

CHAPTER 9: BACK OFFICE MANAGEMENT

9.1 Introduction of the Unit of Learning/Unit of Competency

Back office management is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competences required to manage back office. It involves processing salary, managing suspense account, managing asset register, managing office stationery, managing voucher, performing data clean up and managing customer account. The significance of back office management to TVET level 6 banking and finance curriculum is to equip the learner with skills and competencies to enable the organisation achieve its goals and productivity and cost efficiency. It also equips him/her with skills to manage the human resources at the work place, management of data, enhance organisation-customer relationship, among others so as to fit in the workplace.

The critical aspects of competency to be covered include demonstrate ability to process salary, identify sources of suspense entries, manage asset registry, office stationery and voucher, perform data clean up and customer account management. The basic resources include; computers, internet connection, phones, stationaries and furniture.

The unit of competency covers seven learning outcomes. Each of the learning outcome presents; learning activities that covers performance criteria statements, thus creating trainee's an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

9.2 Performance Standard

Process employee salary, manage suspense account, asset register, office stationery, bank voucher, perform data clean and manage customer account as per standard operating procedures and in accordance to organizational policy.


9.3 Learning Outcomes

9.3.1 List of Learning Outcomes

- a) Process employee salary
- b) Manage suspense account
- c) Manage asset register
- d) Manage office stationery
- e) Manage bank voucher
- f) Perform data clean
- g) Manage customer account

9.3.2 Learning Outcome No 1: Process Employee Salary

9.3.2.1 Learning Activities

Learning Outcome No 1: Process Employee Salary	
 Learning Activities	Special Instructions
1.1 Receive business customer request as per standard operating procedures 1.2 Verify business customer request as per standard operating procedures 1.3 Check business customer employee details as the company records 1.4 Check business customer account as per standard operating procedures 1.5 Capture details of business customer employee in the system as per organizational policy	Observation Discussion Case study

9.3.2.2 Information Sheet No9/LO1: Process Employee Salary



Introduction

The learning outcome covers; salary, process, validation of business customer details, verification of employee details, importance of verification of employee details, requirement for salary processing and costs involved with salary processing.

Definition of key terms

Salary: It is a form of compensation that employees receive from the employer for rendering services for a specific period of time as may be specified in the employment contract.

Process: It is a standard procedure that is followed in order to achieve specific outcome or result.

Content/Procedures/Methods/Illustrations

1.1 Business customer request is received as per standard operating procedures

The main aim of having an SOP in the organization is to ensure uniform performance efficiency and quality output while striving to minimize errors and miscommunication. In process employees' salary, business customer request is received in form of payroll, where all employees' details are captured.

Importance of having a standard operating procedure

- Ensures operational continuity. With a standard operating procedure, employee absence does not affect operations in the organization because any other employee can carry on with the work.
- It created efficiency and enhances profitability because of reduced costs and minimum errors/wastage.
- It contributes to quality output because all employees are procedurally guided from the start to the end of the process.
- It eliminates cases of fraud because the whole process is handled by multiple personnel.
- It enhances accountability because any error can easily be traced.

Business customer request is received in form of payroll, where all employees' details are captured. This information includes;

- Employee's name
- The branch at which the salary account is held
- The name of the employer, usually assigned the CIF ID
- The employee's CIF ID and his identification details, either the ID number or the passport number
- Employee's account status (either active, closed or "on hold")
- Employee's account number
- The currency in which payment is to be made
- The amount of salary

1.2 Business customer request details are verified as per standard operating procedures

Salary information for all employees working for a particular employer is usually maintained under the "employee maintenance". This information is kept after mainlining the employer's details. Once the payroll is received, all the details are verified against the record maintained by the company/bank.

The procedure to be followed may include;

- i. Reviewing information captured in the payroll for each employee to ascertain the correctness of the information.

The information to be verified includes;

- Individual's details to ensure that all listed persons are employees of a particular employer.
- Funding information.
- Accuracy of the transfer expenses for each employee.

- ii. Determination of any adjustments to be made, either on the account or payment information and the necessary action to correct errors identified during the reviewing process.
- iii. After review, the payroll verification form is signed.
- iv. A copy of payroll verification is retained for the current period.

Importance of verification of employee details

- It reduces the risk of fraud and error
- It supports a safe environment within which individuals and business payments are made
- It reduces errors in the payment information. This ensures that customers get the best experience
- Ensures that no active employee is left out and that all inactive employees are not included

1.3 Business customer employee details are checked as the company records

Company record is a list of all employees of a particular company is usually maintained under the “**Employee Detail Maintenance**” file. Once they are received, they are cross checked.

Importance of checking business customer details as the company records

- It helps in reducing errors and fraudulent cases
- It prevents processing of faulty information which can otherwise contribute to fraud and losses

Employee’s details are maintained under the “Employee Details Maintenance” as filed by the company. Before processing payment, all particulars relating to each employee are checked against the record maintained by the company. The record usually shows the default salary amount for each employee (Salary that is periodically credited to the employee’s account).

NOTE: It is important to check employee’s details before processing payment because the salary amount may differ from the default payment for the current period.

1.4 Business customer account balance is checked as per standard operating procedures

After processing salary, the details can be viewed or retrieved using the “salary log”. The details include the customer account balance and can be viewed along the following criteria:

- Branch.
- Salary date
- Category of product used in processing data
- Transaction reference

- Processing date
- Employer customer identification file
- Employer and employer account
- Employer's account currency
- Salary amount
- Salary currency
- Employee's customer identification file
- Employees account
- Employee's account branch
- Employee account currency

The purpose of checking business customer account balance is to ascertain the success of employee's salary process.

Requirements for salary processing

- Name of the employee
- Account number
- Employee account branch
- Employee customer identification file
- Salary amount
- Employer and employer's account
- Employer customer identification file
- Employee reference number

Costs involved with salary processing

Standard costs and fees

These costs are associated with any payroll solution. There is normally a standard fee charged per month, ranging between \$10 and \$ 85, depending with the size of the company and the number of employees. The company will then have to pay additional monthly charges for each employee a charge ranging from \$5 to \$15. Some providers usually set a minimum cost of processing payment independent of the number of employees. Small companies with say 15 employees may pay standard costs ranging from \$40 to \$ 160 each month.

Additional fees

In addition the standard costs and fees, additional fees are normally charged by providers who offer additional services like;

- Direct deposit
- Generating tax forms
- Paper check printing
- Employee portals.

1.5 Details of business customer employee are captured in the system as per organizational policy

This is the final stage of processing employee's salary. After all the details are received, validated, verified, checked and processing costs paid, the business customer details are captured in the system. Although there exists no law that specifies that the details should be retrieved, the captured information including the employee's full name, email address and tax withholding details may be retrieved.

Importance of capturing employees details in the system

- It helps in keeping the updated record of all the employees under a particular employer
- It reduces the processing time
- The record kept serves as a reference for future purposes
- It makes it easier in case of future editing

Conclusion

This learning outcome covered salary, process, validation of business customer details, verification of employee details, importance of verification of employee details, requirement for salary processing and costs involved with salary processing.

Further Reading



1. Read on calculating earnings and deductions for employees

9.3.2.3 Self-Assessment



Written Assessment

1. Written Assessment the different view of payroll results can be obtained from
 - a) Payroll status
 - b) Remuneration statement
 - c) Payroll result log
2. Additional fees are charged by providers who offer the following additional features except;
 - a) Paper check printing
 - b) Check processing
 - c) Direct deposit

3. After processing salary, customer details can be retrieved using _____.
 - a) Payroll journal
 - b) Salary log
4. What is CIF in full?
 - a) Customer identification folder
 - b) Customer identification file
 - c) Customer identification function
5. Which one of the following can be used to check the business customer account balance?
 - a) Salary date
 - b) Transaction reference
 - c) All of the above
 - d) None of the above
6. Salary information for employees working for the employer is maintained under?
 - a) Employer's maintenance file
 - b) Employee's maintenance file
7. Which of the following information is not among those retrieved by employer after salary processing?
 - a) Withholding tax details
 - b) Email address
 - c) Employee's full name
 - d) Transaction reference
8. Discuss any three forms of employee compensation.
9. Summarize the procedure that is followed when verifying business customer details.
10. Analyse the importance of having a standard operating procedure in an organization.
11. Discuss the main costs involved with salary processing.
12. Suggest the importance of checking and verifying business customer details before processing payment.

Oral Assessment

1. How do you verify employee details?
2. What do you use to validate customer details?

Practical Assessment

Administration of wages and salary is the process of compensating employees for the services rendered to the organization. Procedurally, people expect payment after work and such payment is usually expected on time. Over the past 10 years, Mozac Company has been paying its employees irregularly and sometimes end up losing money because of poor record keeping. Advise the management of Mozac company why it is important to develop a structured employee salary process and how it will be used to minimize these losses.

9.3.2.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.2.5 References




- Bleg, B. J and Judith, A. T. (2006). Payroll Accounting 2006. Nelson Education.
- Bragg, S. M. (2003). Essentials of payroll. New York. Oxford University Press.
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9.3.3 Learning Outcome No 2: Manage suspense account

9.3.3.1 Learning Activities

Learning Outcome No 2: Manage suspense account	
 Learning Activities	Special Instructions
2.1 Retrieve suspense reports as per standard operating procedures	Lectures
2.2 Analyze suspense reports are analyzed as per standard operating procedures	Group discussions
2.3 Identify source of suspense entries as per standard operating procedures	Illustrations
2.4 Act on entries in suspense account as per standard operating procedures	

9.3.3.2 Information Sheet No9/LO2: Manage Suspense Account



Introduction

The learning outcome covers; suspense, importance of managing suspense accounts, types of suspense accounts, the need for suspense accounts in banks, risks associated with suspense account, retrieval of suspense report, reconciliation and reversal of suspense items.

Definition of key terms

Suspense: It is the state of being undecided or doubtful about a situation suspense accounts are accounts where uncategorized transactions are recorded as the accountant gathers more information on how to categorize the transaction. A suspense account holds transactions temporarily. Moreover, it is used by accountants to record discrepancies in their accounting books.

Reconciliation: It is the process of ensuring that records are in agreement. It is used to ensure that money leaving the organization is equal to the money spent. It is mostly used to merge books of account.

Content/Procedures/Methods/Illustrations

2.1 Suspense reports are retrieved as per standard operating procedures

Suspense accounts are used in two scenarios. First it is used to record transactions that are unclassified. These are transactions that have little known details about them. For example, receiving money in the bank without description of the transaction. Secondly, a suspense account is opened when the trial balance does not balance. It is used to determine the transactions that were unrecorded or that were recorded incorrectly.

At the end of the financial year the suspense account shall be reviewed and all transactions should be classified and posted into their various books but if they are not the suspense account is included in the statement of financial position as an asset or liability.

Suspense Account Retrieval and Reconciliation

The process of suspense, account retrieval and reconciliation is as follows;

Step 1: Review trial balance account in the general ledger to make sure the debit and credit sides of the ledger are equal. If they are not equal calculate the difference so as to know the discrepancy.

Step 2: Ensure that the difference from the above calculation is reasonable.

Step 3: Check all transactions against the entries of the journal to make sure it was not an entry error. This step is to ensure that all records of each transaction are recorded; they are posted correctly and have accurate supporting documents.

Step 4: Validate transactions against trial balance to ensure that the posting are accurate.

Importance of maintaining suspense account

- Helps to keep accounting books organized: Suspense accounts helps accountants organize their entries and makes sure that they have all the necessary documents.
- They ensure that accounts are accurate – In case of an uncertain transaction, they are recorded so that they can be investigated further.
- They help to identify errors in the books of accounts.

How suspense accounts are used

- i. When preparing a trial balance: When two sides of the trial balance do not match a suspense account is opened to help correct it in case debits are more than the credits, difference is recorded as a credit and vice versa.
- ii. Uncertainty of the payment
- iii. Uncertainty in classification of the transactions

How to analyze suspense accounts

- i. Suspense account reports are made when your trial balance is out of balance or when you have an unidentified transaction.
- ii. Suspense account is a general ledger account that acts as a holding account until the error is discovered or the unknown transaction is identified.
- iii. When working with the trial balance, you can open one Suspense Account to hold all of the discrepancies until you find them.
- iv. Suspense accounts are temporary accounts and must be closed by the end of your accounting cycle.

2.2 Suspense reports are analyzed as per standard operating procedures

Analysis of the suspense account is done after retrieval of the suspense report. Analysis of the suspense report is done by checking the transactions against the available supporting documents. Moreover, analysis helps to decide the kind of suspense account to open.

Types of suspense accounts

- **Trial balance suspense accounts**

This is listed on the trial balance under other assets and it remains there until the discrepancies are solved. If the debts are larger than credit difference will be posted in the suspense at as credit and vice versa.

- **Received payments suspense account**

This is when a suspense account is opened when an invoice is paid without further instructions or the accountant is unsure of the invoice being paid.

- **Accounts payable suspense account**

This suspense account is made if an asset is purchased and paid for but it won't be delivered unless it is fully paid for.

- **Suspense account Journal entries**

Suspense accounts are important in banks because sometimes there banking entered with invalid account numbers or the account does not exist due to deletion or being frozen. It is also used in mobile banking, for instance money transferred to another user will remain in the suspense account until it is withdrawn.

2.3 Source of suspense entries are identified as per standard operating procedures

There are many sources of suspense account entrants. This is mostly classified on the use of the suspense account. The sources of suspense accounts include; the trial balance, balance sheet and journal entries.

Trial balance

Trial balance as a source of suspense account entry if two sides of the trial balance do not match by the end of the financial year a trial balance is created to help balancing it.

For example, a bookkeeping system of a company is not computerized and at 30th September 2019 the book keeper was unable to balance the trial balance. The trial balance totals were:

Debit 1,796,100 Credit 1,852,817

The start of the trial balance will be;

Table 20: Trial balance

DR	Suspense Account	CR
Difference	56,717	

Balance Sheet

A suspense account can be located in any areas of a balance sheet. Either in the Assets, Liabilities, Revenues and Expenses section of the balance sheet.

For example: If a company receives Ksh. 50,000 but cannot find the reason for receiving the money. The cash asset will be debited but the account to be credited will be unknown therefore forcing the accountants to create a suspense account so as to investigate further the details.

There are many risks associated with use of suspense account. They are;

- If suspense accounts are not closed at the end of the financial year and presented with the final books of accounts it weakens the position of the company.
- They are associated with fraud
- They are most likely to be erroneous

2.4 Entries in suspense account are acted upon as per standard operating procedures

Suspense account examples

Receiving partial payment from customer

Receiving partial payment of Sh 20,000 from customer procedure.

Open suspense account, credit 20,000 to suspense account. Debit the cash account for the same amount.

Account	DR	CR
Suspense Account		20,000
Cash	20,000	

After receiving full payment, debt 20,000 to the suspense account credit account receivables for the same amount.

Account	DR	CR
Suspense Account	20,000	
Account receivable		20,000

This closes the suspense account.

Example 3

Not sure how to classify a transaction

A supplier invoice of Sh 200,000 of services on the suspense account debit suspense account credit account payable.

Account	Debt	Credit
Suspense	200,000	
Account payable		200,000

Later it is decided to bill on the purchasing account to close the suspense account credit suspense account and debit purchasing.

Account	Debt	Credit
Suspense		200,000
Purchasing	200,000	

Conclusion

This learning outcome covered suspense, importance of managing suspense accounts, types of suspense accounts, the need for suspense accounts in banks, risks associated with suspense account, retrieval of suspense report, reconciliation and reversal of suspense items.

Further Reading



1. Effects to the financial position of a company if the suspense account is not closed by the end of the financial year.

9.3.3.3 Self-Assessment



Written Assessment

1. If payment received from a customer and the accountant is not sure to which account to apply to which of the following is the correct journal entry.
 - a) Debit suspense account
 - b) Credit suspense account
 - c) Credit cash sales
 - d) Debit account payable
2. Which of the following situations require use of suspense account?
 - a) An expense allocated to a specific department
 - b) Payment of specific invoice
 - c) Brokerage client purchasing securities
 - d) Receiving partial mortgage from client
3. In case of a payable and it is uncertain to which department to charge it to, which is the correct journal entry?
 - a) Debit account receivable
 - b) Debit suspense account
 - c) Credit suspense account
4. Which of the following is not a type of suspense account?
 - a) Received payment suspense account
 - b) Trial balance suspense account
 - c) Account payable suspense account
 - d) None of the above
5. Suspense accounts are used to correct errors in the trial balance.
 - a) Yes
 - b) No
6. Trial balance is a source of information for the suspense account.
 - a) Yes
 - b) No
7. Suspense account's contents are uncategorized transactions.
 - a) Yes
 - b) No
8. Discuss the importance of suspense accounts.
9. Elaborate the risks of suspense accounts.
10. Elaborate the use of suspense accounts in banks.
11. Evaluate suspense account reconciliation process.
12. Discuss reversal of suspense items.

Oral Assessment

1. What are the sources of suspense account information?
2. What is a suspense account? State its uses.

Practical Assessment

The following suspense account was created with a debit balance of Ksh. 350,000 to balance the trial balance.

Subsequently the following errors were also found:

- a) Closing balance of the purchase ledger is under cast by Ksh. 16,000
- b) Cash received of Ksh. 45,000 is only entered in the cash account
- c) Purchase returns has been overcast by 26,000

What is the remaining debt balance in the suspense account after correction of the errors?

9.3.3.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.3.5 References




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9.3.4 Learning Outcome No 3: Manage Asset Register

9.3.4.1 Learning Activities

Learning Outcome No 3: Manage Asset Register	
 Learning Activities	Special Instructions
3.1 Mark bank assets as per standard operating procedures 3.2 Post bank asset in asset register as per standard operating procedures 3.3 Maintain bank asset register as per standard operating procedures 3.4 Handle asset requisition as per organization policy	Discussion Oral Assessment

9.3.4.2 Information Sheet No9/LO3: Manage Asset Register



Introduction

The learning outcome covers; asset register, different types of assets found in a bank, importance of maintaining asset registers, process of marking assets, details to capture in asset register, depreciation of assets, how to determine the cost of the depreciated asset, disposal of asset and repair of assets.

Definition of key terms

Asset: An item owned by the company and it has value to the company, for example, cash as an asset can be used immediately by the firm.

Asset Register: This is a list of the assets owned by the company and the list shows the price quantity of different type of assets.

Disposal of asset: Disposal means the sale of an asset in order to replace with another one or it can also means the process of getting rid of an asset because it has depreciated.

Depreciation: This is when an item value have been declined from the initial price, for example, the machine have been fully utilized at the extent that it cannot be able to provide certain service in the firm.

Cost: This involves an agreed sum of money between the buyer and the seller in order to acquire the asset

Content/Procedures/Methods/Illustrations

3.1 Bank assets are marked as per standard operating procedures

Bank assets have different types of assets, including physical assets for example a bank may own, long term loans, equipment, land cash, investment or even the securities.

Several methods can be used to mark the asset as illustrated below;

- i. **Invisible marking:** UV pens put an invisible mark on the asset owned by the bank such as vehicles that can only be seen under UV light. These markers are cheap and easily available.
- ii. **Use of adhesive tag:** The method involve permanently affix the identification information to the asset by using a standardized adhesive tag. This method is beneficial to the tangible assets.

Marking an asset is beneficial to the bank as follows;

- Marking an asset help the bank to prevent loss of an asset since the assets are labeled and well known.
- Marking an asset in the bank shows how much the bank can receive from the marked item whenever it is disposed of, meaning that the bank is able to value an asset in current value.

Bank assets are marked as per standard procedure process as illustrated below;

- i. Identify the type of the asset to be marked and then categorize the asset here marked are physical ones since label is attached to it.
- ii. A unique identification number may be assigned to an asset so that there would be no confusion.
- iii. Always counter check the asset and determine the kind of a label required, if the permanent label is required well and done, the label should be attached.
- iv. In the bank we may have information infrastructure systems for maintaining the asset register to some information relating to the asset should be entered into the systems.
- v. Lastly the label should be attached to the asset or the mark should be entered at a correct place in the asset.

Details contained in an asset tags or labels include unique codes, serial numbers, and location details among others.

3.2 Bank asset are posted in asset register as per standard operating procedures

When adding a new asset in the asset register as per standard involves recording an asset on the register that is debit the asset purchase to a general ledger asset account, a unique code for the asset must be entered in the register. One can delete an asset from the register only when it has no current value or even the asset may be sold and thus need to be eliminated from the register.

When posting depreciation two accounts are involved, that is;

- **Accumulated depreciation**

This is a contra account to the asset, accumulated depreciation will decrease the value of an asset on the balance sheet thus referred as contra account.

- **Depreciation expense account**

This records the expense from using the asset on the income statement. It is important to post an asset in an asset register since the bank can keep track record of the asset that it owns. The company is also able to determine the costs associated such as maintenance cost as well as full record of an asset is kept in summary form. The information posted in asset register is usually used by the auditor in verification of assets and also in validation of the fair value of the asset. Information posted in an asset register includes physical items such as vehicle whereby the initial cost of the vehicle is recorded and also the fair value after now the asset have been used, the depreciated value can be determined from the register. The accounts department ensures that the information relating to the asset is protected in order to enhance security of information to the third party.

Depreciation of an asset

Example:

A motor vehicle was purchased on 1st January 2015 at a cost of Ksh. 2000,000. The fair value of an asset on 1st January 2019 has amounted to Ksh.500, 000. Use a straight line method to determine the amount of depreciation.

$$\text{Depreciation} = \frac{\text{Initial Cost} - \text{Fair Value}}{\text{Economic Life (years)}}$$

$$\text{Depreciation} = \frac{2000,000 - 500,000}{4} = \text{Ksh. } 375,000 \text{ shillings}$$

Therefore, on the asset register book debit a value of Ksh. 375,000 shillings and credit the depreciation account with the same amount for the double entry to be complete. While disposing an asset credit Ksh. 375,000 in the asset register and then debit depreciation expense account.

Table 21: Depreciation expense account

DR			CR		
Depreciation expense account					
Date	Detail	Amount	Date	Detail	Amount
	Bal c/f	375,000	1/1/2019	Accumulated depreciation	375,000
		<u>375,000</u>			<u>375,000</u>
				Bal b/f	375,000

Table 22: Accumulated depreciation account

DR		Accumulated	Depreciation	Account	
CR					
Date	Detail	Amount	Date	Detail	Amount
1/1/2019	Depreciation	Sh. 375,000.00	1/1/2019	Balance c/d	Sh. 375,000.00
		Sh. 375,000.00			Sh. 375,000.00
	Balance c/d	Sh. 375,000.00			Sh. 375,000.00

On the Asset Register enter Ksh. 375,000 as the value of cost.

Repair of an asset

Repairing cost this is the cost incurred to bring an asset back to an earlier condition or to repair means to keep asset at its operating present conditions.

Example;

If a company motor vehicle is damaged, the cost to repair the damage is immediately debited to repairs and maintenance expense.

Routine maintenance such as engine tune ups, oil changes radiator flushing the cost incurred is also debited to repairs and expense.

Disposal of an asset

Disposal of an asset involve eliminating the assets from the accounting records, for example, when an asset is sold its value is eliminated from the Asset register. Fixed assets are the one's which are being disposed; a gain or a loss is obtained when an asset is sold. A proper fixed asset disposal is of some importance from the perspective of maintaining a clear asset register so that the recorded balances of fixed assets and accumulated depreciation properly reflect the assets actually owned by a business.

Example

ABC Company sells a machine for Ksh. 1000,000 and recognizes Ksh.100, 000 of depreciation per year over the 5 years the initial cost was Ksh.2000, 000 the entry is:

DR			Accumulated depreciation account			CR		
Date	Detail	Amount	Date	Detail	Amount			
1/1/2019	Accumulated Depreciation	Sh. 500,000	1/1/2015	Machine asset	Sh. 2,000,000			
1/1/2019	Cash	Sh. 1,000,000			Sh. <u>375,000</u>			
	Loss on asset disposal	Sh. 500,000			Sh. <u>2000,000</u>			
		Sh. <u>2,000,000</u>						

On the asset register eliminate Ksh. 2000,000 the initial cost of the machine.

3.3 Bank asset register are maintained as per standard operating procedures

Bank asset register is a document that consist of all assets which are found in the bank, bank asset register consist of physical assets such as cash, building, land as well as non-tangible asset like securities (shares).

Importance of Asset Register

- Bank asset register assist in conducting audit of the asset in the bank for example when an auditor is hired he/she always examine the asset register in order to verify the asset.
- Bank asset registers help in estimating the repairs and maintenance cost that is the management is able to repair an asset on time thus avoiding wastages of purchasing new assets.
- Bank asset register help the bank to calculate depreciation annually since the information relating the depreciation are provided in the asset register.
- Bank asset register help to meet the statutory requirements, there might be either rules guiding the bank on how to treat some assets into register and this therefore help to prevent misconduct of organization behavior.
- Bank asset register help to assist in both short and long term planning. The assets can be classified and categorized in a fixed asset register during impact analysis of risk assessment so as to identify those resources that require that extra bit of security.

Asset bank register is maintained in different ways for example for a fixed asset, assets can be registered through the software, such as excel sheet; excel sheet is an integrated accounting software whereby assets are recorded by use of simple spread sheet like excel to sort fixed assets using any criteria like date of purchase; for example, to make replacement decision, the details concerning an asset are entered in the software and then maintained the register is kept clean and when retrieving any information from the computer saves time since use of computer increases speed. The method of maintaining a bank asset register is by use of a book.

The book is maintained by an accountant whereby the details concerning the assets are written down and the information about the asset is deleted when an asset is disposed. The assets that are maintained in the bank asset register include; land, loan, investment or security, building, motor vehicles and some technological equipment.

3.4 Asset requisition is handled as per organization policy

Organization policy is the rules and regulations which manage an organization. Organization policy states out the terms to be followed by the management when carrying out certain activities. Organization policy also outlines what to be followed in case an employee refuses to follow the rules and regulations written in the organization.

Importance of organization policy

Policies in an organization are beneficial since they outline what is expected to be done and at what time

- Policies in an organization help to settle down the problem, the policies offer solution to certain questions in an organization, for example whom and who to report on certain matters.
- Policies in an organization simplify work, since the employees are able to follow the steps of carrying certain job, to a certain limit. This simplifies work to be done.

Asset requisition is the act of demanding or laying a claim to the use of a product. We have a purchase requisition document used when buying an asset, the purchase requisition happens when the company disposes off an asset and it want to replace it with another one. Purchasing requisition tells the purchasing department or the manager exactly what items and services are requested, the quantity, source and the associated cost.

Purchasing order is made after submitting the purchasing requisition listing items that are required to be purchased from an outside vendor. The requisition are required for small purchases, it is often standard procedure for internal department to buy items direct from retailers using a company credit card and skip the process of requisitioning the purchasing department altogether.

The following information is included in purchasing order whenever it is being issued as illustrated below:

- a) **Name of purchasing office:** As the policy of the organization empower a procurement office on buying an item, so the name of the office should appear in the document.
- b) **The pay terms:** Example we have a discount terms, hire purchase agreement terms, such term are included in the requisition purchase order in order to avoid conflict on time of payment.
- c) **Invoicing instructions and the purchase order number:** This ensures that no confusion between the parties and in order to assist in record keeping, purchase order typically have same number as associated purchase requisition.

An organization can still have a purchase order for internal transactions, for example one department may wish to purchase an item from the other department and in such cases an organization may require the purchasing department to submit an interdepartmental purchase order.

Conclusion

This learning outcome covered; asset register, different types of assets found in a bank, importance of maintaining asset registers, process of marking assets, details to capture in asset register, depreciation of assets, disposal of asset and repair of assets, methods of calculating depreciation and how to treat the accounts of financial statements that is depreciation account and expense income account. The learning outcome also covers requisitions both purchasing requisition and purchasing order requisition and the importance of purchasing requisition to different organization.

Further Reading



1. Read on purchasing order requisition
2. Methods of valuing an asset during the time of disposal.

9.3.4.3 Self-Assessment



Written Assessment

1. What is the importance of maintaining bank asset register and which one is not?
 - a) It helps in estimating the repairs and maintenance cost
 - b) It helps to meet the statutory requirements
 - c) It helps to conduct audit assessment in bank
 - d) It keeps information about the liability of employee's compensation

2. Which one of the asset is not kept in the bank asset register?
 - a) Land
 - b) Cashbook
 - c) Building
 - d) Vehicle
3. When posting depreciation of an asset two accounts are used, that is accumulated depreciation account and expense income account. Identify the correct answer.
 - a) None of the below
 - b) No
 - c) No/Yes
 - d) Yes
4. Identify the information that is not included in purchasing order requisition.
 - a) Name of purchasing office
 - b) Pay terms
 - c) Purchase order number
 - d) Cash enclosed in an envelope
5. Do the large organizations maintain asset register?
 - a) Yes
 - b) No
 - c) Yes/No
 - d) None of the above
6. Which information is not correct concerning the marking of assets methods?
 - a) Use of adhesive tags
 - b) Use of fire to burn assets
 - c) Use of labels
 - d) Use of invisible marks
7. Identify which one of the following is not contained in asset tag/labels.
 - a) Serial number
 - b) Pin code/unique code
 - c) Location details
 - d) None of the above
8. Analyse the process of registering assets in the list.
9. Briefly discuss asset register.
10. What is purchase requisition and the function of requisition purchase order in an organization?
11. Discuss different types of bank assets.
12. What do you understand by disposal of an asset?

Oral Assessment

1. What is asset register?
2. What is amortization in asset?

Practical Assessment

Identify one company of your choice, visit and ask for the asset register, and briefly outline the contents it contains.

9.3.4.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.4.5 References




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9.3.5 Learning Outcome No 4: Manage Office Stationery

9.3.5.1 Learning Activities

Learning Outcome No 4: Manage Office Stationery	
 Learning Activities	Special Instructions
4.1 Maintain record of bank stationery as per organizational policy 4.2 Handle new asset requisition as per organization policy 4.3 Manage reorder level as per organizational policy 4.4 Dispose obsolete stationery as per standard operating procedure 4.5 Maintained stationery room is maintained as per standard operating procedure	Oral tests Written Assessments

9.3.5.2 Information Sheet No9/LO4: Manage Office Stationery



Introduction

The learning outcome covers; stationery, types of stationery needed in a bank, importance of managing stationery, reorder level, acquisition of stationery, disposal of obsolete stationery, stationery cost management, maintenance of the stationery room, storage of stationery, different methods of arranging stationery and retrieval of stationeries.

Definition of key terms

Stationery: Refers to writing materials and other office supplies.

Reorder level: It refers to inventory level at which a company would place a new order to the organization to run. It also refers to new manufacturing of products in the organization.

Content/Procedures/Methods/Illustrations

4.1 Record of bank stationery is maintained as per organizational policy

Organization policies are company's general statements of how an organization want and should behave and exactly how to do things. Organization policy record bank stationery in an orderly manner and the way it is needed of them.

Define stationery referring to commercially manufactured writing materials e.g. cut paper envelopes.

Sample/Illustrations

- The flat card
- The memo card
- Contact card
- Stamps and embossers
- Engraving

Other classification that may be needed

- Ink and toner
- Filling and storage.

Importance of recording bank stationery

- Aim the company in a positive and professional manner.
- The company will leave a long lasting impression.
- It keeps the records for future reference

Procedure of recording bank stationery

- i. The user departments may inform the purchase officer to buy the stationery items which have reached the minimum level.
- ii. The purchase officer may place the order by considering the rate of use of stationery and the balance of stock in hand.
- iii. Reorder quantity is taken into account for placing an order.
- iv. The purchase officer has to consider offer, discount, price, offer sides services.
- v. The purchase officer make enquiries from the supplier's about the terms and conditions of supply and asset price lists quotations etc.
- vi. The purchase officer has to prepare the statement based on price list
- vii. The purchase officer can negotiate with suppliers based on lowest price quoted by the supplier.
- viii. The suppliers has to decide the terms and conditions for supply of stationery items and purchasing officer the order has been placed with the selected supplier I a prescribed form.
- ix. The purchasing order contains the details like quantity, quality, rate, time of delivery, terms of payment.
- x. The purchasing officer or the office manager may sign the order.
- xi. The officer has to check up the stationery items whether they are supplied according to order or not.
- xii. After receiving the stationery items, entries are made in the stationery stock register under appropriate heads.
- xiii. The purchase officer has to inform the department which requisitioned the stationery regarding receipt of the same from the supplier.

Methods of recording bank stationery

- Tender
- Quotations
- Fixed suppliers

Illustrations of record of bank stationery

It is being illustrated by use of graphs and images.

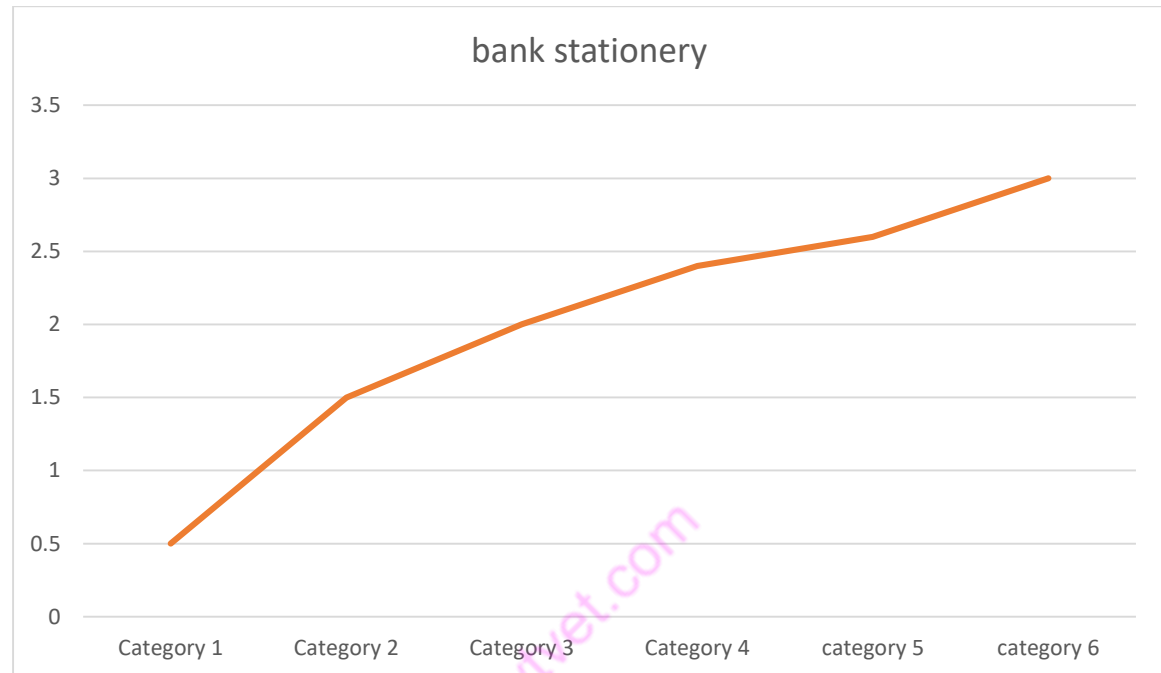


Figure 34: Record of bank stationery

4.2 New asset requisition is handled as per organization policy

Requisition refers to request for goods and services made by the employee to the person or department in a company that is responsible for purchasing.

Procedure for requisition

- Delivery date:** Enter the date you need for the delivery of the purchase
- Vendor:** If requesting a quote and a vendor has not yet been signed provide information of possible vendors in the document text box.
- Shipping:** If the products are to be delivered to a department locate keep the shipping code.
- Comments:** Don't enter important information in the comment box. This information does not appear on the requisition information when printed.
- Document text:** This box is used to provide details to procurement or financial services e.g. quote number, specification in delivery.
- Item number:** Type in a description of the item wanted to purchase.
- Commodity code:** The commodity code should match the account number.
- Quantity and unit price:** Enter the quantity of the item requested

- ix. Once finished entering all the information for the requisition click on validate at the bottom.

Importance of a requisition

- A document used when an employee needs to make a purchase
- Acts as a procurement process of a business organisation
- It controls documents

Content of requisition

- Description of the materials
- The date when the materials are required
- The date of delivery of the ordered products
- The quantity of the materials
- Authorized signature of the department

Methods of requisition

The requisitions application supports processing requisitions with demand on stock and with demand on lenders as same as process.

4.3 Reorder level is managed as per organizational policy

The reorder point formula is determined through three metrics;

- Average daily usage: How much of this product is sold in an average day.
- Lead time (average lead time). The amount of time between your order and receiving the goods
- Safety stock: An extra reserve of stocks in case you unexpectedly run out.

Why is the reordered point formula important?

- Keeping a product in stock is delicate balancing act
- The reorder point formula has been mitigating this problem for long time, inventory management software exists to speed up and automate the process.
- Solving the reorder point formula manually is a method of inventory management

How do you solve the reorder point formula?

For the sake of simplicity the article will use one month as the example time period.

Number of sweaters sold: 85

Number of days in the month: 30

$$85/30 = 2.83$$

Beyond the reorder point formula – remember that each step of the equation we just went through is something that needs to be run for every single product variant you sell.

Procedure of reorder levels

After you've made your preparations, the actual ROP formula is:

$$\text{Reorder point: average daily usage} \times \text{average lead time in days} \\ + \text{safety stock}$$

$(10 \times 7) + 50 = 120$ Your inventory reorder point is 120 units

$\text{Reorder point} = \text{maximum daily usage} \times \text{maximum lead time days}$

Methods of reorder levels

- i. **Reorder point strategy:** If you use the reorder point strategy, you select a stock level that signals when it's time to reorder inventory for instance if you stock 1000 pillows you may set your reorder point to when 200 pillows remains in your inventory.
- ii. **Periodic strategy:** Every three months you look at the levels to see if they need replenishing
- iii. **Top – off strategy:** The top off replenishment strategy also known as lean time replenishment takes advantage of times when picking operations are slow to bring stock to acceptable levels in forward pick locations.
- iv. **Demand strategy:** Many businesses uses the demand strategy for inventory replenishment its simple and straight forward replenishment is based on demand.
- v. **Lot sizing methods:** Are determined by the tradeoff between the carrying costs the cost of ordering supplier.

4.4 Obsolete stationery is disposed as per standard operating procedure

Obsolete: Refers to outdated items/assets of different kinds and the term in general has several meaning e.g. Equipment's and machines.

Stationery: This refers to commercially manufactured writing materials such as cut papers, envelopes

Content of obsolete stationery

- **Delete it without a trace:** Your first option is the easiest but it is not without its drawbacks with this option you will simply delete the content.
- **Delete it and let users know about it:** If you need to delete something let users know why you are deleting it.
- **Update it:** Update the obsolete portions of your content to be relevant for the modern update it with statistics.
- **Create a follow up:** While giving your client something new to consume as an extra measure update the original piece with a link pointing to the new follow up'
- **Make fun of yourself:** Make fun of yourself to your current client and followers.
- **Archive it:** Some brands have implemented an archive system which allows them to keep some of their older less relevant posts without making them easily accessible to new users.
- **Leave it alone:** You could choose to leave your old content alone entirely.

Types of stationery

- Papers
- Envelopes
- Writing implement
- Supplies

Procedure of obsolete stationery

Maintenance procedure

- i. It is responsible of the instructor to report all equipment repair needs to the maintenance
- ii. The maintenance department will identify the issue and if necessary obtain quotes from vendor to arrive at the best repair price or replacement.
- iii. An assessment will be made to determine if its more visible to repair the equipment
- iv. A purchase order will be generated and sent to the director for approval.

Disposal of equipment procedures

- i. When it is determined that the equipment is no longer functioning or is obsolete, the instructor complete and inventory complete and inventory removal form.
- ii. Disposal of equipment is removed to the warehouse until an inventory meeting is held.
- iii. The technology manager or fiscal officer maintains a record of the disposition of equipment.
- iv. All equipment being removed must be board approved if the item is over \$25000
- v. The warehouse manager is responsible for ensuring that disposed of items are deleted from the equipment inventory.

4.5 Stationery room is maintained as per standard operating procedure

Stationery room refers to a place whereby inventories are being stored e.g. Materials include; cut papers, content of stationery room, storage where place goods, room service, writing desk, cell phone and computers, video products where effective video solution for your business and stock register.

Procedure of stationery room maintained

- i. The size of the room to operate
- ii. The location based to operate
- iii. The number and size of machines that are required in the room to maintain
- iv. Number of workers to operate in stationery room
- v. Time duration of time take to run the office

Methods of stationery room.

- Maintenance
- Managing office supplies
- Limit access to supplies
- Strategize when to reorder supplies: Many companies offer discount when companies order in bulk.
- Keep an inventory log to ensure how many supplies the office has.

Maintenance of stationery room.

- Purchase and supply of office stationery and sanitation items
- Auction of obsolete items
- Disposal of waste papers
- Repair of rubber stamps.
- Purchase of office vehicles and bicycles and their maintenance.

Importance of stationery room

- It stores materials such as envelopes in the office
- It is secure to store inventory of organisation
- It is easy to know where materials are located since its being arranged accordingly.

Conclusion

This learning outcome covered: Stationery, types of stationeries needed in a bank, importance of managing stationeries, reorder level, acquisition of stationeries, disposal of obsolete stationeries, stationery cost management, maintenance of the stationery room, storage of stationeries, different methods of arranging stationeries and retrieval of stationeries.

Further Reading



1. Read more on hot sizing methods

9.3.5.3 Self-Assessment



Written Assessment

1. Which one of the following is the importance of an office?
 - a) Office acts as a center of information
 - b) The office doesn't acts as center of information
 - c) The office can't control the organisation
 - d) Has poor communication system

2. How do you manage confidential information?
 - a) Not records information
 - b) By use of file records
 - c) Information from employees suggestions
 - d) By unrecorded receipts
3. The following are the importance of maintaining office equipment EXCEPT?
 - a) For leisure
 - b) For long lasting of machine duration
 - c) To maintain the machine clean
 - d) For responsibility purposes.
4. What should be considered in the preparation of reports?
 - a) Decide on a good structure
 - b) Don't form the procedure
 - c) Start the reports without title
 - d) Try to impress
5. Which one of the following is a method of controlling errors in the office work?
 - a) Avoid checkup of records
 - b) Don't negotiate with employees
 - c) Cause conflict in case of errors in the office
 - d) Bring the reality check on the table
6. What is the importance of keeping records?
 - a) For fun
 - b) To use it randomly
 - c) To correct the users
 - d) For future reference
7. Which one of the following the manager use to assist them in the organization?
 - a) Chain of command organisation
 - b) Staff organisation
 - c) Line and staff organisation
 - d) Line organisation
8. Suggest maintenance of stationery
9. Discuss functions of office manager
10. What are the records of bank stationery?
11. Discuss method of controlling errors in the office
12. Elaborate procedure of requisitions.

Oral Assessment

1. What is an envelope?
2. What is the difference between stationery and stationary?

Practical Assessment

During free time the students have to research on effects of office layout e.g;

- a) Productivity
- b) The requirements to unite together office layout
- c) Effects on employees.

9.3.5.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.5.5 References




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9.3.6 Learning Outcome No 5: Manage Bank Voucher

9.3.6.1 Learning Activities

Learning Outcome No 5: Manage Bank Voucher	
 Learning Activities	Special Instructions
5.1 Check vouchers against record as per standard operating procedure 5.2 Reconcile vouchers as per standard operating procedure 5.3 Archive vouchers as per standard operating procedure 5.4 Retrieve vouchers as per standard operating procedure 5.5 Destroy vouchers as per standard operating procedure	Group discussions Case study

9.3.6.2 Information Sheet No9/LO5: Manage Bank Voucher



Introduction to learning outcome

The learning outcome covers; defining a voucher, types of vouchers, importance of managing vouchers, ticking of vouchers, storage of vouchers, retrieval of vouchers, disposal of obsolete vouchers, voucher confidentiality and the importance of maintaining confidentiality. It will also cover on how effective voucher management will boost on managing and processing of transactions faster and efficiently also during the process it will be auditing and tracking within the system to maximize security and reduce the fraud risk.

Definition of key terms

Bank Voucher: Is the backup of the documents for accounts payable by company's department through filling and gathering all the supporting documents required to validate the payment of liability.

Voucher: It is a check or form describing and authorizing the transaction of a liability to a supplier

Voucher reconciliation: This is the comparing of each transaction in accounting records with the same transaction in financial statement it ensures accurate accounting records

Content/Procedures/Methods/Illustrations

5.1 Vouchers are checked against record as per standard operating procedure

Voucher is a form or check describing and authorizing the transaction of liability to a supplier. The voucher is very crucial; since it's an internal accounting control mechanism that ensures each payment is validly authorized and that the products purchased are actually received. Voucher document include; the shipping receipts, general ledger accounts, due date, amount owed and suppliers invoice.

Accounts payable of the balance sheet is recorded as one lump sum whereby lump sum entail all amount of outstanding vouchers owed that are totaled. A firm might need to purchase raw materials or inventory from producers that are used in company's goods production. The producers can grant extension of credit to the firm through an agreement of payment to be made on a later date such as after 1, 2, 3 or 4 months. Voucher includes all documents support that shows the funds owed and any payment made to a vendor or supplier for an outstanding payable.

Voucher register records the voucher and the necessary documents, vouchers supporting documents includes ; company purchase order, supplier name to be paid, suppliers invoice, receipt indicating that products were received by the firm from the supplier, general ledgers, accounts to be used for accounting purposes, for the purchase ad payment should have authorized representative signatures of the company, proof of payment and date once the invoice to the supplier has been paid and payment terms such as the due date, money owed and discounts granted by the supplier for paying the invoice early.

Vouchers total amount that have outstanding balances owed are on the balance sheet recorded as account payable. When the voucher is paid the proof of payment is recorded as paid voucher which is included in the voucher.

Importance of vouchers

- They help to act as a proof of transaction that has been carried out
- Vouchers help in the auditing procedures as they are source documents for financial statements
- In case there is a loss of receipt a voucher can be used to validate a previous transaction
- They help to show that there are no vicious purchases or sales.

Types of vouchers

- **Purchase voucher:** A record that shows that a purchase has occurred
- **Adjustment voucher:** A record that shows changes in the business activities or changes in the business stock.
- **Sales voucher:** A record that proofs the sale of stock.

- **Payment voucher:** Is a document used to proof that monetary transaction has occurred between the supplier and the buyer. Businesses uses payment voucher for various purposes taking the place of cash in a transaction and indicating that an invoice has been approved for payments
- **Receipt voucher:** It is issued by firms after receiving payment in checks or cash during transaction. The voucher includes the total amount, signature of the recipient and issuer, date and names of products.
- **Supporting voucher:** They are vouchers that act as a proof of firms' transaction records e.g. memo, cash, check, sales invoice etc.
- **Noncash/ transfer/Journal voucher:** They are documentary proof of non-cash transactions. These vouchers are usually prepared to record non cash transactions of the firms involves transactions which move value from one point to another without involving cash money ad must be registered on vouchers. Ticking of vouchers is ensuring that the vouchers are audited and due diligence is taken care of, whereby different colors of ink are used. It also contains information guiding clients.

5.2 Vouchers are reconciled as per standard operating procedure

Large amount of income can be lost through theft of physical or the loss of vouchers, which can affect the baseline of your firm/SME. Good voucher management eliminates this uncertainty by ensuring data integrity and security is achieved through the encryption of vouchers. An effective voucher management system helps you manage payments conductively. For it to happen you should find right voucher management system and incorporate into your business. In which important features to look for includes; the voucher encryption, audit trail, voucher generation and multiple channels.

The importance of managing vouchers

- Less complexity. The use of good voucher management system ensures effective integration. By feeding in the needed details and charges of transactions from the point of sale terminal, transactions can be made more easily and accurately. Also there is no need of physical vouchers printing hence having additional significance of costing saving.
- Attracts new customers vouchers given away can assist attracting ew customers such as giving away e-vouchers as part of your digital/ social media campaign. The greatest way of attracting more consumers and staying socially connected is through awarding a winner with an e-voucher.
- Increase sales through selling of vouchers as new form of 'gift cards'. It can be done online by issuing codes of redemption or physical cards with codes on it. When consumers knows that using the voucher will help them save some money, they will tend to do more shopping. This leads to more sales.

- Increase customer's loyalty. Simple way of thanking your customer is through giving vouchers. This builds stronger relationships with them and compel them to have more trust in you, it is an efficient way of keeping you from switching brands. This usually promotes long term loyalty by encouraging the customers to make another purchase when they are awarded by vouchers.

5.3 Vouchers are archived as per standard operating procedure

A staff assigned a register/ particular book / file will be accounted for its custody during the working hours. But overnight all current records must remain under lock and key, in the hands of the assigned section. The incumbent in charge in the strong room or safe should have the duplicate keys of all receptacles with relative tags.

How vouchers are archived

- i. All registers and books that are currently used must be serially entered in the register of current-cum-old records the files being filled section wise at separate openings which must be indicated on their covers.
- ii. Where there is multiple numbers of branches, record warehouses might be opened whereby all nearby branches records might be stacked branch wise or sidewise and year wise at metropolitan centers. Record section space to be created within the branch premises which have space. Branches with limited space might be allowed to have record room by acquiring sufficient space on rent after examining the space available.
- iii. All papers and documents that has connection with account opening forms must be kept in the strong room overnight. The locked loose leaf binders of specimen signatures must be placed in the strong room.

5.4 Vouchers are retrieved as per standard operating procedure

Vouchers are back-up documents that are kept by business or bank to validate payments or receipts. All transactions require to have voucher document for future references. These vouchers can be stored in either physical or electronic forms. Arrangements of backup should be in place for all records stored electronic form or any other record subjected to risk of loss. Regular testing is undertaken for retrieval of data when and as required that disaster recovery and company continuity systems are in place as per banks information security policy.

Data should be sufficient in order to monitor assess and control the risks available, nature and purpose of every payment is explained besides observance of all regulatory and statutory obligations. Data is available in a format suitable for the purpose for which it is available and required to authorized individuals (internal/ external auditors and RBI inspectors) on a timely basis. Retrieval request is a method of receiving a copy of the paper work to validate a transaction.

The request comes from the credit card user or cardholder and is received by acquires or bank. Most of these requests are made to support investigation into fraud, validate a charge back or in response to customers request such as needing it for filing.

Banks should act on retrieval requests as an opportunity to stop chargeback before it's filed either through issuing a refund or by providing detailed information to resolve the issue. Therefore once voucher has been deleted the funds are reversed into the client account. This is the process applied with Stanbic Bank when customers' requests for money voucher retrieval.

Importance of vouchers

- Enables validation of transaction to be monitored easily through the available copies.
- Provides information supporting investigation of fraud
- Validates a back charge of customers request such as needing it for filing.

5.5 Vouchers are destroyed as per standard operating procedure

Step 1: Records destruction upon expiry of the period as prescribed in policy statement and as per SOPs.

Step 2: Approval prior to destruction and authorization by control measure, providing of procedures for destruction of electronic media like tapes, floppies etc. as per the banks policy. The other department of the bank shall keep record in the registers providing information of the documents in paper/electronic or other form destroyed in consistent with the date and means of destruction

Procedure for removal and destruction of old records

First the old record meant for destruction which are due for destruction including obsolete printed stationery book/forms (apart from security books) to be recorded in a separate register whereby the following particulars will be recorded and confirmed by the incoming in charge/ officer under this initials.

Serial number, description of book or file starting date, end date, date of destruction and means used for destruction. Old records meant for destruction must be burnt in the presence of incumbent in charge and the officer. After destruction of the records, certificate is set to concerned zonal officer by branch office.

Voucher confidentiality in vital assets contain an all details of the customer. Banks are mandated with legal duty of protecting the confidentiality of existing and former customers. In banking sector the following principles govern the banks collection and storage of customer information, customer rights to access information about themselves and the disclosure of personal information

Importance of confidentiality.

- Confidential details in wrong hands can be used to commitment of illegal activities such as discrimination or fraud, which can be in turn result to costly lawsuits for the employer and can lead to loss of productivity
- Poorly security and protect in confidential business information can lead to the loss of business/ clients
- It helps in building confidentiality and trust from the customers hence creation of more sales ad future cross selling to the existing clients.
- Respect for client confidentiality and personal information should be top priority for all banking services to comply with.

Conclusion

This learning outcome has covered definition of a voucher, types of vouchers, importance of managing vouchers, ticking of vouchers, storage of vouchers, retrieval of vouchers, disposal of obsolete vouchers, voucher confidentiality and the importance of maintaining confidentiality. It also covered the effective voucher management which led to efficiency in managing and processing transactions.



Further Reading

1. Ticking of vouchers
2. Impact of effective voucher management to banks/ firms

9.3.6.3 Self-Assessment



Written Assessment

1. “A check or form describing and authorizing the transaction of a liability to a supplier.” The statement above describes?
 - a) Voucher
 - b) Voucher reconciliation
 - c) Voucher management
 - d) Voucher confidentiality
2. The following is the list of vouchers document EXCEPT?
 - a) Shipping receipts
 - b) Documentary proof
 - c) Due date
 - d) General ledger accounts

3. Which of the following is not vouchers supporting document?
 - a) Supplier name to be paid
 - b) Supply invoice
 - c) Company purchase order
 - d) Voucher serial number
4. Select the correct explanation of bank voucher
 - a) Is a check or form describing and authorizing the transaction of a liability to a supplier
 - b) Is the backup of the document for accounts payable by company's department through filling and gathering all the supporting documents required to validate the payment of liability
 - c) Is the comparison of each transaction in both the accounting records and financial statement to ensure accurate accounting records?
5. The importance of managing vouchers is as follows apart from?
 - a) Less complexity
 - b) Increase sales
 - c) Leads to loss of sales
 - d) Increase customers loyalty
6. There are 3 types of vouchers EXCEPT?
 - a) Payment voucher
 - b) Receipt voucher
 - c) Transfer voucher
 - d) Confidentiality voucher
7. What is a non-cash voucher?
 - a) It is issued by firm after receiving payment I check or cash during transaction
 - b) They are documentary proof of non-transactions
 - c) Is a document used to proof that cash transaction has occurred between the supplier and buyer?
8. What is meant by a non-cash voucher?
9. Give a brief description of the importance of keeping voucher documents
10. What do you understand by the term voucher confidentiality?
11. Discuss the importance of maintaining voucher confidentiality
12. Suggest how banks achieve storage of vouchers.

Oral Assessment

1. Elaborate on procedure of disposal of obsolete vouchers
2. What do you understand by the term voucher and list types of vouchers?

Case Study Assessment

Effective voucher management has been fully mandated in most companies in Kenya both services providers and goods producers. For example Equity bank has integrated all its voucher management in the system. This has led to cost cutting of the company's operations expense and improved trust from its customers hence led to increase in sales and customer retainment and trust with their products. Since client can retrieve all the transactions made in the customers' portrays future payments on loans or bonuses to be received from savings and other services relating to voucher.

9.3.6.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.6.5 References




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9.3.7 Learning Outcome No 6: Perform Data Clean Up

9.3.7.1 Learning Activities

Learning Outcome No 6: Perform Data Clean Up	
 Learning Activities	Special Instructions
6.1 Check customer records as per standard operating procedure 6.2 Check customer details as per standard operating procedure 6.3 Capture missing details as per standard operating procedure 6.4 Take <i>Action</i> as per standard operating procedure (calling customer, flag account and collect the documents)	Case study Group discussions

9.3.7.2 Information Sheet No9/LO6: Perform Data Clean Up



Introduction

The learning outcome covers; what is data, different types of data, types of data in a bank, importance of cleaning data, process of cleaning, customer data confidentiality and importance of maintaining confidentiality. It also covers on how technology has improved on performing data clean up by transforming customer experience and also lend to efficiency in cleaning data by bank or firms through use of integrated system.

Definition of key terms

Data cleaning: It is the process of collecting raw data and to ensure all necessary types of data are within reach and also that most valuable and accessible details are utilized in the analysis process.

Data: It is the transactional and personal details where banks can establish overall view of their customers order to track customers in order to track customers speeding pattern.

Confidentiality: It is the agreement relationship between a customer and bank which usually prohibits the banker from disclosing details about customer's affairs and accounts to third parties.

Content/Procedures/Methods/Illustrations

6.1 Customer records are checked as per standard operating procedure

Customer records are checked as per standard operating procedures. The banking sector is a good example of how technology has transformed the customer experience. Customer do not need to queue on Saturday morning to deposit their paycheck. They can now use their mobile gadgets to check their deposit check, account balances, pay bills and transfer money. Hence making services effective and efficient.

These self-service features are fantastic for customers hence being the main reason of traditional banks struggling to compete with similar firms and online only financial companies. Customer activities occurs mostly online now. The in-person services that most banks have been using to offer services are no longer relevant to customer needs.

Methods/Processes of data

Step 1: Adopting big data strategies and tools becomes so significant to the banking sector.

Step 2: Using both transactional and personal details banks can establish full view of their customers in order to ; track customers spending pattern, segment customers based on their profiles, risk management processes implementing, personalize product offering ,collect analyze and respond to customers feedback and incorporate retention strategies. The application of data in banking is endless.

Step 3: Using available data banks can accurately measure the risk of giving a loan to a customer. for example predictive analytics model like the FICO scoring system can analyze consumers credit history, loan or credit applications and other data to assess its consumer will manage to make payments on time in future. Important way of banks to use their data is to adapt machine learning algorithms that will automate many of their processes and artificial intelligence (AI) solutions that have the potential charge to improve on how banks deals with regulatory compliances issues.

Types of data.

2.0 quintillion bytes of data to be generated everyday not everything will fit within single category.

Three ways of classifying data include;

- Semi structured it is data that may initially appear unstructured but entails keywords that can be used for processing.
- Unstructured it is data with no clear format such as emails since they are difficult to process.
- Structured. It is type of data that is highly organized and exists in a fixed format as a CSV file.

The large volume of data available at the banks needs advanced processing techniques for it to be translated into valuable actionable information. In order to filter through all types of big data, proper business tools is the most efficient way.

6.2 Customer details are checked as per standard operating procedure

Data modeling is efficient since it is a visual representation of quantitative data that banks can use to analyze, identify correlations and professional interpretation and anticipation assumptions on all capabilities that are useful in customer acquisition.

Importance of checking customer's details

- Enables banks to predict their likely behavior and possible actions of the customers who share demographics. Hence enabling banks to make valuable restrictions on who is likely to be profitable customers. Lifetime value and account survival.
- Analysis on historical helps banks forecast probable future outcomes
- Enables banks to monitor the recent life events such as job relocation or marriage using diagnostics analysis.

Types of data in banks include;

- **Inferential analysis:** Assists banks to draw conclusions through comparison of samples test of data against larger data sheets. By making these comparisons banks aim to create a degree of confidence in estimates they make related to the data, examining account attrition data. Banks use information they know about the current customer to predict their likely behavior and the possible actions of customers who share demographics. Banks can make valuable predictions on who is likely to be a profitable customer, lifetime value and account survival.
- **Predictive analysis:** Analysis on historical data helps banks forecast probable future outcomes. Customer's previous behavior can be used to predict how they will probably behave in the future. An example is banks can analyze on how frequently men between 24 and 37 take out new vehicle loans to forecast whether a 27 year old man who is in the fourth year of a five year loan is likely to be looking for a new car and a new loan.
- **Descriptive analysis:** It defines and describes the primary attributes of the subjects in a data set. Banks look at a different types of data points which includes average balances, household characteristic, branch statistics, accounts distributions cross sell ratios and small business information. To analyze the trend of customers would be for a particular pitch. For example, banks can use descriptive analysis to monitor the recent life events such as job relocation or marriage to predict clients in the market for mortgage.
- **Diagnostic analysis:** Through using known quantities and variables banks can manipulate data to explore and identify things that they don't know. For example, banks might analyses the customer profitability, demographic clusters products correlations and segmentation to model the correlation between some age groups and their probability of interest in products like mortgages, car loans or cash loans.

- **Prescriptive analysis:** Applying computational sciences and mathematics. Banks use prescriptive analysis after learning from predictive analysis and descriptive to take advantage.

These analysis apply anticipated happenings and adds more predictive qualities. For example, when the predicted behavior will happen and why.

Importance of customer records

- Services available at the door step since the customer doesn't need to go back to check on their balances or get details on their saving accounts. They can process their details through phone.
- Secured data: Clients details are secured by the encrypted online information from the bank to customers whereby customers access using passwords to their details in the system.
- Banks and financial institutions have managed to adopt large data strategies.

6.3 Missing details are captured as per standard operating procedure

Data claiming is important step between data collection data analysis. Raw data is usually imperfect and requires to be prepared for a high quality analysis and overall reliability. It is also the process of collecting raw data so as to ensure all necessary types of data within reach and that most valuable and accessible data is utilized in the analysis process. After data cleaning, data set should be in uniform with the other related in the operation. The mistakes identified or removed might basically be caused by user entry mistakes, by corruption in transmission or storage.

Importance of capturing missing details

- To ensure all necessary types of data within reach and that accessible data is utilized in the analysis process.
- To make data be in uniform. With the related in the operations

Procedure of cleaning customer data include;

- i. Data auditing. First complete auditing of databases of all customers. The auditing must apply statistical and database methods to identify anomalies and inaccuracies. The details should be used to identify characteristics and location of anomalies which can lead to root cause of the problem
- ii. Use of multiple methods secondly the auditing process of database should not only use analysis through statistical or database methods but also should apply additional steps like buying external data and comparing it against internal data can be used
- iii. Consolidate data the cleaning process of database should not only identify and remove dirty i.e. Inaccurate from customer database, but also should be used as an opportunity to consolidate customer data and extra details such as phone numbers, emails addresses or additional contacts should be incorporated if possible.

- iv. Feedback banks have to create control mechanism where inaccurate details gets reported and updated into database such as there should be a control feedback mechanism for emails and any email which is undelivered owing to an incorrect address, should be reported and invalid email address should be cleared from the customer data.
- v. Repeat lastly customers are increasingly becoming dynamic and so associated details like telephone number, addresses and company email frequently changes. Hence data cleansing should be part of regular flow. Regular updating of customer database is the only route towards ensuring clear customer database.
- vi. Banks and firms should make investment in data cleansing and data management to priority.

Importance of cleaning data.

- Bank or companies driven by modern technology are currently operating on a large volume of data. New technologies such as ERP SCM and CRM systems have been introduced to improve on the needs at such companies.
- Helps banks to increase confidence reports generated from the data and ensuring decision making is supported by accurate details.
- Having cleansing system tends to account for duplicate and inaccurate data automatically hence reduces the time of accounting staff dedicate to such tasks
- Clean data results to efficiency and increased profitability for the banks and its account holders by removing mistakes such as missing and duplicate mailings that can be directly associated with unclean data.

6.4 Action is taken as per standard operating procedure (calling customer, flag account and collect the documents)

Collect the documents: The creditor instructs their financial institutions to provide documents/details related to the goods being exported to a client's bank with plead to present these documents to the client for payment, showing when and on what principles these documents can be released to a buyer.

Customer calling: This refers enquiring information to know more about the customer.

Flag account: It is when the bank suspects the money being transferred from within the country or outside country is large.

The agreement relationship between a customer and bank usually prohibits the banker from disclosing details about customer's affairs and accounts to third parties. However the confidentiality obligation is breached when for example, disclosing information of customers when required to do so by the law. It's precisely what AML/ CFT law do: request banks to report suspicious transactions and customers to national finance intelligence units (FIUS). Without customers consent or knowledge.

However it's limited to further details sharing. FSPs have been limited from disclosing to anyone else about the reports filed with an FIU including customer and other forms making it difficult for providers to inform others to COD issues.

The importance of customer data confidentiality includes.

- It helps to build and develop trust between bank and its customers. This effectively allows for free flow of details between the staff and the customer and acknowledges customers personal life belong to them
- The customer can file legal suits against the bank if he/she feels that some secret details about themselves have been revealed by the staff or company. Which can lead to negative repercussion on the company's reputation as well.
- It also makes company stay ahead of their competitors as their strategy is unknown to them.

Conclusion

This learning outcome covered; what is data, different types of data, types of data in a bank, importance of cleaning data, process of cleaning, customer data confidentiality and importance of maintaining confidentiality. It also covered how technology has improved on performing data clean up by transforming customer experience and also led to increase in efficiency of banks and companies on use of integrated system.

Further Reading



1. Read more on importance of maintaining confidentiality by banks.
2. Study more on advantages and disadvantages of modern technology to performing data clean up.

9.3.7.3 Self-Assessment



Written Assessment

1. Which of the following is not type of data?
 - a) Unstructured
 - b) Structured
 - c) Semi structured
 - d) Customer confidentiality
2. The following is the list of types of data EXCEPT?
 - a) Data modeling analysis
 - b) Predictive analysis
 - c) Descriptive analysis
 - d) Diagnostic analysis

3. The agreement relationship between the customer and bank which usually prohibits the banker from disclosing details about the customers affairs and account to third party is ;
 - a) Data
 - b) Data cleaning
 - c) Confidentiality
 - d) Flag account
4. The following are the procedures used in cleaning customer data. Which one is not?
 - a) Data auditing
 - b) Prescriptive analysis
 - c) Consolidate data
 - d) Use multiple data
5. Which of the following is not the body that is allowed to obtain clients confidential details from financial institution?
 - a) Anti-money laundry (AML)
 - b) Know your customer (KYC)
 - c) Artificial intelligence (AI)
 - d) Finance intelligence unit (FIU)
6. Which of the following is the importance of customer data confidentiality?
 - a) Building and developing trust
 - b) Auditing process of database
 - c) Accounting for duplicate and inaccurate data
 - d) Cleansing data.
7. What is the important step between data collection and data analysis?
 - a) Data
 - b) Data cleaning
 - c) Flag account
 - d) Confidentiality
8. What do you understand by the term customer data confidentiality
9. Elaborate on the importance of maintaining confidentiality
10. Discuss data cleaning?
11. Elaborate calling customer in banking sector
12. Summarize the different types of data in a bank.

Oral Assessment

1. Procedure of cleaning customer data elaborate
2. Discuss types of data

Case Study Assessment

Due to advancement and rapid changes of customer needs the financial institutions have adapted modern technology in order to be as close and in touch with their customers? An example is standard chartered bank, it has introduced online application which is installed in the mobile phones of the clients. Whereby consumers can withdraw money from any location without physical appearance to the bank and also through the online application and online banking customers therefore can retrieve information they need for example, interest rates on saving, balances in their account and also going through the companies status. This has also led to increased sales and trust from the customers.

9.3.7.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.7.5 References




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9.3.8 Learning Outcome No 7: Manage Customer Account

9.3.8.1 Learning Activities

Learning Outcome No 7: Manage Customer Account	
 Learning Activities	Special Instructions
7.1 Check customer account records as per standard operating procedure	Written assessment
7.2 Identify <i>Undesirable characteristics</i> as per standard operating procedure (zero balance account, dormant account and overdrawn account)	Question and Answer (Q/A) method
7.3 Take action on undesirable characteristics as per banking policy	Attending classes

9.3.8.2 Information Sheet No9/LO7: Manage Customer Account



Introduction

The learning outcome covers; customer records, process to check the customer details, undesirable characteristics, accounts actions as per undesirable characteristics of dormant accounts, zero balance accounts, handling the zero balance accounts, overdrawn accounts, confidentiality and importance of confidentiality.

Definition of key terms

System log: This contains the record of the operating system events that indicates how and when activities takes place.

Zero balance: This is a pooling system that only receive enough funds from other accounts to cover checks presented each day maintaining balance as zero.

Overdrawn account: This refers to a bank accounts which have been overdrawn much funds than they really had.

Content/Procedures/Methods/Illustrations

7.1 Customer account records are checked as per standard operating procedure

Customer record refer to the records provided pertaining an individual customer data or any other legally obtained information about him and activities carried out. Data is a key element in an organization and certain data as the customers' information and records are utilized by several department in an organization. The data should be held with a lot of integrity and confidentiality as any fraud with such data would cost a lot to the organization and the client. Customers' information captured by the organization should be identified with unique features that would allow distinguishing different customers with almost similar character. Customers ID could be used as a primary

factor to identify/ distinguish customers. This information should be stored in areas where only the authorized personnel can access the data and should be protected to prevent damage.

Process to check customer details

- i. Customer details are confidential details and should not be shown to anyone except the owner/client himself.
- ii. The client should also provide the relevant documents that are meant to confirm his identity as the rightful owner of the account. The document provided should include; passport, ID card and birth certificate.
- iii. If document is verified use a unique features/factors i.e. the ID card to check the client name against the system and the system log to identify his/her previous activities/ transactions
- iv. You can confirm the transactions with client/if they really happen as per stated if they did the print records.
- v. If not, fraud activities must have taken places such as stolen ATM and follow up should be undertaken

Circumstances when customer confidentiality is not considered

- Cases where the law requires the disclosure of the information
 - a) If health/welfare of a young child is at risk you are required to contact department of community services to notify them.
 - b) You should notify the police/ supervisor if your clients tells you she/he has committed a serious crime.
 - c) If a writer is summoned to present in a court of law.
- When a client needs to be protected from harming themselves
- The need to keep records
- When working in conjunction with other professionals in caring for a client
- The requirement for professional supervision, training and seminars

Importance of checking customer accounts

- Enhance early identification of any fraud activity on his account
- Helps to identify the spending trends
- Provides awareness for your financial position
- Helps to identify fraud activities banks might have made
- Help identify mistakes

7.2 Undesirable characteristics are identified as per standard operating procedure (zero balance account, dormant account and overdrawn account)

This refers to the unpleasant characteristic that exists in the system. Such activities will always result to negative impact and undesired expectations. They include:

- a) **Zero balance account:** This is a cash pooling system that only receives enough funds from other account to cover checks presented each day maintaining balances as zero in this account. The account is used to increase investment and also eliminate any excess balances

Advantages of zero balance account

- **It saves time:** The employer/employees do not have to manually deposit the funds in the account rather the ZBA automatically does
- **It ensures an organized:** ZBA ensures you don't stress keeping track of multiple accounts and payments it will automatically cover payments preventing any confusion that may occur.
- **Maximizing funds:** It will ensure to keep as much funds in the interest-bearing account instead of having funds in the payment account.

- b) **Dormant account:** These are accounts that have shown no transaction occurrence in a period of more than 2 years only the bank charges or the interests.

Circumstances leading to dormant accounts

- i. An account that is no longer used it could be declared dormant after period of time.
- ii. If a letter is returned to banks declaring you no longer uses the address.
- iii. If you got several accounts opened and forget to change the addresses associated to them.

- c) **Overdrawn accounts:** These are bank accounts that have been overdrawn much funds that they really had. The overdraft will earn some interest as it is just like any other loan.

Limitations

They are very high interest rates that exceeds other borrowing sources

The overdraft faces the reductions in limits due to the poor performance

How to recover from bank overdraft

- i. Cease using the account: Stop using this account until you attain the financial stability since the bank will always cover the overdraft with the cash your cheque in.
- ii. Balance your account: You should balance off your accounts to determine how much you owe to the bank.

- iii. Bring your account balance positive as soon you will want to pay back the overdraft in order to regain your account.
- iv. Speak to your bank. If you owe too much to the bank you should talk to them and inform them of situation and you may not be blacklisted with the CRBs and your credit score might not be affected.

7.3 Action is taken on undesirable characteristics as per banking policy

Every action as per policy has consequences when the subject matter is breached. Data confidentiality could be breached by an employee of an organization. The following are among the consequences they have to deal with;

- i. **Loss of business client/relationship:** A business may lose some of its customers. An employee who breaches is viewed as potential liability if hired. Persons guilty find themselves blacklisted
- ii. **Termination of employment:** Breach of confidentiality is severe and enough to be prosecuted with criminal charges and possible incarceration.
- iii. **Lawsuits:** In instances where the client confidentiality has been breached the client may receive monetary damages from employer.
- iv. **Criminal charge:** This occurs when the breach severely affects the company fines and imprisonment maybe given if sufficient prove is provided

Dormant accounts

These are accounts that have been inactive for more than 2 years with no transaction performed thus have been closed and deemed dormant. Anyone who tries to reopen the account must provide reason why the account has been dormant that long and produce a copy of his details in relation to the account. Bank will request applications signed by all joint holders of account if the dormant account is a joint account. The activation will require you to perform another transaction online or offline once per year.

Importance of confidentiality

- Confidentiality helps to build trust: This is achieved through the flow to information between clients and workers and helps to resolve any conflict it there existed one.
- Workers should ensure to access only information for work that is covered by their job description: Client data/information should only be released to other parties with consent of the client.
- High respect for client confidentiality and staff information should be observed the organization requires guidelines or policies to guide workers.

Conclusion

This learning outcome covered; customer records, process to check the customer details, undesirable characteristics, different accounts, actions taken as per undesirable characteristic, dormant accounts, confidentiality and the importance of confidentiality. Zero balance account and handling of the zero balance accounts.

Further Reading



1. Expound on the undesirable characteristics, effects of dormant account and activation process.

9.3.8.3 Self-Assessment



Written Assessment

1. What are the three main branches of strategy research that makes up study of strategy?
 - a) Strategy content
 - b) Strategic content
 - c) Strategy lenses
 - d) Strategy processes
2. A numeric description of the outcome of an experiment is?
 - a) Descriptive statistic
 - b) Probability function
 - c) Variance
 - d) Random variable
3. The use of online and offline promotion technique to increase the audience of a site is
 - a) Quality care
 - b) Search engine optimization
 - c) Search engine manceptig
 - d) Traffic building campaign
4. Is sharing customer information with other organization effect?
 - a) Yes
 - b) No
5. Which one is not a document to be provided during registration?
 - a) Passport
 - b) Identification card
 - c) Birth certificate
 - d) Educational certificate.
6. Discuss the following terms
 - a) Zero balance
 - b) Overdrawn account
7. Elaborate the advantages of having a zero account?
8. Evaluate the process of recovering a bank account.

9. Analyse five undesirable characteristics as per banking.
10. Summarize the importance of a customer verifying his accounts.
11. Discuss the term “dormant account”

Oral Assessment

1. What is the difference between zero balance and a dormant?
2. How would you handle your customer negative reviews/feedbacks on your work?

Practical Assessment

1. You have been identified as a professional to carry out customer details verification process. Explain the various steps you would use to carry the give activity.

9.3.8.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/whiteboard
- Phones
- Stationaries
- Furniture

9.3.8.5 References



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