

# AccountAble<sup>TM</sup>

ASIA

Matrix Based Income & Expenditure

Issue 16; Released: March '10

## IN THIS ISSUE

<b>Multiple Income and Expenditure Accounts</b>	<b>1</b>
Matrix Style Accounts	1
Grouping Expenditure Items	2
<b>Classification</b>	<b>3</b>
Accounting Classification	3
Program classification	3
Using Budget Heads for classification	3
<b>Many Worlds in One World</b>	<b>4</b>

### Multiple Income and Expenditure Accounts

Most implementing NPOs in Asia run several projects at the same time. Often, these are supported by different donor agencies. These agencies expect the NPOs to keep separate accounts<sup>1</sup> for their projects.

Later on, these agencies also need to know how much has been spent on projects supported by them. Some of them ask for audited accounts showing the expenditure. For this purpose, NPOs prepare separate Income & Expenditure Account. Later on, these are duly audited and provided to the donor agencies.

This sometimes becomes quite complicated. An NPO may be implementing dozens of projects. In some cases, these projects may run into a hundred or even more. Preparing separate audited accounts for each can be a major task.

And it also does not add to clarity. This approach allows you to see how much has been spent under each project. However, it becomes difficult to get an overview. For instance, if you want to see what is the total amount of salary paid by the NPO, you will need to add up all the different project accounts. Same applies for other heads of accounts. Handling the numerous pages of such statements themselves can be a frustrating task.



### Matrix Style Accounts

Is there an alternative to this? Some NPOs and auditors use a very simple solution: a matrix style Income & Expenditure Account. In this format, all the projects are arranged across the top of the sheet. The expenditure heads are given on the left side in a column. The actual amounts are written in the correct box. Totals for the columns and rows are also made. A sample matrix is shown on the next page.

Still the matrix can sometimes become very big. An A4 sheet can take about 5-6 columns of figures. If there are more projects, then this creates a problem. In such cases, the matrix is spread over multiple pages.

<sup>1</sup> This does not mean that a separate cash book is needed for each project. Mostly, this can be done by keeping separate ledgers or groups for each of the projects.

Accountaid<sup>TM</sup>  
Accounting for Aid. Aid in Accounting

www.AccountAid.net

## Grouping Expenditure Items

The number of rows also creates another problem. In most cases, an A4 sheet can take about 23-26 printed rows. If the number of items exceeds this, then totals are carried forward to the next page. The same pattern is then continued on the next page.

However, having numerous expenditure items actually creates

more smoke than light. While detail is good, too much detail can make it difficult to make sense of the Accounts. One should, therefore, see whether some of the item headings are similar and can be presented together. For instance, there can be one common heading for salary, honorarium, etc. Other similar types of items can also be clubbed together.

Item	Ford: Empowering Women	Oxfam: Advocacy	CARE: Micro Credit	CCF: Child Rights	Diakonia	Sida	Total
<b>Income</b>							
Balance from previous year	5,20,000	6,10,000	8,05,000	1,75,000	2,00,000	8,00,000	31,10,000
Received this year	15,00,000	5,00,000	10,00,000	8,00,000	4,00,000	20,00,000	62,00,000
Less: T/f to Revolving Fund / Fixed Assets Fund			(10,00,000)				(10,00,000)
<b>Total Income</b>	<b>20,20,000</b>	<b>11,10,000</b>	<b>8,05,000</b>	<b>9,75,000</b>	<b>6,00,000</b>	<b>28,00,000</b>	<b>83,10,000</b>
<b>Expenditure</b>							
Salary	5,00,000	3,00,000	4,00,000	2,00,000	1,00,000	4,50,000	19,50,000
Rent	25,000	15,000	22,000	20,000	5,000	25,000	1,12,000
Electricity	15,000	20,000	15,000	10,000	3,000	5,000	68,000
NFE Centres				3,00,000		15,50,000	18,50,000
Education Material				2,00,000			2,00,000
Training Material	7,80,000						7,80,000
Lawyers' fee		6,00,000					6,00,000
Uniform for children				1,50,000	1,00,000		2,50,000
Stationery	10,000	10,000	2,000	6,000	2,000		30,000
Printing and documentation	30,000	15,000	15,000	15,000	15,000	20,000	1,10,000
<b>Total Expenditure</b>	<b>13,60,000</b>	<b>9,60,000</b>	<b>4,54,000</b>	<b>9,01,000</b>	<b>2,25,000</b>	<b>20,50,000</b>	<b>59,50,000</b>
Unspent/(Overspent)	6,60,000	1,50,000	3,51,000	74,000	3,75,000	7,50,000	23,60,000

Following is an illustrative list of items that can be grouped together:

Salary	Overheads	Travel	Material
Salary	Rent	Local conveyance	Education Material
Honorarium	Electricity	Program travel	Training Material
Wages	Telephone	Travel allowance	Raw Material for training
Staff Benefits	Water	Fuel & Vehicle hire	Reference Material
Remuneration	Office expenses		Supplies

You can group other items also, by choosing and grouping similar items under one suitable heading.

## Classification

### Accounting Classification

Another question that arises is whether the Income & Expenditure Matrix should be presented using accounting heads or program heads. Accounting heads are designed using an accountant's perspective, and are easily understood by most users. These help people understand how an organization spends its money. For instance, these can tell you how much an organization spends on salaries, rent, travel, stationery, etc. However, this classification does not tell you the purpose of spending the money. The above illustration uses the accounting classification (salaries, travel, rent, etc.)

### Program Classification

These are designed from a program person's perspective. These tell you the purpose of spending the money. For example, you can understand how much money has been spent on environmental issues, on empowerment, on children's education, etc. This may help people understand the priorities of an organization. However, you cannot figure out how the money was spent. For instance, how much went out on salaries, overheads, etc. Another drawback is that some auditors are reluctant to certify this classification. This is because most auditors do not verify purpose of an expense during the audit. Some of the illustrative classifications are shown below:

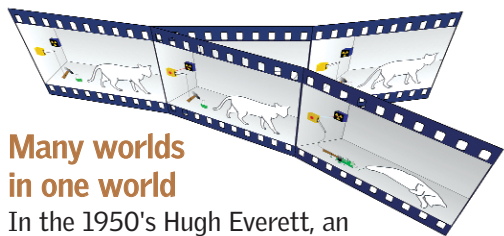
Item	Ford: Empowering Women	Oxfam: Advocacy	CARE: Micro Credit	CCF: Child Rights	Diakonia	Sida	Total
Awareness		20,000			50,000		70,000
Watershed						1,00,000	1,00,000
Micro-credit			50,000				50,000
Education Program				1,50,000			1,50,000
Advocacy		40,000					40,000
Health Program	75,000						75,000
<b>Total Expenditure</b>	<b>75,000</b>	<b>60,000</b>	<b>50,000</b>	<b>1,50,000</b>	<b>50,000</b>	<b>1,00,000</b>	<b>4,85,000</b>

### Using Budget Heads for Classification

Some people also use the budget heads themselves as a kind of classification. This method is simple, and easily understood by the donor agencies. However, this may not be

very helpful for others. Also, this may lead to use of many different budget, as it will be difficult to find common grouping for the budget items of different agencies. An illustrative list is shown below:

Item	Ford: Em-powering Women	Oxfam: Advocacy	CARE: Micro Credit	CCF: Child Rights	Diakonia	Sida	Total
Publications	1,20,000						1,20,000
Travel	10,000	5,000	6,000	5,000	2,000	6,000	34,000
Administration	10,000	10,000	5,000	6,000	2,000	4,000	37,000
Workshop	25,000			40,000			65,000
Rally		15,000				20,000	35,000
NFE Centres				1,00,000			1,00,000
Salaries	75,000	50,000	55,000	25,000	10,000	15,000	2,30,000
<b>Total Expenditure</b>	<b>2,40,000</b>	<b>80,000</b>	<b>66,000</b>	<b>1,76,000</b>	<b>14,000</b>	<b>45,000</b>	<b>6,21,000</b>



## Many worlds in one world

In the 1950's Hugh Everett, an American scientist came up with the idea of many alternative worlds co-existing side by side. This was the first time that this concept had found mention in a scientific context<sup>2</sup>. The idea was rejected by the leading scientists of the time, leading Hugh Everett into ignominy and a tragic end to his life. But the time for his idea had come - the phrase 'many worlds' came into fashion in the world of science fiction, and gradually established itself in the world of Quantum Physics as well.

Is it time for NPO accountants to consolidate their many Balance Sheets into one? Probably yes, if we want to make sense of the many projects that an NPO handles. Matrix Reporting<sup>3</sup> offers a remarkably simple and economical way to do this.

<sup>2</sup> The concept of multiple worlds has existed since ancient time in theological literature around the world

<sup>3</sup> Pp. 93-96, 105-107, 'Accounting Guide for Non-Profits and Non-Profit Sector Accounting', (2006) APPC, www.asianphil-anthropology.org

## Matrix: The Mother's Womb

The word matrix simply means a table showing different possible values. This usage is quite recent, from 1914, in fact.

However, there is an older meaning of the original French word *matrice*, which meant a pregnant creature (1373). This word itself comes from the Latin *mater*, which is similar to the Sanskrit *matri* (meaning mother), and possibly enjoys a common Indo-European root.

In 1555, the word *matrix* was first used to describe a place or medium where something is developed, just like a womb. And exactly 444 years later, a science fiction film by this name caught public fancy. The movie, with fast-paced fight sequences, tries to show how the world as we see it may merely be a computer projection, similar to the reality of a computer game!

Fantastic as it may seem, this model of the world has continuously engaged the attention of ancient sages in Vedic times, of philosophers such as Plato, and of modern Quantum physicists! In 1956, Hugh Everett proposed the many worlds theory, which eventually revolutionized quantum mechanics.

Sources: Yoga Vashishth; www.etymology.com; www.matrix.com; Information in the Holographic Universe, Jacob D. Bernstein, (Scientific American, pp.48-55, Aug-2003); Life After Death, Deepak Chopra (2006), The Many Worlds of Hugh Everett, Peter Byrne (Scientific American, Dec-2007; www.sciam.com).



**About AccountAid:** AccountAid is a private consulting firm based in New Delhi. It works on accounting and regulatory issues concerning NPOs. For this purpose, it conducts research, workshops, and publishes reference material relevant for NPOs and grant-makers. It also provides advice to donor agencies on grant management systems.

**What is AccountAble:** Each issue of 'AccountAble' covers a different topic related to NPO regulation or accounting and is mailed to about 5000 persons in NPOs, Agencies and audit firms. AccountAid encourages reproduction or re-distribution of 'AccountAble' in workshops or NPO newsletters for non-commercial use, provided the source is acknowledged.

**AccountAble on the Web:** All the past issues of 'AccountAble' are available on our website [www.AccountAid.net](http://www.AccountAid.net).

**AccountAble through e-mail:** AccountAble is now available through e-mail without any charge. To

subscribe, visit, [www.AccountAid.net](http://www.AccountAid.net) and click on 'AccountAble Asia'.

**AccountAid Capsules:** Short items of information on NPO accounting and related issues. To subscribe, visit, [www.AccountAid.net](http://www.AccountAid.net) and click on 'AccountAid Capsules'.

**Comments:** Your comments and suggestions can be sent to AccountAid India, 55-B, Pocket C, Siddharth Extension, New Delhi — 110 014 09, India; Phone: +91-11-2634 3128; Phone/Fax: +91-11-2634 3852; e-mail: [info@accountaid.net](mailto:info@accountaid.net).

© AccountAid™ India विक्रम संवत् २०६७ चैत्र, March 2010 CE

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

Content: Shri Sanjay Agarwal

Design: Ms. Moushumi De

For private circulation only.

info@accountaid.net