

QUALITY MANAGEMENT SYSTEM	POWER GRID COMPANY OF BANGLADESH LTD.					QUALITY PROCEDURES			
	TITLE: PROCEDURE FOR FINANCIAL AFFAIRS								
Document No:	QP-FIN-1	Revision No.:	00	Effective Date:	01/12/12	Page:	1	of	80

1. Scope: Applies to the whole of POWER GRID COMPANY OF BANGLADESH LTD.																			
2. Purpose: Planning and controlling PGCB's all financial matters as per the requirement of Companies Act' 1994 and requirements of Govt., BPDB and PGCB																			
SL No	Activity (including Check Points)	Ref. Doc	Responsibility	Freq./ Time	Output														
0.0	Plan Financial Affairs are grouped into following functions: <table border="1"> <tr> <td>Budgetary control</td> <td>Revenue</td> </tr> <tr> <td>Fund management</td> <td>Procurement</td> </tr> <tr> <td>Payroll management</td> <td>Payment procedure</td> </tr> <tr> <td>Bank reconciliation procedure</td> <td>Fixed asset</td> </tr> <tr> <td>Inventory management</td> <td>Financial reporting</td> </tr> <tr> <td>Delegation of financial and non financial power</td> <td>Recognised provident fund</td> </tr> <tr> <td>Workers' profit participation fund</td> <td>Capital structure</td> </tr> </table>	Budgetary control	Revenue	Fund management	Procurement	Payroll management	Payment procedure	Bank reconciliation procedure	Fixed asset	Inventory management	Financial reporting	Delegation of financial and non financial power	Recognised provident fund	Workers' profit participation fund	Capital structure				
Budgetary control	Revenue																		
Fund management	Procurement																		
Payroll management	Payment procedure																		
Bank reconciliation procedure	Fixed asset																		
Inventory management	Financial reporting																		
Delegation of financial and non financial power	Recognised provident fund																		
Workers' profit participation fund	Capital structure																		
0.1	Details of procedure for each of the above functions are given below.				QF-FIN-10,11,16-21														
1.0	Budgetary control																		
1.1	Corporate planning and budgetary approval																		
1.1.1	Input Information relating to capital and revenue expenditure shall be incorporated based on previous year audited financial statements and other qualitative factors.																		
1.1.2	Concern person of corporate planning and budgetary dept. shall identify the limiting factors (For example-Revenue, Projects, Government Policy, Strategic decision).		DM/AM-P&D																
1.1.3	After identifying the limiting factors concerned official of budgetary planning division shall prepare a list of Responsibility Centre (RCs) mentioning the applicable limiting factors which will be run/taken in the coming year based on past experience. However, available resources should also be considered in this stage. Concern person shall also define short, medium and long term budget. Usually first one at this process (short) will be for one year, second (medium) covers two to five years and long term budget is prepared for more than five years.		DM/AM-P&D																
1.1.4	Prepare a budget template in line with accounting manual, financial reporting framework and Responsibility Centre-wise (RC) so that this budget covers and ensures the financial reporting requirements of its regulators and donors. This should include the following: a) Consider quantitative (financial) factors; b) Non-qualitative factors (Industry background, market risk, financial condition risk, operational risk, currency risk, potential and existing changes of policy by govt., non-operational risk and others as applicable; c) Define the Key Performance Indicators (KPI), d) Terms of reference as stated in the agreements with donors and govt. e) regulatory requirement as applicable which evaluate whether the prepared budget is an economic, effective and efficient one.		DM/AM-P&D		QF-FIN-10,11,16-21														

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1.1.5	Concern person must use his professional expertise and long outstanding experience when preparing budget that ensures the avoidance of budget slack and budget bias. This budget template should approve by head of planning and budgetary control and Finance. Moreover, the budget template should be split off into twelve segments which represent twelve months.		DM/AM-P&D		
1.1.6	In case of regular budget Concern person, planning and budgetary control shall send the prepared template form to the head of planning and budgetary control and Finance. If all items are correctly stated, they will approve the same and return back to the concern person.		GM FIN, DM/AM-P&D		
1.1.7	If the budget is related to contingency situation then Concern person shall prepared it as instructed by concerned official (s) and directly send to the MD or Board of Director (s) if the situation demands that.		DGM-P&D, MD, BOD		
1.1.8	Send budget template within the stipulated time (as mentioned in budget calender) to RCs outlining the budget components. If all items are covered by for the respective RCs, concern person will fill up the format and this must be sent within the time (as per budget calender) approving by Head of RCs to HO.		M/GM FIN		QF-FIN-16~21
1.1.9	Concern person, planning and budgetary control dept. shall consider the possible changes i.e., salary increment, bonus, employees related other payment, loan payment, previous year obligation that are to be paid during this budget year, special reserve as prescribed by regulatory bodies and any other cost factor as applicable.		DM/M -P&D		
1.1.10	After getting budget from RCs, planning and finance division will critically scrutinize them whether the budget template is prepared in line with PGCB external & internal requirements and its reasonableness.		DM/M FIN		
1.1.11	Concern person of corporate planning & budgetary control dept. shall prepare a master budget consisting capital budget (balance sheet items) and revenue budget (income statement items) and cash budget (inflow and outflow of cash) based on the previous year audited financial statements, in consultation with all other departments specially Accounts and Finance department and in line with the chart of accounts.		DM/M -P&D		

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1.1.12	After preparation of the master and functional budget, it will be sent to head of planning and budgetary control and finance & accounts dept. for any changes thereof as per PGCB and donors requirements and if there is no change then it should return to Concern person, planning & budgetary. The proposed budget will then be sent to the Managing Director of PGCB by Head of planning & budgetary control. MD will consider whether the proposed budget is prepared in line with PGCB external & internal requirements and its reasonableness if he satisfies, the proposed budget will then be approved and submitted to next BoD (s) meeting for final approval.		DGM-P&D MD, BOD		
1.1.13	Output Next year budget is approved				QF-FIN-40
1.2	Budgetary reporting process Input Collect actual cost data from RCs including HO.				
1.2.1	Within 5th of the following month, concern person, corporate planning and Accounts dept. shall collect actual cost data from respective RCs.		DM/M-ACC & P&D		
1.2.2	Having received actual data, concerned officer shall perform analytical procedure between last month expenditure with current month (line item wise) and identify the variances.		DM/M -ACC & P&D		
1.2.3	Using 'Management by exception' only significant variances will be considered for further control action ignoring the immaterial variances. When this variance is related to RCs, after identifying variance it shall immediately be sent (within 10th of the following month) to them and concerned RCs will give written or through email their response within three (3) working days whether those variance are significant or not. If those variances are related to RC-HO, within 10th days of the following month concerned officers shall give their response.		DM/M -ACC & P&D		
1.2.4	After getting explanation from respective RCs including HO, concern person of planning and accounts dept. shall prepare a summary of variance including explanation and draft a report only incorporating significant one		DM/M -ACC & P&D		
1.2.5	Prepared draft report shall be communicated to the head of cooperate planning and accounts. Both heads of planning and accounts dept. shall consider not only the budgeted and actual cost but also oversee the bank reconciliation statement and other supporting document as required to identify the main reason of that variances of the concerned RCs including head office.		DM/M -ACC & P&D		

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1.2.6	After considering all relevant factors, the report should be finalized by the concern person of accounts and planning dept. as instructed by head of accounts and corporate planning.		GM FIN, DGM P&D		
1.2.7	Head of finance shall finally oversee the necessary changes as instructed by head of accounts and finance and shall report to MD within 20th of the following month.		GM FIN, DGM P&D		
1.2.8	MD shall go through the whole report and after evaluating, he may recommend for further changes or drop the issue raised.		MD		
1.2.9	After incorporating the recommendations of MD by concern person of accounts and planning, the report will be again submitted to the MD and he shall send the report to the Board of directors for final authorization to resolve this issue.		M/DM P&D, ACC		
1.2.10	Board of Director shall have right to drop the issue from final report or take initiative how to reduce this issue by placing effective control tools. BoDs also direct the management to take immediate action as they think fit for the issue and GM must ensure that such issue will not be placed in future.		MD,GM FIN		
1.2.11	Output Management must take control action so that significant Variances may not be raised and that control action may be used as a control tool for next month or year budgeting and reporting process.				
2.0	Revenue				QF-FIN-31,32
2.1	Receivable selection and management Input Collect preliminary data form different parties by Power Grid Company of Bangladesh (PGCB) including Bangladesh Power Development Board (BPDB).				
2.1.1	The top level management of PGCB communicates with BPDB with a view to receive the price which was determined by Govt. from time to time. Worth mentioning that it is the solely discretion of the Govt. to determine the price which represents a single rate to be charged for whole the country until the next official order being received.		MD, CS		
2.1.2	After receiving the price from BPDB, PGCB circulates the rate as mentioned in the previous process to its different offices which will be the conclusive rate subject to the necessary modification/changes by Govt. from time to time.		MD, CS		
2.1.3	PGCB requested to their prospective customer/receivable (s) to submit the following necessary documents. i. Memorandum & Article of Association II. Incorporation certificate III. Latest audited accounts IV. Copy of VAT registration and TIN certificate V. Copy of trade license		GM FIN, M ACC/FIN		

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2.1.4	After receiving and reviewing the documents, PGCB top level management make contract/agreement with new/prospective customers. Each agreement must be complied with all the Govt., BPDB and PGCB requirements which may be subject to necessary modification/changes from time to time and they must also be liable to comply with this.		MD, CS		
2.1.5	All documents received from selected/fixed customers are uploaded by assistant manager, accounts of head office in the accounts receivable module and a system generated customer identification number is allocated to the each customer which distinguishes each from others. This information is preserved in the system.		AM ACC		
2.1.6	New transaction, a separate part of the receivable module, is used for all financial transactions (recognition and collection of receivable) which are directly linked with General Ledger (GL). All types of financial transactions will be inputted in this part and after providing input customer, invoice and month wise system generated report can easily be produced using different options under this module.		AM ACC		
2.1.7	If any customer related information is changed and if it is related to existing customer then updates the related receivable information in the receivable central database.		AM ACC		
2.1.8	If information is related to new customer then comply the steps from 2.1.3 to the next except 2.1.6 (allocated only for new customer).		AM ACC		
2.1.9	Output Central database for accounts receivable is created and updated.				
2.2	Recognition General Overview As revenue/service charge (most important limiting factors) is the most significant part to operate/run other functions economically, smoothly and efficiently, PGCB must have better control over this material affair of the organization. It is as much as substantial that whether an organization will sustain, significantly depends on it. Input Data received from different offices and monthly invoice is prepared accordingly.				QF-FIN-31
2.2.1	PGCB should determine the nature of revenue which may be wheeling charge, rental charge from optic fiber or others		M ACC		

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2.2.2	In each month, a separate committee will be formed by the PGCB top level (By Board of Directors/Executive committee) consisting three members of which two members from PGCB (one from Metering Division and another from concern local office) and another one from BPDB.		MD/CS, D FIN		
2.2.3	The committee will quantify the units of power transmitted through PGCB line under each area office. Usually, to calculate the current month units of transmitted power, previous month units to be deducted from cumulative units of power shown in the respective meter. Current month power transmission to be documented in the prescribed sheet of PGCB and BPDB with the signature of each committee member. After completing the field level activities, attaching signature of respective director of the area office, the signed prescribed sheet will be sent to the head office to record the document in the central database which will be the evidence of revenue of the concerned offices for that month.		Head of Committee, Area office Director		
2.2.4	The assistant manager, accounts of the concern area office will be responsible to follow this process but ultimate responsibility goes to the concern office Director/head of that office. Each sheet must be reviewed by manager, accounts of head office and preserved it in his own custody as future evidence. [Responsible-Director, Assistant manager, Accounts of respective Area office, and Manager, Account-Head Office]		FD, M ACC, H.O AM ACC (respective area office)		
2.2.5	At present there are two types of revenue of PGCB. One generated from wheeling charge and another from optic fiber rental charge. The assistant manager/Jr. assistant manager, accounts of respective area office will prepare the invoice for wheeling charge based on units of power transmitted multiplying by the rate as mention in the previous process (receivable selection). After preparing the invoice, the invoices must be approved by concerned director of the area office. The preparer will recognize the revenue at this stage and accounted for accordingly. All those documents to be transferred to Manager, Accounts dept. of Head Office <u>within the from the preparation of invoice</u> . However, previous as given by committee can also be transferred along with these documents to minimize the administrative cost.		D, AM ACC of respective Area office		QF-FIN-32

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2.2.5 (contd)	For rental charge from optical fiber to different mobile operator, a separate invoice shall be prepared by assistant Manager, Accounts of head office based on the basis of agreement made between PGCB and them. This invoice must be approved by Manager-Accounts and GM Finance separately. A separate excel spreadsheet shall be prepared mentioning the following information: i. Name of receivables ii. Area covered iii. Date of quantify the current period transmitted power (units) for which invoice to be prepared iv. Cumulative power transmission (units) as per meter v. name of the committee member vi. Agreement rate per unit vii. VAT amount (incase of rental charge from optic fiber) viii. Tax amount (if any)		AM ACC of Head office GM FIN, M ACC		QF-FIN-31
2.2.6	The manager, Accounts of head office will forward those documents to the audit dept. for verification of the process and attached supporting documents. After verifying those, the assigned assistant manager of audit dept. will attach a seal mentioning "Audited".		M ACC, DGM ADT		
2.2.7	The assistant manager/Jr. assistant manager, accounts of Head office will also update the account receivable module with the help of Assistant Manager, Accounts of area office. He also must ensure that the revenue and account receivable amount are same of all offices taking consolidated and individually (Location wise) statement of revenue to fulfill the Bangladesh Accounting Standards (BAS-18) and Bangladesh Financial Reporting Standards (BFRS) as adopted by Institute of Chartered Accountant of Bangladesh (ICAB).		AM ACC		QF-FIN-32
2.2.8	Output Revenue is recognized and accounts receivable module is updated accordingly.				QF-FIN-31~32
2.3	Collection from receivable Input As mentioned in the previous process, the prepared invoice to be sent to the receivables.				
2.3.1	The prepared invoice to be sent to the concern receivable within two working days from the preparation of the invoice by the Assistant Manager, accounts of the concern office and accordingly an 'acknowledgement receipt' also to be preserved that the invoice has been sent on time to expedite collection procedure. Otherwise the said manager will be liable to breach his duty.		AM ACC of Area Office		

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2.3.2	After two working days from sending the invoice, the said Assistant Manager will communicate with the respective receivable to collect information regarding the deposit of the invoice amount to their designated bank (HO central bank account). Moreover, he shall also inform manager, accounts of head office electronically (e-mail) about the collection procedure that he gathered in this respect so that proper step can be taken if circumstance desires that. Whatever the situation, he shall also inform his Director, the head of the concern area office.		AM ACC of Area Office		QF-FIN-01, 32
2.3.3	In case of regular receive where invoiced amounts are regularly deposited in the HO central bank account as mentioned in the respective invoice by receivable (normally deposited within three working days) without any negotiation then the said manager will inform head office regarding the collection and his bank position at that date and accordingly update account receivable module and other general ledger. However, through the current financial information system, HO can easily receive information about his books of account.		AM ACC of Area Office		QF-FIN-5,6,32
2.3.4	The Assistant Manager, accounts of area office shall also update a excel spreadsheet incorporating the below mentioned information: i. Name of receivables ii. Cheque/DD/PO date and number iii. Name of bank and deposited amount iv. Deposit date and month		AM ACC of Area Office		QF-FIN-32
2.3.5	If alternative situation is arisen then the area offices and HO will on prompt basis communicate with the concern receivable. All communication must be documented for future legal action, if required.		M ACC HO, AM ACC of Area Office		
2.3.6	If there is any difference between the process no 2.3.3 to 2.3.5 then the Assistant Manager shall prepare a reconciliation statement with reason thereof. The reconciliation must be approved by concern director of the area office and that reconciliation statement must also to be sent to the head office within two working days from preparation.		D,AM ACC of Area Office		
2.3.7	In case of wheeling charge and for rental charge if there is any difference between 2.3.3 and 2.3.5 then a reconciliation must also to be prepared by Assistant Manager, Accounts of head office and that must be approved by Manager, Accounts and GM Finance separately.		GM FIN, M ACC, AM ACC		

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2.3.8	Output The receivable is collected through HO central bank accounts and receivable module and other related general ledger are updated.				QF-FIN-1,5,6,32
2.4	Write-offs and recovery Input Analyze whether concern receivables are considered as delay payer or not pay at all.				
2.4.1	The Assistant Manager, Accounts of area office and HO (account dept.) shall analyzes the database to categorize those receivables who are required to give payment-reminding notice/letter. This analysis shall be prepared mentioning the date (outstanding receivables in terms of days) for which the invoice amount is not yet received although it is due to them as per contract.		AM ACC HO, AM ACC of Area Office		
2.4.2	After forty five (45) days from sending invoice, the said manager shall issue a notice/reminder letter to pay the outstanding amount and avoid the permanent disconnection of power transmission. If positive response is received then the amount to be received through central bank account for receivable collection as mention in the collection process.		AM ACC of Area Office		
2.4.3	If no response is found, in this cases after sixty (60) days, he shall issue another reminder letter referring the terms and condition as envisaged in the contract.		AM ACC of Area Office		
2.4.4	If still there is no response found in this regard, the Assistant Manager shall review the bad debts policy as enumerated in the Accounting Manual under financial policy paragraph. He shall also inform all information the manager, accounts of head office and his director of the same area offices. For getting head office permission, he shall send the necessary documents to the head office, Manager-Account for final approval.		AM ACC of Area Office		
2.4.5	Manager, Accounts of head office shall send it to the GM Finance for getting approval to account for bad debts. GM finance shall scrutinize those documents and communication and if he satisfies then will recommend to account for the amount as bad debts against the concern receivables which may be partial or full.		GM FIN, M ACC HO		
2.4.6	The Assistant Manager, Account of both offices, shall then account for that amount as bad debts giving a journal entry. He also responsible for every month provision for bad debts (created one year earlier) which is written off against accounts receivable.		AM ACC HO, AM ACC of Area Office		QF-FIN-06

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2.4.7	To account for recovery of any amount from previously accounted for as bad debts, the following steps to be followed: First cancel the previous bad debts amount then update the bank book for collected amount and receivable module also.		AM ACC HO, AM ACC of Area Office		QF-FIN-06
2.4.8	Output: GL and accounts receivable module is updated by creating provision for bad debts and adjustment thereof and by writing off one year old provision.				QF-FIN-32
3.0	Fund Management				QF-FIN-22-25,29
3.1	Cash management Input Funds received against accounts receivables, encashment of fixed term deposit (FDR) or availing Overdraft (OD) facilities, and interbank transfer.				
3.1.1	PGCB has several banks as its financial collection points. Collection amount against receivable from various bank accounts are transferred to Operational Bank Accounts as per banking arrangement among PGCB and its banks. Concerned Official of Finance/Accounts Dept. (AD) collects bank balances from bank statements through online banking system of these banks. In case of other banks, he confirms balances over telephone or e-mail/fax or other standard mode of communication. He plots bank wise balance information in daily fund position statement and then aggregates total cash balances.		AM ACC		
3.1.2	Concerned official of Finance/Accounts Dept. gets notification through email for both local procurement and non-procurement payment of invoices for a particular day. He also gets invoices which needs to be paid for that date from different departments and divisions. Expenses for a particular day is estimated based on these email notification and invoices. Payment regarding L/C endorsement for the said day is received from procurement dept.. Total payment amount is plotted in the daily fund position statement.		AM/DM ACC/FIN M PRO		
3.1.3	After aggregating total collection and outgoing payment, he nets off the two figures and determines the cash balance which might either be surplus (positive cash balance) or deficit (negative cash balance) for the said day		AM/DM/M ACC/FIN		
3.1.4	To meet the outflow of fund from particular bank A/C as per fund requisition, concerned official of Finance/Accounts Dept. makes arrangement to transfer fund from respective bank A/C to another bank A/C through issuing a letter / Cheque to the bank authorized by two designated signatories as per Board resolution		AM/DM/M ACC/FIN		

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3.1.5	In case of surplus fund, it is invested in term deposits based on rationality against the fund as unused excess fund.		M FIN		
3.1.6	If overdraft facilities is taken, PGCB should bear the specific rate of interest as agreed with bank and accounted for accordingly		MFIN		
3.1.7	When the daily cash flow balance shows deficit and comparative calculation between taking OD facility and releasing fixed term deposits (FDR) indicates that it will be more cost effective to release term deposit, term deposit is released to make up for the deficit.		GM FIN, MD/CS		
3.1.8	When comparative calculation shows that it will be a prudent decision, in terms of funding cost, to avail overdraft facilities instead of releasing term deposit, bank OD facilities are taken to make up for the deficit of fund		GM FIN, MD/CS		
3.1.9	Whichever arrangement is taken for making up the deficit, managed required amount is transferred to operating bank account (STD account). Then daily cash flow statement is updated by incorporating the amount as collection.		GM FIN, MD/CS		
3.1.10	Output Due payment is made and calculated surplus funds are invested in short term fixed deposit receipt (FDR)				QF-FIN-04,29
3.2	Loan Management (Local and Foreign) Input: PGCB takes initiative through govt. Agency for taking loan and after negotiation, agreement is made and disburse fund accordingly.				
3.2.1	The concerned person of planning division should prepare the Preliminary Development Project Proposal (PDPP) mentioning estimated cost based on past experience. The manager should consider the nature of project to be undertaken and related components/elements of budgetary control in line with the PGCB's master budget.		DGM P&D, GM project, DGM Tech		
3.2.2	Director of planning division will send PDPP to head of planning. After rigorous review by him planning, he may propose some changes which relates to the respective proposed project. If all issues are incorporated in accordance with the PGCB's external and internal requirement then he will authorize it and send to the Managing Director (MD).		D P&D, GM project, DGM Tech.		

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