

**CHAPTER 11**Accounting of Own  
Means Contribution

*“One’s real worth is never a quantifiable thing.”*

*Malcolm Forbes*

**11.01** Own Means generally refers to the component of resources and funds mobilised or contributed by the implementing or co-ordinating partner of a development project. In an externally funded project own means could be the value of goods & services and funds other than the grants received from the donor agency. In other words, own means is the commitment or contribution of various stakeholders to the project other than the funding agencies. A donor/funding agency normally does not finance 100% of the project and it expects that the following stakeholders should contribute the remaining amount of funds or resources :

- Partner organisation
- Community based organisation
- Beneficiaries
- Other local organisation
- Government Agencies
- And, at times, co-funding organisations

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**11.02** There are good reasons for the project- partner to participate in the expenditure (upto a certain percentage) to be incurred on a programme/project. For example :

- strengthening of responsibility and decision making as all the stakeholders play a pro-active role rather than doing the job of only implementation
- motivation and a sense of ownership for the beneficiaries to contribute to their project/ programme
- better co-operation between beneficiaries and credit institutions in case of bank financing
- educational effects for the beneficiaries; and
- creating conditions for the sustainability of the project after contributions from funding agencies have been exhausted.

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**11.03** The assessment and accounting of own means has always remained a source of ambiguity and confusions. For instance, contribution made by the beneficiaries directly to the project do not normally pass through the book of accounts of the partner organisation. But they are reflected as sources of funds to meet the requirement of the funding agencies. Therefore, it is important to understand the context and the purpose for which own means is being assessed and accounted for.

**11.04** In strict literal or technical sense, only the contributions made by the partner organisation could be considered as own means because legally whether

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the funds were generated locally or through beneficiaries or through donor agencies, they are all external sources as far as the legal entity of partner organisation is concerned. Similarly, the beneficiaries, who are the ultimate owners of the project, will consider everything external funded except their own specific contributions.

**11.05** In the example, given in the box below, as far as the funding partner is concerned the own means is 30%. In strict legal and technical interpretation, the own means of partner organisation is 10%. But for reporting purposes it has to prepare records for entire 30% local generation. The contribution of government subsidy and beneficiaries being directly made to the project does not get reflected in the books of the partner organisation. Similarly, the beneficiaries who are the ultimate owners of the project contribute only 5%, therefore the own means for them is only 5% and rest 95% is external grants.

Funding Partner	70%
Partner Organisation	10%
Local Donations	5%
Government Subsidies (directly given to beneficiaries)	10%
Beneficiaries (directly contributed)	5%
<b>Total</b>	<b>100%</b>

**11.06** It is important to understand the context in which we are assessing and accounting own means. Once the conceptual or the fundamental clarity is established then it would become much easier to assess

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and account for the own means contribution. Generally, the need for assessing own means arises out of the requirement of the funding agencies and therefore it remains contingent upon the policies of that particular funding agencies.

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**11.07** Own means could be in cash as well as in kind and it can come from various sources. In the case of non-cash contribution it becomes important that proper assessment of the value of the contribution is made and also ensured that the contribution is relevant and as per the project plans.

**11.08** It is advisable if the project-partner is in a position to assess separately the quantum of its contribution in cash and non-cash inputs in the beginning itself. Further, the composition of non-cash inputs may be in the form of donations of land, building, capital equipment, labour, material and other services.

**11.09** It is advisable if non-cash contribution in various identifiable forms are estimated by the project-partner at the time of working out of the source of funds for financing a particular project/programmes so that there is no room for difference of opinion between the funding agencies and the project-partner at a later stage.

**11.10** Before making a commitment of an expenditure (either of a capital or revenue nature) to be financed by funding agencies/own means, it shall be ensured by the project-partner that the proposed expenditure forms part of the approved 'Cost Plan'. If not, the ways and means of financing the same should be explored outside the project. If the project-partner is not able to arrange outside finance, consent of the funding agency should be taken in advance.

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**11.11** As explained earlier, contribution in non-cash inputs can be in the form of donations of land, building, capital equipments, labour, materials and other services.

**11.12** Particular care should be taken in making out vouchers in support of expenditure representing the project-partner's own non-cash contribution to ensure that they explain adequately and in sufficient detail the nature and make up of such expenditure.

**11.13 Donation of Land and/Building :** Donation of land/building made to a project/programme can be accounted for as "Own Means" by the project-partner if the same forms part of the approved "cost plan". For this purpose, the following criteria should be adopted.

**a) Land**

- The acquisition of land should be budgeted in the approved "cost plan"
- Total area of land
- Type of Land (freehold, leasehold)
- Prevalent market rate per acre/hectare
- Cost of registration of land
- Legal title of the property
- Physical possession of the property
- Acknowledgment from the donor; and
- Registration of land in favour of the organisation.

**b) Building**

- Construction/acquisition of building should be included in the approved "Cost Plan"

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- Total covered area
- Type of Construction
- PWD rate of construction per sq.ft.
- Prevalent market rate as per certificate or architect approved Civil Engineer.
- Legal title to the land and building
- Acknowledgment from the donor
- Physical possession of the property and
- Registration of land and building in favour of the organisation

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*Capital equipments financed out of funds provided earlier are not charged to the project again.*

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**11.14** There may be cases where the farmers/inhabitants/beneficiaries of a particular area may donate capital equipments for a project/programme (tractor, vehicle etc).

It shall, however, be ensured that :

- a) capital equipments financed out of funds provided earlier are not charged to the project again.
- b) in case of second hand capital equipments, they are in good working condition and not more than five years old.

**11.15** The following points shall be taken into account while arriving at the value of the capital equipments donated to the project :

- Nature of the capital equipments
  - Acquisition of capital equipment should be budgeted in the approved “cost plan”
  - Present condition of the equipment
  - Estimated realisable value, if sold in the
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market

- Legal title to the property
- Physical possession of the property
- Acknowledgment from the donor; and
- Transfer of name in the vehicle registration book.

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**11.16** In a project 'Shramdan' (donation of labour) given by a group of farmers/beneficiaries/labourers shall be evaluated as "Own Means" of financing on the basis of the following criteria :

- There should be a provision in the approved "cost plan"
  - Category of farmers/labourers worked i.e. skilled, semi-skilled and unskilled.
  - Actual number of days/hours worked
  - Nature of work done
  - Rate per day/hour keeping in view the provisions of Minimum Wages Act prevalent in the States/area of work
  - Piece rate/volumes of work done and payments normally made for such services rendered
  - Estimated and actual measurement of work done before and after the completion of the assigned job; and
  - Certificate from each farmer/labourer
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regarding “Shramdan” given for a project.

**11.17** Like bricks, cement, sand, stones, bamboos, seeds, fertilizers etc. can be accounted for as “Own Means” of financing in the books of account on the basis of the following guidelines :

- Materials, seeds, fertilizers etc. should form part of the approved “cost plan”
- Nature of Materials (seeds, fertilizers etc.) received.
- Actual quantity received and used in the project.
- Standard usage per sq. feet cubic feet acre/ hectare as per PWD or other standards
- Market price of such materials seeds, fertilizers etc. and
- Acknowledgment from the donor.

**11.18** Free use of “Capital Equipments” in case of free use of capital equipments for a specific purpose/ period, the value of the same can be ascertained as “Own Means” on the following basis :

- Name of Capital Equipment (e.g. tractor, jeep etc.)
- Number of days/hours used
- Cost of running and maintenance of capital equipment in the form of :
  - Salary
  - Repairs and Maintenance
  - Other direct expenses, if any
  - Depreciation, or equivalent hire charges

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it the equipment would have been taken on hire.

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**11.19** Each organisation should develop a guideline for assessment, documentation & accounting for own means, keeping in view the requirements of the funding partners. Certain components of own means may not find place in the books of accounts of the partner organisation, in such circumstances subsidiary statements and records may be prepared. Lot of organisation face difficulty in convincing their Auditor at the time of certification of such contribution, therefore it is important to involve and take advices of the Auditor from the planning stages itself.

- 1) It should be ensured that the contribution is directly relevant to the project. Even genuine contribution received outside the project plan should not be considered in that particular project.
  - 2) The items/services treated as own means should be otherwise available at a cost. In other words the goods and services contributed should have a reasonably ascertainable realizable value. For instance, the goods and services contributed towards construction of a community hall can easily be treated as own means of contribution. But, if a painting is hanged in the community hall then it would be difficult to assess the amount of contribution unless the cost of material used is only claimed.
  - 3) The basis of valuation should be reasonable and acceptable. Arbitrary basis of valuation should
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always be avoided. For instance, contribution of labour should always be related with actual work done. The cost of materials and other capital items should be taken at the accepted market value.

- 4) Small items of revenue nature should normally be taken at cost. For instance, if food is provided to the participants in a programme then the valuation should be made on the basis of actual cost to the contribution including labour, fuel, transportation, etc. Any debatable basis such as per plate or approximate value should be avoided unless the amount is very small or negligible.
- 5) Large items generally of capital nature should be treated at market value. For instance land contributed by a stakeholder should be treated at the market value at the time of contribution even if the actual cost of acquisition is less. It is not necessary to consider at what price the contributor had purchased/acquired the land. People may have ancestral land where the cost of acquisition is nil. Similarly, items such as bricks, sand etc, should be treated at market value.
- 6) A written acknowledgment from the donor should always be obtained and kept as a supporting document for the own means of contribution.
- 7) Proper subsidiary records should be prepared for all the own means of contribution generated. Preparation of subsidiary records becomes very important because all the own means may not find a place in the main books of account.
- 8) The donor agencies should be informed of the various components of own means as well as the methods of assessing the own means of contribution.
- 9) Organisation usually face problems in convincing Auditor while certification of own means of contribution for reporting purpose. It is important that the Auditor is involved during the planning and implementation stage also.

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