- (3) Operating Subsidy: This is a subsidy that allows your HMIS to meet certain expenditure such as operations, benefit or training costs.
- (4) Capital Subsidies: These allow your HMIS to acquire investments in the form of tangible fixed assets(e.g. building, furniture, land or vehicles).
- (5) Depreciation Allowance: This is an example of a charge which is not an expense. The durable property of your HMIS for example like buildings, office furniture or equipment deteriorate over the years and suffer wear and tear that will require them to be replaced at a given time. This depreciation, is a loss that your HMIS must write off, should be recorded.
- (6) Depreciation: It is an accounting operation that consists of recording the depreciation suffered by various fixed assets. This depreciation may be caused by daily use or technical progress. Depreciation is calculated on the basis of the historical cost of the assets and their estimated working life. The method proposed, straight-line depreciation, is established as follows:

$$\frac{\text{historical cost}}{\text{working life (in years)}} = \text{annual amount of depreciation charge}$$

Example:

The HMIS purchased an office equipment for Php 500,000 on 1/1/2000. In accordance with the laws in force, it decides to write it off over a period of five years. The amount of annual depreciation is computed at :

$$\frac{\text{Php } 500,000}{5 \text{ years}} = 100,000$$

At the end of the 5th year, the HMIS will have written off Php 500,000.

The most common straight-line rates of depreciation are: buildings: 5 to 10%; furniture, office equipment and movable equipment:20-33%.

Table 4.4: Principal Information on the HMIS's Statement of Income and Expenditure

STATEMENT OF INCOME AND EXPENDITURE			
Period:			
EXPENDITURE		INCOME	
<ul style="list-style-type: none"> • Benefits <ul style="list-style-type: none"> - deliveries - outpatient care - transports - hospitalizations - others • Operating costs <ul style="list-style-type: none"> - leasing - transport - water and electricity - telephone • Training costs • Provisions for depreciation • Financial expenditure * Other expenditure 		<ul style="list-style-type: none"> • Membership fees • Contributions • Operating subsidies • Financial income (interest) • Other income <ul style="list-style-type: none"> - Promotional activities - Benefits - Other services 	
Result (surplus)		Result (deficit)	
TOTAL		TOTAL	

a.3 How is the Statement of Income and Expenditure used?

The SIE makes it possible for you to calculate the result and gives you a preliminary indication of the financial health of your HMIS. You must accompany this calculation though with other tools, particularly the Balance Sheet, the financial indicators and ratios that will make it possible to interpret this result. It is important to measure, for example, whether a surplus is too high or too low, or to identify the origin of a deficit.

Having sex-disaggregated income and expenditure data may also initially suggest patterns or trends that need to be addressed by management or by the organization as a whole.

a.4 Example of a Statement of Income and Expenditure: Please refer to Annex 4.9 for the actual sample of an HMIS' Statement of Income and Expenditure.

Document 4.4.3.b: The Balance Sheet

b.1 What is a Balance Sheet for?

The Balance Sheet is a summary table that presents the assets of your HMIS on a given date. The preparation of the Balance Sheet at the end of each financial year is just like producing a precise inventory or photograph of your HMIS resources for the whole year. The Balance Sheet summarizes these resources (reserves, loans or care providers' payment times) and their use, reflected in the acquisition of materials, stocks or the granting of extensions in the time for members to pay their contributions.

b.2 What information does the Balance Sheet contain?

The Balance Sheet is presented in the form of a two-column table representing the assets and liabilities of your HMIS.

- (1) Assets: These represent how your HMIS resources are employed, namely, where its wealth is situated. They are broken down into two major headings:
 - fixed assets: the permanent assets which form the working tools (premises, equipment, vehicles, financial deposit with care provider, etc);
 - current assets: assets connected to current activities which are rapidly transformed or renewed several times during the year (stocks, bank accounts, financial debts, etc).
- (2) Liabilities: These correspond to the source of your assets, which consist of the resources that have been made available to your HMIS. They include:
 - equity capital: the resources that belong to your HMIS, such as reserves (established in particular by surpluses achieved at the end of previous financial years) or investment subsidies and other capital contributed by third parties (NGOs, government, etc);
 - outside capital or debts: everything your HMIS owes to other structures, such as care providers' invoices payable, loans obtained or other

Since the Balance Sheet provides information on increases or decreases in wealth during the financial year, the result of the financial year, calculated through the SIE, is also recorded in your HMIS annual Balance Sheet. If there is a positive result (surplus), this leads to an increase in the HMIS assets. A negative result (deficit) on the other hand leads to a decrease in these assets.

Since your HMIS is a non-profit-making organization, the surplus or deficit may result in an increase or reduction in your reserves respectively. You may also use part of your surplus to carry out actions in favour of your members.

The assets and liabilities clearly distinguish the expenditure and income that appear in the Statement of Income and Expenditure. For example, if your HMIS purchases or builds premises for its activities, these form part of your assets (the purchase or construction cost appears in the Assets Column of the Balance Sheet). On the other hand, current maintenance electricity costs relating to the use of the premises for example are expenditures that appear in the Statement of Income and Expenditure. The income earned from leasing the premises to third parties would constitute income.

Table 4.5 : Principal Information of the Balance Sheet

HMIS BALANCE SHEET			
ASSETS Use of Resources		LIABILITIES and EQUITY Origin of Resources	
Current Assets		Outside Capital	
- Cash on hand		- Invoices payable to providers	
- Cash in Bank		- Other short-term debts	
- Stocks (medicines or membership records)		- Long-term Debts	
- Contributions Receivable			
Deferred Expenditure		Equity Capital	
Fixed Assets		- Reserves	
- Office equipment		- Donations, legacies	
- Vehicles		- Capital subsidies	
- Building		- Result of financial year (Surplus)	
- Land			
TOTAL ASSETS		TOTAL LIABILITIES	

b.3 How is the Balance Sheet used?

Your total assets should always be equal to your total liabilities. This equality arises from the fact that the Balance Sheet presents the source and application of funds: your HMIS (like a company) cannot use either more or less funds than it possesses. The Balance Sheet also provides a preliminary interpretation of the financial situation of your HMIS, indicating the use it has made of its assets. Like the Statement of Income and Expenditure, the Balance Sheet is a rough representation that must be interpreted to assess the performance of your HMIS.

Table 4.6: Production of Financial Statements– Closure of the Financial Year

Health Micro-Insurance Scheme Internal Organisation				External Partners	
General Meeting	Executive Body	Board of Directors	Auditing Body	Providers	Savings Bank
	(1) Close accounts				
	↓				
	(2) Prepare Statement of Income and Expenditure and Balance Sheet				
	→	(3) Convene General Assembly			
(4) Present Activity Report and Financial Report for approval					
			(5) Control accounts and regularity of financial transactions		

At the time of closing the financial year, your HMIS must close the accounts and draw up the SIE and Balance Sheet. The Executive Body then submits these documents to the Board of Directors. If the EB accepts them, they present these to the GA with the activity report. The Auditing Body ensures that the accounts are reliable and that the financial transactions have been carried out correctly.

b.4 Example of a Balance Sheet: Please refer to Annex 4.10 for the actual sample of an HMIS Balance Sheet.

Annex 4.2: An Example of HMIS Budget

- (1) You are given here a description of what usually transpire in financial planning for a given financial period in order for you to visualize how an annual Budget is prepared. The following describes the conditions considered in the preparation of the HMIS Budget for the Year 2003 in a selected HMIS.

For Expenditure: The HMIS forecasts the following benefits for 2003.

Female: 20 deliveries at an average cost of Php 4,000.

Female and Male

- 190 services of outpatient care at an average cost of 2000
- 10 transports at an average cost of Php 3,000
- 20 hospitalizations at an average cost of Php 5,000.

(2) The HMIS also estimates the following operating costs:

- 12 months' rent at a monthly cost of Php 10,000
- transport at an estimated cost of Php 24,000
- water and electricity for a sum of Php 42,000 estimate based on 2002 expenditure)
- Php. 24,000 for telephone costs

(3) The HMIS training costs are estimated at Php 50,000. broken down as for

Male: Php 20,000. Female: Php 30,000.

(4) The HMIS estimates unforeseen costs - a safety margin corresponding to 10% of the amount of expected contributions (Php 750,000).

For Revenue: As far as revenue is concerned, the HMIS forecasts 50 new members (Female:30; Male:20) (Php 1,000 per member). It estimates that members will pay Php 200 in(including themselves). A donation of Php 125,000 has been promised by the municipal council.

(2) The table below shows how the conditions above are reflected in the HMIS Budget for Year 2003.

-----Health Micro-Insurance Scheme Budget, 2003					
Expenditure	Amount (in Php)			Revenue	Amount (in Php.)
	M	F	Total		
• Benefits			<u>590 000</u>	• Members	
– deliveries		/	80 000	hip fees	<u>50 000</u>
– outpatient care	/	/	380 000	–Male	-20,000
– transports	/	/	30 000	–	-30,000
– hospitali-	/	/	100 000	Female	<u>750 000</u>
organizations			<u>210 000</u>	• Contribut	<u>125 000</u>
• Operating Costs				ions	
– leasing			120 000	• Subsidies	0
– transport			24 000	/donatio	
– water and electricity			42 000	ns	
– telephone			24 000	• Interest/i	0
	20,000	30,000	<u>50 000</u>	nvestmen	0
• Training costs			<u>75 000</u>	ts	
Unforeseen costs				• Loans	
(safety margin)				• Additiona	
				l	
				resources	
Total:			925 000		925 000
Legend: M – Male F – Female; M/F – Male and Female, on a need basis					

Annex 4.3: An Example of HMIS Cash Flow Forecast

- (1) You are given here a description of what usually transpire in a financial planning for a given financial period in order for you to visualize how cash flow forecast is prepared. The following are the conditions considered in making a Cash Flow Forecast for the first quarter of 2003 in a selected HMIS.

Cash Flow Forecast	
The expenditure for the first three months of the year 2002 is estimated.	
(1) Available cash flow (cash in hand) carried forward from the preceding month (Dec. 2001) is Php 384,300 (money at the bank is not directly available).	
(2) The benefits forecast cost Php 50,000 per month on average (Php 590,000 out of the annual budget).	
(3) The HMIS estimates the following operating costs:	
- rent at a monthly cost of Php 10,000	
- transport cost estimated at Php 2,000 per month	
- water and electricity for a sum of Php 3,500 per month	
- Php 2,000 per month for telephone costs	
(4) HMIS forecasts training in February to cost Php 16,000.	
As far as revenue is concerned, the HMIS estimates 6 new members per month (Php1,000 per membership) and 312 people who will actually contribute Php 200 per month. Part of a donation amounting to Php. 100,000 has been promised for February by the local council.	

- (2) The above examples are recorded in the following Cash Flow Forecast.

HEALTH MICRO-INSURANCE SCHEME						
Cash Flow Forecast for the First Quarter 2003						
DESCRIPTION	January (in Php)		February (in Php)		March (in Php)	
	Male	Female	Male	Female	Male	Female
A. Inflows						
Carry forward from previous month	384 300		385 200		470 100	
Membership fees	6 000		6 000		6 000	
Contributions	62 400		62 400		62 400	
Donations	0		100 000		0	
Withdrawal of investments	0		0		0	
Loan	0		0		0	
Total A	452 700		553 600		538 500	
B. Outflows						
Health benefits						
Operating costs	50 000		50 000		50 000	
- leasing						
- transport	10 000		10 000		10 000	
- water and electricity	2 000		2 000		2 000	
- telephone	3 500		3 500		3 500	
Training	2 000		2 000		2 000	
Investments	0		16 000		0	
Repayment of loans	0		0		0	
Total B	0		0		0	
Balance A-B	67 500		83 500		67 500	
	385 200		470 100		471 000	

Annex 4.4: An Example of HMIS Cash Journal

(1) To give you an idea how the Cash Journal is accomplished and used based on the steps outlined in Section 4.3.3, you are provided here with examples of transactions that were carried out in a sample HMIS. Based on this exercise, you may try applying this to your own transactions.

Cash Transactions	
During the Month of March, 2003	
•	On 3/2/03: HMIS carries forward the balance in the amount of Php 340,000 at end of February
•	On 3/5/03: HMIS receives contributions totalling to Php 52,000 with reference No 34
•	On 3/9/03: HMIS makes payment of benefits in the amount of Php. 92,000 from cash in hand to the health centre with reference Invoice No: 22-03-CSK)
•	On 3/10/03: HMIS buys consumables amounting to Php 10,000 with supporting document No. 444)
•	On 3/22/03: HMIS pays Php 100,000 from cash in the HMIS Bank Account (with ref. 02-340-12)
•	On 3/29/03: HMIS receives total contributions in the amount of Php 22,000, with reference No 35
The HMIS closes the cash book at the end of the month, and calculates and records the final balance after the last transaction of the month. HMIS checks if this final balance is accurate. This check is done as follows:	
Start of month balance	: Php. 340,000
+ total inflows in month	: Php 74,000
- total outflows in month	: Php. 202,000
= new balance for month	: Php 212,000

Note that the amount identified at the end of this check, Php. 212,000, is equal to the balance calculated after the last transaction at the end of the last day of March, 2003. This check may be accompanied by a physical check/verification of the cash available in your HMIS cash on-hand.

(2) The following illustrates how the above transactions are to be recorded in the Cash Journal.

Month: March 2003 Cash Journal					
Date	Record N°	Subject	Inflows (in Php.)	Outflows (in Php.)	Balance (in Php)
2/3/03	Carry fwd	Carry forward February balance			340 000
5/3/03	34	Contributions	52,000		392 000
9/3/03	22-03-CSK	February benefits to health center		92 000	300 000
10/3/03	444	Purchase of consumables		10 000	290 000
22/3/03	02-340-12	Deposit to the bank		100 000	190 000
29/3/03	35	Contributions	22,000		212 000
3/31/03		Totals	74 000	202 000	
3/31/03	Balance	Balance to carry forward			212 000

Annex 4.5 : An Example of HMIS Cash-in-Bank Journal

- (1) To give you an idea how the Cash-in-Bank Journal is accomplished and used based on the steps outlined earlier, you are provided with examples of transactions that were carried out in a sample HMIS. Based on this exercise, you may try applying this to your own transactions.

Bank Transactions	
During the Month of March, 2003	
The manager carries forward the sum of Php. 1,400,000 for February 2003 to March 2003.	
(1)	On 3/9/03: HMIS pays the invoice to the health center for benefits in the amount of Php 400,000, with reference 815-02
(2)	On 3/20/03:HMIS records a deposit of Php 100,000 from cash on hand to the bank account;
(3)	On 4/29/03:HMIS pays by cheque for a table and chairs for a sum of Php 80,000.
(4)	HMIS closes the Cash-in-Bank Journal at the end of a month and calculates and records the last balance after the last transaction of the month. He then checks that this last balance is accurate. This check is carried out as follows:
	Start of month balance : Php 1,400,000
	+ total 'inflows' of the month : Php 100,000
	- total 'outflows' of the month : Php 480,000
	= new end of month balance : Php 1,020,000

The amount identified after this check, Php. 1,020,000, is equal to the balance calculated after the last transaction in March 2003. This cheque should be accompanied by a verification on the money available at the bank.

- (2) The above examples are recorded into the sample of Cash-in-Bank Journal below.

Cash-in-Bank Journal					
Month: March 2003					
Date	Record N°	Subject	Inflows (in Php)	Outflows (in Php.)	Balance (in Php)
3/1/03	Carry fwd.	Carry forward previous page			1,400,000.
3/9/03	815-02	Bank withdrawal to pay health center invoice		400,000.	1,000,000.
3/20/03	921-02	Deposit of money from cash on hand	100,000.		1,100,000.
3/29/03	825-432-02	Cheque for payment of table and chairs		80,000.	1,020,000.
		Totals	100,000.	480,000.	
3/30/03	Balance	March balance to carry forward			1,020,000.

Annex 4.6: An Example of a Cash Receipt Book

(1) The following is an example of a Cash Receipt Book used by the _____ HMIS in _____

Date	Particulars	Reference Document	Cash-on-Hand	Cash-in-Bank	Membership Fee	Premiums	Grants
Cash received in January 2003			1,930.00		525.00	1,405.00	
Feb 2003							
Feb 2	Luz Endencio – 3 months (March-May)	OR No. 23	100.00		25.00	75.00	
Feb 04	Mario Endencio- 3 months (March-May)	OR No. 24	100.00		25.00	75.00	
Feb 06	Elias Tagulalap 3 months (March-May)	OR No. 25	100.00		25.00	75.00	
Feb 16	Ofelia Alfaras – 3 months (March-May)	OR No. 26	100.00		25.00	75.00	
Feb 18	Elisa Meterio – 3 months (March-May)	OR No. 27	100.00		25.00	75.00	
	Rudelyn Elanzar- 3 months (Mar-May)	OR No. 28	100.00		25.00	75.00	
	Donato Pordilla- 3months (March-May)	OR No. 29	100.00		25.00	75.00	
Feb 19	Belen Estelloro 2 months (March-Apr)	OR No. 30	50.00			50.00	
Total Cash received for February			750.00		175.00	575.00	

(2) The following table is a example of a Cash Receipt Book used and maintained by ORT-OHPS in San Fernando, La Union for January-March, 2003

Month/Received From	Ref Doc (OR #)	Cash-on-Hand	Cash-in-Bank	Loan Payable	1 st 6 Mos Finl Asst	Cash Advance	IEC	Donation	Cash on Hand (Debit)	Cash-in-Bank (Credit)
January, 2003										
ORT-Initial Deposit	106951	5,000.		5,000					631,900	631,900.
ORT 6-months budget	106952	626,900.			626,900.					
Total		631,900.		5,000	626,900.					
February, 2003										
Brigette Castillo	106953	450.				450.				
Eva Palaruan	106954	500.				500.				
Total		950.				950.				
March, 2003										
Salino Abuan	106955	500.				500.				
Zenaida Baroro	106955	500.				500.				
Christina Evangelista	106956	500.				500.				
Eva Palaruan	106957	500.					500.			
Myrna Ducusin	106958	90.				90.				
Total		2,090				1,590.	500.		2,090.	2,090.

Annex 4.7: An Example of a Cash Disbursement Book

(1) The following is an example of a Cash Disbursement Book used by the _____
HMIS in _____

Date	Particulars	Ref Doc	Cash-on-hand	Cash-in-Bank	Transpo	Supply	Meals/snacks	Registration	Equip
Total Cash disbursed in January, 2003			1475.00		475.00	350.00	395.00	255.00	
Feb2003									
Feb 10	3 members of SHI payee to GHIP	CV 03	255.00					255.00	
Feb 14	Assessment of PhilHealth	CV 04	558.00				558.00		
Feb 16	Attend cluster assessment conference	CV 05	300.00		300.00				
Feb 18	Purchase 1 unit computer	CV 06	1,150.00		150.00				1,000.00
Total for February			2,263.00		450.00		558.00	255.00	1,000.00

(2) The following table is a example of a Cash Disbursement Book used and maintained by ORT-OHPS in San Fernando, La Union for January-March, 2003

Date	Particulars	Ref Doc (Petty Cash Voucher)	Check Number	Cash-in-Bank	Presentation	Cap Bld/Trng	Office Supply	Service Delivery	Personnel Cost
March 25	Ruben Agsanlie-ACDZ	5451	080951	31,345.00	31,345.				
	La Union Morning Star	5452	080952	5,492.25		1,580.	1,316.25	2,596.	
March 26	La Union Morning Star	5453	080953	737.00				737.	
March 31	ORT-Cris, Flo and Mavic	5454	080954	20,500.					20,500.
	Ma. Cristina Evangelista	5455	080955	5,000.					5,000.
Total for the Month of March				63,074.25	31,345.	1,580.	1,316.25	3,333.	25,500.

Annex 4.8: Petty Cash Form

-----HMIS
Petty Cash Form

Date	Particulars	Ref. Doc	Amount	Balance
Beginning Amount				2,000.
March 3	Jeepney fare for monitors	Petty Cash Voucher 44	25.00	
	Snacks for visitors	OR No. 003	175.00	
	Pens/papers	OR No. 345	55.00	
Subtotal			255.00	1,745.
March 4				
March 15	Printing/xerox	OR No. 546	65.00	
	gasoline	OR No. 467	250.00	
Subtotal			315.00	1,430.
March 16	Snacks/food for meeting	OR No. 435	345.00	
	Cell card	PCV No. 45	150.00	
Subtotal			495.00	935.
March 19	Payment for carpentry repair	PCV No. 46	220.00	
Subtotal				715.
March 22	Reproduction of flyers	OR. No. 509	350.00	
	transportation	PCV No. 47	135.00	
Subtotal			435.00	280.
March 28	Petty cash replenishment		+ 1,720	2,000.
March 29	supplies	OR No. 567	67.00	1,933.

Annex 4.9: An Example of a General Ledger

(1) The following is a more comprehensive example of a General Ledger usually used by advanced and larger-sized HMIS.

(2) A simple General Ledger is shown in the following table. This is a portion of the General Ledger being maintained by the ORT-OHPS in San Fernando, La Union.

Date	Subject/ Particulars	Balance Sheet – Assets									Balance Sheet - Liabilities			Statement of Income and Expenditure					
		Bank			Cash in hand			Sundry assets			Sundry liabilities (reserves or ST, MT and LT debts)			Income			Expenditure		
		Inflow	Outflow	Balance	Inflow	Outflow	Balance	Inflow	Outflow	Balance	Inflow	Outflow	Balance	New mem bers M F	Subs cript s. M F	Others	Ben efits M F	Functioning	Others

2.2 Cash on Hand

2.2 Cash-in-Bank

Date		Ref. Page	Debit	Date	Ref. Page	Credit
March		Page 1	631,900.	March	Page 1	631,900.
April		Page 1	950.	April	Page 1	0.
May		Page 1	2,090.	May	Page 1	2,090.
June		Page 1	61,500.	June	Page 1	61,500.
	balance					950.
July		Page 1	260.	July		0.
August		Page 1	15,000.	August	Page 1	15,000.
September		Page 1	321,645.	September	Page 1	321,645.
	balance					1,210.

2.3 Recording Specific Transactions by Category / Classification in the General Ledger

2.3.1 Financial Assistance from the Cash Receipt Book

Date		Ref. Page	Debit	Date		Ref. Page	Credit
				Sept, 2003		Page 1	626,900.
						Page 1	285,300.

2.3.2 Reservations from the Cash Disbursement Book

Date		Ref. Page	Debit	Date		Ref. Page	Credit
March		Page 1	31,345.00				

Annex 4. 10: An Example of HMIS Statement of Income and Expenditure

You are given below a description of a situation of a sample HMIS which you can base your calculation of the expenditure and income. This is a situation at the end of a given year 2001.

A Situation in a Selected HMIS By End of 2001	
•	The following benefits were offered in 2001:
•	21 deliveries at a total cost of Php. 81,000
•	250 benefits of outpatient care at a total cost of Php 381,500; (Male: 200,000 Female: 181,500.
•	13 transports at a total cost of Php 31,000
•	16 hospitalisations at a total cost of Php. 102,000
•	The HMIS incurred the following expenditure in order for it to function:
•	12 months' rent at a monthly cost of Php. 10,000;
•	transport costs amounting to a total of Php. 20,000;
•	water and electricity amounting to Php. 35,500;
•	Php. 14,000 in telephone costs;
•	expenditure relating to training activities amounted to Php 66,000; (Male: 26,000 Female: 40,000.)
•	the HMIS depreciated its office equipment at a historical cost of Php 500,000 over five years (see example above). The equipment was purchased on 1/1/2000;
•	other expenditure (bank charges) amounting to Php15,000 were paid by the mutual health insurance scheme
•	the HMIS also received Php 27,000 for the sale of membership records representing membership fees; (Male: 15,000 Female: 12,000)
•	the HMIS members paid contributions amounting to Php 735,200; (Male: 390,000 Female:345,200)
•	the HMIS benefits from an operating subsidy
•	supplementary income of Php 30,000 (following promotional activity) were recorded.

The above transactions are translated into the following Statement of Income and Expenditure.

-----HEALTH MICRO INSURANCE SCHEME STATEMENT OF INCOME AND EXPENDITURE					
Period: 31/12/2002 - 31/12/2003					
EXPENDITURE (in Php.)				INCOME (in Php.)	
	M	F	Total		
• Benefits			595 500	• Membership fees	27 000
- deliveries		/	81 000	- Male	15,000
- outpatient care	200,000	181,500	381 500	- Female	12,000
- transports	/	/	31 000	-	-
- hospital sations	/	/	102 000	• Contributions	735 200
				- male	390,000
				- female	345,200
• Operating costs	/	/	189 500	• Operating subsidies	240 000
- leasing			120 000		
- transport			20 000	• Other income: promotional activities	30 000
- water and electricity			35 500		
- telephone			14 000		
• Training costs	26,000	40,000	66 000		
• Provisions for depreciation of office equipment	/	/	100 000		
• Other expenditure	/	/	15 000		
Result (surplus)			66 200		
TOTAL			1 032 200	TOTAL	1032 200

Annex 4.11: An Example of HMIS Balance Sheet

Below is a given sample of a situation in a selected HMIS to help you figure out how to accomplish and prepare the Balance Sheet.

Example Situation in a Selected HMIS as of 12/31/2002

- the inventory shows that the HMIS has office equipment for a net book value (after depreciation) of Php 200,000:

Depreciation Schedule:

Date	Historical Cost (Php)	Rate	Annual Charge (Php)	Net Book Value (Php)
12/31/00	500 000	20%	100 000	400 000
12/31/01	500 000	20%	100 000	300 000
12/31/02	500 000	20%	100 000	200 000

- the bank book and cash book indicate a balance of Php 468,500 and Php 250,500 respectively
- five members still owe a total of Php. 4,200 to the HMIS for contributions payable
- the HMIS has reserves of Php 668,500 and capital subsidies for a value of Php 200,000;
- the statement of income and expenditure shows a surplus of Php. 66,200;
- the HMIS must pay supplementary invoices to care providers amounting to Php 65,000 and to suppliers amounting to Php 123,500.
- the HMIS made a deposit of Php 200,000. to the health center

The above transactions are translated or recorded into the following Balance Sheet.

----- Health Micro-Insurance Scheme BALANCE SHEET as of 12/31/2003			
ASSETS (in Php.)		LIABILITIES (in Php.)	
Fixed Assets		Equity Capital	
- Office equipment	200 000	- Reserves	668 500
- Health Center deposit	200 000	- Capital subsidies	200 000
		- Result of financial year	65 000
Current Assets		Outside Capital	123 500
- Cash in hand	250 500	- Invoices payable to providers	
- Bank	468 500	- Suppliers to be paid	
- Contributions owing	4 200		
TOTAL ASSETS: 1 123 200		TOTAL LIABILITIES: 1 123 200	

