

MODULE 4

MANAGING THE FPO

Module 4	Managing an FPO - HR & Finance Functions	
Session 1	Introduction to HR and roles of the staff in the FPO operations	100 mins
Session 2	Introduction to basics of finance in an FPO	105 mins
Session 3	FPO Operations - Need for Understanding and Planning various resources - Part 1	75 mins
Session 4	FPO Operations - Need for Understanding and Planning various resources - Part 2	90 mins
Session 5	Basics of Finance: Budgeting, Working Capital, Cash flow; Raising funds; Managing share capital; Investment financing	135 mins
Session 6	Basics of Finance Costing and Profitability	110 mins
Session 7	Assessing the Financial position of the FPO for its operations	150 mins
Session 8	Introduction to Recruitment process	105 mins
Session 9	How to leverage available resources and provision for future needs	65 mins
Session 10	Different scenarios in efficiently managing resources using simulation	125 mins
	TOTAL TIME FOR MODULE 4	1060 mins (approx. 18 hours)

Session 4.1: Introduction to HR and Roles of the Staff in the FPO Operations

Time: 100 min

Session Objectives

By the end of this 100 min. session, on Introduction to HR and roles of the staff in the FPO operations the participants should be able to understand about

- a) HR processes – Recruitment, Retention and Retrenchment
- b) be aware of the HR related laws applicable to their FPO.

Process Summary

S No	Task	Methodology	Time	Material
1	Introduction	Explanation	5 mins	chart with objectives
2	Understand the importance and the need for HR guidelines for Recruitment, Retention, Retrenchment, compliance to HR laws.	Role-play, with Fish Bowl arrangement	30 mins	chart paper, pens, Annexure -1
3	Think about various situations related to Recruitment, Retention, Retrenchment, compliance to HR laws.	Buzz Group Activity based on situations	30 mins	Annexure 2
4	List some of the key points to be included in HR guidelines.	Group Exercise	30 mins	
5	Summary	Explanation	5 mins	
Total			100 mins	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

Since this is the first session in this module, the Facilitator can explain that the FPO should be having a basic understanding in the area of statutory requirements, marketing and networking. Now this module will have sessions that focus on management of the FPO and its resources.

State the objective for the session.

Task 2: Understand the importance and the need for HR guidelines for Recruitment, Retention, Retrenchment, compliance to HR laws – 30 mins

Activity: Role-Play, with Fish-Bowl arrangement

Steps

1. Explain the task – Two groups will be formed and given 1 situation (Annexure-1). One group will be given relevant guidelines along with the situation and the other group will explain how to deal with the situation without any guidelines¹². The groups will be given 5 mins for preparation – 5 mins
2. The first group (without guidelines) will enact the response to the situations, while the other participants will stand around the group and observe the role-play – 10 mins
3. The second group (with guidelines) will now enact the response to the same situation, while the other participants will stand around the group and observe the role-play – 10 mins
4. At the end of the exercise, the groups come together in a plenary and discuss what they observed – 5 mins

Expected Response: Not having guidelines may lead to conflict while having guidelines help to deal with situations without unnecessary problems. The Facilitator could use the impact of difference scenarios for the participants to reflect upon and for eliciting views.

Concept Conclusion

Most of the situations faced by FPOs require BoD and CEO to take shared responsibility to work on them. There are specific responsibilities in some situations, examples - signing of cheques and conduct of AGM.

Task 3: Situations related to Recruitment, Retention, Retrenchment, compliance to HR laws. – 30 mins

Activity: Buzz group discussion

12. Facilitator must explain to the “no guidelines” group that the roleplay does not indicate good or bad work of their FPOs, but is meant only to show what problems may arise, so they must enact their role to the fullest, so that other participants can learn from it.

Steps

1. Explain the task – this is a buzz group¹³ – Each group will be given cards (Annexure-2) and get 2 mins to read and write the first thing that comes to their mind in response to each situation. – 2 mins
2. Form small groups of 2-3 participants each and give 1 card to each group. The groups are given one situation per group - 3 mins
3. After 90 secs, the Facilitator blows a whistle and asks the groups to hand over their chit to the group sitting next to them in clockwise direction. Again, the groups get 90 secs. to work on the next situation. This way, each group will work on all the situations – 15 mins
4. At the end of the exercise, the groups come together in a plenary and each read out their responses. The other groups will add any new points. This will go in rotation till responses to all 10 situations are collected. Facilitator can cluster the points on a brown chart as per illustration of HR functions (see Annexure -3) - 10 mins

Concept Conclusion

HR guidelines must attempt to bring in merit/performance, fairness/transparency, self-development of staff in all HR functions - recruitment, retention, retrenchment and compliance to laws.

Task 4: Key points to be included in HR guidelines – 30 mins

Activity: Small group discussion

Steps

1. Facilitator will divide the participants into four small groups and explain the task. – 2 mins
2. Each group will discuss the key points to be included in HR guidelines and write them on cards.
 - a. Group 1 will look at Recruitment,
 - b. Group 2 will look at Retention,
 - c. Group 3 will look at Retrenchment and
 - d. Group 4 will look at compliance to laws. Each group will be given a template with headings from the HR guidelines. For the group working on compliance, a table will be given with eligibility conditions (when does the law apply to FPO) and briefly what the law states

The headings could be as follows:

- **Authority** - Assignment of authority for regular HR actions and decisions, delegation of authority to staff, authority to sign contracts/documents
- **Policy** - Policy statement on conflicts of interest, potential conflict situations
- **Work Responsibility** - Clear responsibility for managing programs and staff supervision.
- **Reporting Responsibility** - Clear responsibility for preparing, recommending and submitting timely reports to the Board / donors.

13. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to

3. Group will present their work and stick the cards on the brown sheet using this format

Authority – who is authorised for this area; signing	
Policy – what points will be included in policy, resolutions etc. for this area	
Work responsibility – who has clear responsibility for managing programs/ staff	
Reporting responsibility – who has to prepare, recommend, and make reports	

Concept Conclusion

Participants can continue the discussions within their organisation and devise HR guidelines for their FPO and the guidelines must be approved by the BoD so that it can be used in the day to day HR management of the FPO.

Task 5: Summarise the session – 5 mins

- The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.
- Establish link to the next session.

Annexures

1. Situation Cards for Role Play
2. Situation Cards for Buzz Group Exercise
3. HR Functions
4. Job Description, Evaluation format, Interview Questions

Annexure 1: Situation Cards for Role Play

The Facilitator can select any one situation for the exercise.

Situation 1: The CEO of an FPO says due to personal issues he is submitting his resignation and informs the chairman of the FPO.

No-Guidelines group	Guidelines group
<p>Chairman allows the CEO to leave on the same day and informs the other directors over phone. After 2 weeks, some of the members inform the BoD that they had given money towards share capital to the CEO and asks for their share certificates. BoD then realise that the CEO had left without depositing the money.</p> <p>Impact: results in chaos and lot of work to be handled by FPO Management</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> When any staff wants to resign, the resignation letter will be submitted to the BoD and the board will decide whether to accept the resignation or not. If the resignation is accepted, the staff will be given a one month notice period, before being relieved from his/her responsibilities. Before the notice period ends, the staff must submit a no-due certificate, to the BoD, clearing all dues and handing over all documents and work to the in-charge person. <p>Impact: Although the resignation may create a void, but it can be better managed by the FPO Management</p>

Situation 2: The Admin Manager of an FPO says she has been working with the FPO for 6 months and asks for increment.

No-Guidelines group	Guidelines group
<p>CEO argues with the Admin Manager and say that FPO has no money to give her an increment now. She says another FPO where her friend works, has given a salary increment, and her friend told her that all FPOs give salary increment after 6 months. Some of the directors say she hasn't done good work in the last 6 months, so she can either take the same salary or she can leave the organisation.</p> <p>Impact: Results in unsavoury atmosphere in the FPO staff and also, puts pressure on FPO management to manage the expectations of staff thereafter</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> After a staff completes working for a year with the FPO, the staff's performance will be assessed by the CEO and if the staff has performed well, she or he will be eligible for an increment. The increment % for the year will be decided by the BoD looking at the past year's performance of the FPO. <p>Impact: Results in evolving better governance and transparency w.r.t. following set guidelines and processes of the FPO</p>

Situation 3: The accountant of the FPO has taken 25 days leave in the last 6 months and wants to take more leave.

No-Guidelines group	Guidelines group
<p>CEO argues that the accountant has taken too many leave and because of that the work of the FPO is getting affected. The accountant says he must settle some issue at home, so he needs leave. CEO says that if he takes leave, his pay will be cut. Accountant complains to Directors that CEO is against him and it is not mentioned anywhere that he cannot take leave.</p> <p>Impact: Results in a situation which could have been easily avoided and from becoming unpleasant for both sides</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> a. Each staff will be eligible for 10 days per year of casual leave and 15 days per year of sick leave. b. Beyond this leave limit, if the staff takes more leave, it will be on loss of pay <p>Impact: Sets the processes for all staff to follow</p>

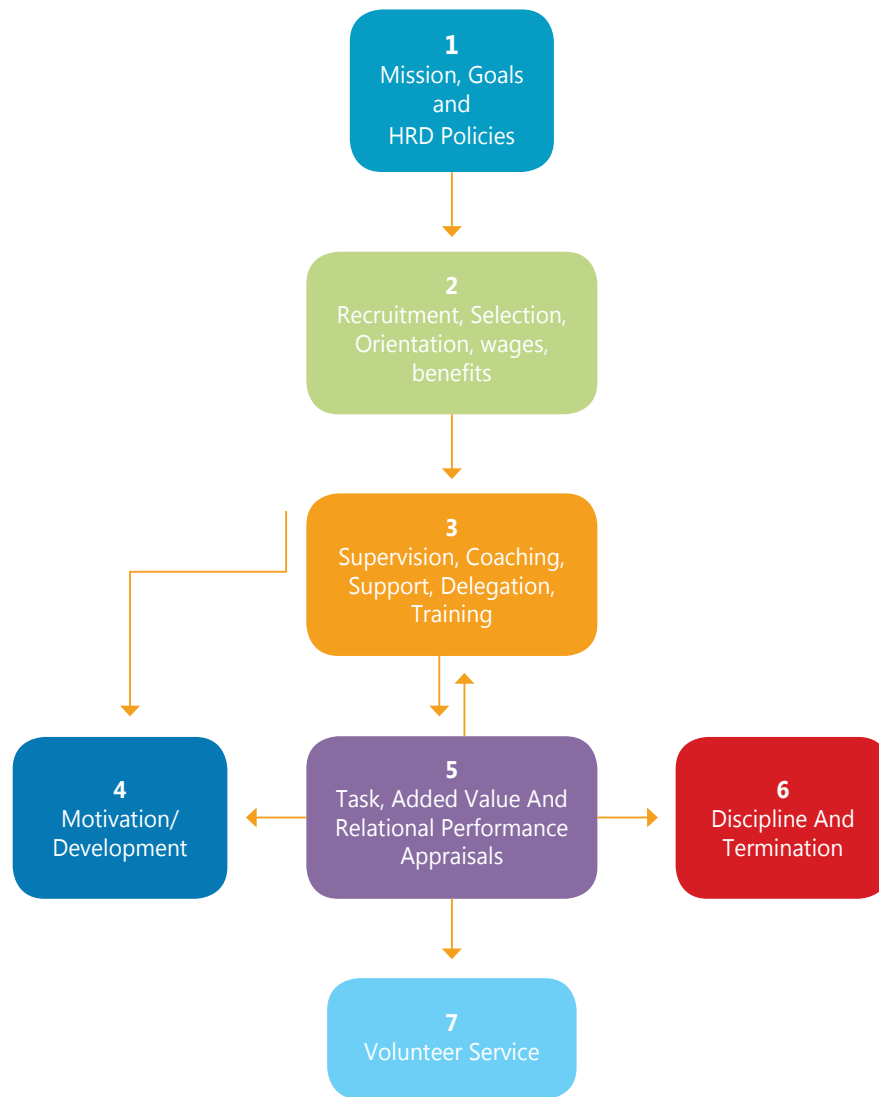
Situation 4: Interview is being conducted for the post of Admin Manager

No-Guidelines group	Guidelines group
<p>CEO and Chairman give a lecture on how staff must work, and don't allow the candidate to speak. They finally ask questions to which only answer of candidate is Yes/No. Candidate asks them about job responsibility to which CEO is unclear - says everyone does every work in our organisation.</p> <p>Impact: Results in poor understanding of role clarity and responsibility and there could be mismatch in expectations of both sides</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> 1. Interview panel must be constituted by CEO. 2. Before interview, the panel must go through the job description and qualification (see Annexure for Job Description) and have a list of questions to be asked to candidates 3. Panel will have an evaluation format (see Annexure for evaluation format) 4. During interview – make candidate comfortable and allow them to speak and ask additional questions where necessary. <p>Impact: Results in better understanding and clarity of roles and responsibilities, expectations and competencies.</p>

Annexure 2 : Situation Cards for Buzz Group Exercise

1. FPO is planning to recruit an accountant – *What are the steps in recruitment?*
2. CEO has completed one year of working, and BoD wants to evaluate her performance – *How will we evaluate performance?*
3. Accountant has completed one year of working, and is asking for a salary increment – *How will BoD decide on salary increments?*
4. A new CEO has just joined, and does not have experience of working with FPO earlier – *What steps will we plan for the 1st six months?*
5. Field staff of FPO complains that a member of the FPO misbehaved with him – *How will BoD address the problem?*
6. A staff has been found to be misusing FPO money – *What action will the BoD take?*
7. A field staff suffers an accident while travelling to a village in the night for FPO work – *What action will BoD take to assist the staff?*
8. FPO receives a notice from state government for non-payment of professional tax – *What can BoD do to avoid such situations?*
9. An accountant of FPO has been irregular at work, and CEO has received several complaints – *How will BoD/CEO deal with non-performing staff?*
10. A lady accountant complains that the CEO has been harassing her – *What action will BoD take to address the issue?*

Annexure 3 : HR Functions



Annexure 4: Job Description, Evaluation format, Interview Questions

Sample Job Description

Position – Admin Manager

Qualification – Any diploma or graduate, must know local language

Main Responsibilities

- Manage day to day functioning of the FPO office
- Supervise accountant and other staff working in the FPO office
- Organize meetings and events of the FPO
- Etc...

Sample Interview Questions

1. Can you tell us about your experience which is relevant to this job?
2. How will you plan for an FPO board meeting?
3. Can you tell us about a conflict situation that you have handled?

Evaluation point	Marks (out of 10)
Knowledge, Experience – Does the candidate have experience and sufficient knowledge related to the position?	
Communication – Ability to express thoughts clearly and confidently	
Planning Ability and coordination Skills – Ability to think clearly about steps involved in an activity and work with different people	
Ability to handle problems/conflicts – Ability to convince people and deal with situations with maturity	
Overall impression of the candidate	
Total	

Session 4.2: Introduction to basics of finance in an FPO

Time: 105 min

Session Objectives

By the end 105 mins. session on “Introduction to basics of finance in an FPO”, the participants would have:

1. Appreciated the need for guidelines for basic financial operations
2. Understood the components of budgeting, regular financial transactions, procurement and financial reporting and compliances.

Process Summary

S No	Task	Method/ Activity	Time	Material
1	Introduction	Explanation	5 mins	chart paper, board, pens
2	Understand the need for guiding principles for budgeting, regular financial transactions, procurement and financial reporting and compliances.	Role play of different situations	30 mins	situation cards; response cards
3	Analyse various situations related to budgeting, regular financial transactions, procurement and financial reporting and compliances.	Buzz Group Activity based on situations	35 mins	buzz cards, board, pens
4	Key points to be included in financial guidelines.	Group Exercise	30 mins	4 colours rectangular cards, brown sheets, pens
5	Summary	Explanation	5 mins	board, pens

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

- 1.1. Recap the previous session and lay a base for current session.
- 1.2. State the objective for the session.

The previous session introduced us to the Human Resources required to manage and FPO. Now we will look at the importance of financial guidelines for an FPO.

Task 2: Understand the need for guiding principles for budgeting, regular financial transactions, procurement and financial reporting and compliances – 30 mins

Activity: Role-Play, with Fish-Bowl arrangement

Steps

1. Explain the task – Two groups will be formed and given 3 situations cards each (see Annexure 1) and each participant will get response cards. One group will be given relevant guidelines along with the situations and the other group will explain how to deal with the situation without any guidelines¹⁴. The groups will be given 5 mins for preparation – 5 mins
2. The first group (without guidelines) will enact the response to any of the 3 situations, while the other participants will stand around the group and observe the role-play and write their observations on the response cards given to them– 10 mins
3. The second group (with guidelines) will now enact the response to the same situation, while the other participants will stand around the group and observe the role-play – 10 mins
4. At the end of the exercise, the groups come together in a plenary and discuss what they written on their response cards - 5 mins

Expected Response: Not having guidelines may lead to conflict while having guidelines help to deal with situations without unnecessary problems.

Concept Conclusion

It is useful to have guidelines explaining the assignment of authority, policies to resolve potential conflicts, responsibilities to maintain proper records and for preparing, auditing and submitting financial reports for decision making by the Management.

Task 3: Reflection on various situations related to budgeting, regular financial transactions, procurement and financial reporting and compliances – 35 mins

Activity: Buzz group discussion

Steps

- a. Explain the task – this is a buzz group¹⁵ – Each group will be given buzz cards (Annexure 2) and get 2 mins to read and write the first thing that comes to their mind in response to each situation. – 2 mins
- b. Form small groups of 2-3 participants each and give 1 card to each group. The groups are given one situation per group - 2 mins
- c. After 2 mins, the Facilitator asks the groups to hand over their chit to the group sitting to the right of them. Again, the groups get 2 mins to work on the next situation. This way, each group will work on all the situations – 20 mins
- d. At the end of the exercise, the groups come together in a plenary and each participant writes on cards, the various points to be covered in financial guidelines. - 10 mins

14. Facilitator must explain to the “no guidelines” group that the roleplay does not indicate good or bad work of their FPOs but is meant only to show what problems may arise, so they must enact their role to the fullest, so that other participants can learn from it.

15. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to

Concept Conclusion

Financial guidelines must attempt to bring in mutual trust, transparency, fairness and best interests of the organisation while carrying out regular financial transactions, procurement, record keeping and financial reporting and compliances.

Task 4: key points to be included in financial guidelines – 30 mins

Activity: Small group discussion

- 1.1. Facilitator will divide the participants into four small groups and explain the task. – 2 mins
- 1.2. Each group will discuss the key points to be included in financial guidelines and write them on cards –
 - 1.2.1. Group 1 will look at budgeting,
 - 1.2.2. Group 2 will look at regular financial transactions,
 - 1.2.3. Group 3 will look at procurement,
 - 1.2.4. Group 4 will look at financial reporting and compliances.

Each group will be given a template with headings for the financial guidelines (see format below). Group 4 can refer to the various financial statements required in FPO (see Annexure) (15 min)

Authority – who is authorised for this area; signing	
Policy – what points will be included in policy, resolutions etc. for this area	
Work responsibility – who has clear responsibility for managing programs/ staff	
Reporting responsibility – who has to prepare, recommend, and make reports	

- 1.3. Group will present their work and stick the cards on the brown sheet using the format.

Concept Conclusion

Participants can continue the discussions within their organization and devise financial guidelines for their FPO and the guidelines must be approved by the BoD so that it can be used in the day to day financial management of the FPO.

Task 5: Summarise the session – 5 mins

The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.

Annexures

1. Situation Cards for Role Play
2. Buzz Cards for Task 3
3. Various Types of Financial Statements – for Group 4 in task 4

Annexure 1: Situation Cards for Role Play

Situation 1:

The CEO asks the Accountant for a personal loan. Analyse this situation between the groups.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The accountant gives the amount requested as loan to the CEO. During the quarterly meeting of the BoD, the Board goes through the financial status and observes that there is a shortfall in the working capital and, there are no inflows expected in the next few months</p> <p>This results in a situation which the FPO Management would not have desired to get into.</p>	<p>The Accountant refers the guidelines set out by the FPO for such disbursements.</p> <ul style="list-style-type: none"> • He informs the CEO that the current financial situation of the FPO does not permit for such a level of disbursement. • That the matter will have to be taken up with the FPO Management, and disbursements may be made as per the decision arrived at by the FPO Management. • The Accountant has to make arrangements for funds for the day-to-day operations of the FPO while factoring for other expenses including loans.

Situation 2:

The FPO receives a notice from the Government authorities that Sales Tax has not been paid.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The CEO scrutinises the tax filing records of the company and finds that the Accountant has not kept a track of the sales and the resultant taxes that needs to be filed. Proper accounting practices have not been followed and further there has been no standard process has been followed.</p>	<p>The CEO consults the Accountant to check the various tax filing records.</p> <ul style="list-style-type: none"> • Proper accounting processes were being followed as per systems laid down in the FPO. • It was easily traced that the taxes were indeed paid in time, and relevant documents in support were neatly available in the file. • A decision was taken to re-submit copies of the relevant records to the Government authorities.

Situation 3:

The FPO Management decides to pay “New Year” bonus to its employees and takes such a view on the 24th of December.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The Finance department is caught in a dilemma. There is utter chaos since the Accountant argues with the CEO that he cannot compile all the financial data within such a short time, in order to pay bonus to its employees. The CEO also could not figure out how much reserves/ funds are available to suggest the amount of bonus per person.</p>	<ul style="list-style-type: none">• The CEO advises the Accountant to prepare the financial statement which reflects the funds position.• This is put up to the FPO Management for a decision on the distribution of bonus.

Annexure 2: Buzz Cards for Task 3

Situation 1: 3 computers costing Rs.75,000 are to be purchased for the FPO – *Who will approve the purchase – BoD or CEO, and on what basis will the vendor be selected?*

Situation 2: Stationary costing Rs.250 is to be purchased for the FPO – *Who will approve the purchase? and on what basis will the vendor be selected?*

Situation 3: The Annual General Body meeting is scheduled one month from now. *The president, CEO and finance team are discussing what finance related documents are to be shown to members?*

Situation 4: An FPO staff wants to go on an official visit and has asked for Rs.20,000 advance, *he already has taken Rs.10,000 advance and not settled it.*

Situation 5: The CEO of an FPO proposes the setting up of a processing unit worth Rs.10 lacs, *what questions related to budget will you ask?*

Situation 6: The balance sheet of last year has been prepared and has been brought to you for signing, under current liabilities it shows a loan of Rs.9.5 lacs, which is to be paid in current year – *what will you ask the CEO to do?*

Situation 7: The balance sheet of last year has been prepared and has been brought to you for signing, under current assets it shows an amount receivable of Rs.7.5 lacs, which is to be paid by a trader in current year – *what will you ask the CEO to do?*

Situation 8: The FPO accounts are being audited – the auditor points out that for one sale to trader, the payment was received in personal account of CEO and payment was given in cash to members, which is not good financial practice, *what changes will you make, in response to the auditor observations?*

Situation 9: The FPO has received a notice for non-payment of GST as per applicable slabs, *what will you instruct the CEO to do?*

Situation 10: A member complains that she was paid less for the produce she sold to FPO and her signature was taken on blank receipt – *what steps will you take to prevent such incidents from happening?*

Annexure 3: Various types of financial statements – for group 4 for task 4

Financial Statement	When it is prepared?	What does it contain?
Receipt and payment	Every Month, End of every financial year	All the money received by FPO, example – share capital, bank interest, payment by trader etc. should be written in the receipt side, and all the money paid by FPO, e.g.: purchase of books, salary paid etc. should be written in the payments side.
Trading statement	Every Month, End of every financial year	All the money received by the FPO, while trading, e.g.: payment by trader etc. should be written in the income side and all the payments made by the FPO while trading e.g: truck expense, amount paid to farmer during procurement, should be written in the expense side.
Profit and Loss Statement	End of every financial year	The profit or loss from trading should be carried into the profit and Loss statement. Apart from that, all the other income to the FPO, such as bank interest, training income etc. must be mentioned in the income side. All the other expenses such as salary, rent, stationary, travel, audit etc. are to be mentioned in the expense side.
Balance Sheet	End of every financial year	Assets and Liabilities of the FPO

Session 4.3: FPO Operations – Need for Understanding and Planning Various Resources - Part 1

Time 75 mins

Session Objectives

At the end of 75 mins session on FPO Operations: need for understanding and planning various resources, Part 1, the participants should have:

1. Appreciated the importance of planning for successful FPO functioning
2. Understood the various components/ resources which need to be mapped

Process Summary

S No	Task	Method/ Activity	Time	Material
1	Introduction	Read out objectives	5 mins	chart paper, board, pens
2	Importance of planning	Group game	20 mins	chart paper, board, 2 diff. colour cards, pens
3	Need for planning resources such as HR, physical infrastructure, Assets, etc	Brainstorming, Sub group discussion	40 mins	chair, chart paper, pens
5	Summary	Summary and link to next session	10 mins	board, pens

Session Details

Task 1: Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

The previous sessions dealt with trying to understand that human resources and finances are very important components in the management of an FPO. This session will focus on understanding the need for planning resources well in advance. This session is broken into 2 parts. This part will demonstrate the need for planning as well as detail some of the key resources required for an FPO to operate smoothly. The second part will be a role play where the BOD will get to appreciate the roles of various human resources in the FPO and the need to understand how resources are used.

Task 2: Importance of resource planning – 20 mins

1. The Facilitator may start the session by using a game, wherein the Facilitator asks participants to make two groups and ask them to select one volunteer from each sub group. Ask group A volunteer to close his/her eyes and go to the point which is fixed in one common place. The team members will sit in different places and simultaneously guide the blindfolded volunteer to reach the point without touching barriers that are fixed by Facilitator. Team B will get the same task and will blindfold one of their volunteers. But before doing so, the team will get 5 minutes for planning. The team members will guide from one place as per the plan without confusing the blindfolded volunteer to reach the point without touching barriers that are fixed by Facilitator.
2. The Facilitator asks the group “What did we learn from this exercise?” Expected Response – Good planning is necessary to achieve our goals.

Task 3: Need for planning resources such as HR, physical infrastructure, Assets, etc – 40 mins

1. Facilitator introduces the body strike game
2. About 6 volunteers are asked to come forward to do a specific task. They are asked to pick up a table from one corner and bring to the other. The others will observe what's happening.
3. As soon as they start, the Facilitator will call 4 of them and tell each one to make one of their body parts like hands, legs, mouth, ears, eyes to go on strike (it will not work)



4. Now they go back and try to complete moving the table to the other corner. They will face difficulties in doing that, because some of their team members cannot move their hands, legs etc. Facilitator asks, “What did we learn from this exercise?”

Expected Response - If we have not planned properly for our hand it will not support us to carry the table, no plan for leg - no movement, no planning for eyes - no visuals, no planning for mouth - cannot talk. Then the group will not be able to complete its task. Similarly, if you are not planning properly for different resources, the FPO will not function properly.

The Facilitator asks them to all sit in a plenary and will discuss about the main resources in running an FPO (4 Ms). He will distribute small cards to all participants.

He asks the question? What do you think are the key resources required in an FPO? Put down all the answers on the card and place it on the ground. He will then ask them if they can be clustered and he can introduce the **4 Ms** as headings for each cluster.

1. Human Resource Plan (Man)

- a. Human resource planning is a process that identifies current and future human resource needs for an FPO to achieve its goals. They facilitate in the overall functioning and management of the FPO.

2. Asset building Plan (Machine)

- a. An asset building plan is required for managing business of the FPO. Assets, including physical infrastructure, machinery, equipment, etc are to be acquired, leased or taken up on rentals – these are to be managed to deliver the FPO's services and products.

3. Financial Plan - Money

- a. The financial plan is a tool to understand the internal financial resources which are available and those which need to be sourced externally, in order for the FPO to carry out business.

4. Material Sourcing Plan (Material)

- a. The Material sourcing plan is used to match the needs of the FPO's buyer with the produce available with its members.

Task 4: Summing up – 10 mins

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and stick it on the brown paper.

Trainer shall link this session to the next session.

Session 4.4: FPO Operations - Need for Planning Resources in an FPO - Part 2

Time: 90 min

Session Objectives

At the end of 75 mins session on FPO Operations Procurement, Storage, Processing, the participants should have:

- a. Appreciated the core resources which need planning for successful FPO functioning

Process Summary

S No	Task	Methodology	Time	Material
1	Introduction	Reading out objectives	5 mins.	chart with objectives
2	Need for Resource Planning in FPO	Guided role play activity	75 mins	Annexure 1
3	Summary	Summary preparation, link to next session	10 mins	board, pens
Total			90 mins	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

- 1.1. Recap the previous session and lay a base for current session.
- 1.2. State the objective for the session.

This session is a continuation from the previous one and is mainly a role play. The learning from the session still focuses on the need for planning resources

Task 2: Need for Resource Planning in FPO – 75 mins

- a. The Facilitator asks the participants “what is more challenging – starting a business or keeping it going?” After listening and recording their responses on the board, the Facilitator may suggest a few points and seek the opinion of the group. The real challenge is taking a company from start up to a small business and make it sustain over time. For this, it needs

more than just market linkages or financial support. Small businesses make the most of what they already have and, this is where efficient management of resources and planning ahead play an important role.

- b. To explain this further, a group activity may be conducted.
- c. For this task, some material like dummy currency, note pad, pen, dummy commodities are required. It can be conducted with around 15 participants and few observers
- d. The group selects Characters for the role play: 3 BoD, 1 CEO of the FPO, 1 Marketing Manager, 1 Accountant, 3 Farmers, 2 types of Buyers. Once the participants have selected characters, they can take the materials related to it.
- e. The Facilitator may define and assign a role for each participant as suggested in Annexure 1
- f. Facilitator asks participants to perform their characters as allotted. They can decide the commodity for which they want to start their FPO.
 1. Let the BoD and CEO decide the commodity for their FPO as per the situation of farmers and pricing strategy for the farmers and buyers also. Also talk about the terms and conditions of the dealing during the role play between buyer and seller.
 2. Let the CEO perform procurement process.
 3. Let the Marketing Manager start selling procured produces to the different buyers. And ask what the challenges he faced while selling the produce are.
 4. Let the Accountant record outflow and inflow.
 5. Let the CEO and BOD decide how to distribute profit to the farmers.
- g. Let them enact the role play of a typical day in the FPO office when the BOD members come and visit the office and wants to know who is doing what for their tomato business since the harvest was due in 2 weeks-time.
- h. Now ask observers what they understood from this.
 - i. The guided role play is likely to generate learnings on various aspects such as quality issues during procurement, price negotiation with buyers, contracts and legal concerns, logistics and supply related issues, etc.
 - ii. The trainer could ask a few leading questions to elicit more focused participation and understanding on resource planning, such as:
 - What resources were considered/involved in the planning? What kind of elements were considered - machines, men, materials and money?
 - Which of the resources were efficiently used? Which were the ones that were left out?
 - What aspects of resources were not factored to optimum use?
 - What decisions adversely affected their negotiations with the buyer/s?
 - Were there any unexpected and unfavourable demands made by the buyer/s? If so, what were they?
 - What were the quality related issues that were requested for by buyers?
 - Were there any concerns with regards to the contract/ agreement proposed by the buyer to the FPO?
 - Were there logistics/ supply related issues which were not favourable to FPO in conduct of business with the buyers?
- i. The Facilitator asks the group “What did we learn from this exercise?”

Expected Response – We must plan for the various resources of the FPO for its smooth functioning. The Facilitator helps the participants in talking about the importance of planning for machines, materials, money and men

Task 3: Summing up – 10 mins

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper.

Annexures

1. Roles for the role play exercise

Annexure 1 : Roles for the Role Play Exercise

Player	Role	Role	Role
BOD	BoDs are decision makers in the FPO.		
CEO	CEO executes the business plan decided and approved by the BoDs and the CEO	To procure commodity at farmer level.	
Marketing manager	Marketing manager keeps himself updated about market scenario & strategizes where the FPO produce can fetch best price.	Also see the terms & conditions of the buyer & ensure timely payment.	
Accountant	Ensure proper & timely raising of invoice for all purchases & sales.	Ensure transparency in all financial transactions.	
Farmers	Regularly attends meetings/ AGM	To understand the objective why the FPO was formed.	To supply their produce as per quality parameters mutually agreed upon with buyer.
Buyer 1	Buys FPO produce in the bulk.	Timely pay-out to FPO, as per agreement	Price negotiated could be less, as he will purchase in bulk.
Buyer 2	Buys FPO produce in small quantity yet consistently	Timely pay-out to FPO, as per agreement	Price might be higher or equal to that quoted by Buyer 1

Session 4.5: Basics of Finance:

Budgeting, Working Capital, Cash Flow; Raising Funds; Managing Share Capital; Investment Financing

Time: 135 mins

Session Objectives

By the end of 135 mins session on Basics of Finance: Budgeting, Working Capital, Cash flow; Raising funds; Managing share capital; Investment financing, , the participants would have:

1. Understood the basics of finance
2. Enhanced their existing knowledge about working capital, cash flows, managing funds.

Process Summary

Sl.	Task	Methodology	Time	Material
1	Introduction	Discussion	5 min	chart with objectives
	Why is it necessary to plan the fund flow of the FPO?	Small Group Exercise + Plenary Analysis	35 min	chart , Annexure 1 caselet, pens
3	What are the various sources of expenditure and income for an FPO?	Small Group Exercise + Plenary Analysis	25 min	Chart , cards, pens
4	How do our financial decisions relate to the functioning of the FPO?	Small group exercise	35 min	chart, pens
5	What are the various sources of funds that FPO can access?	Brain-storming	25 min	chart, pens
6	Summing Up	Explanation	10 mins	chart, pens
	Total		135 min	

Session Details:

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

The previous session has convinced us that resource planning is important for smooth functioning of an FPO. Money is one of the major resources. The next few sessions will focus on finance operations in an FPO.

Task 2: Why is it necessary to plan the fund flows of the FPO? - 35 min

1. Introduction to the task - Facilitator forms 4 small groups with 5-6 participants each and the task given to each group is to prepare a financial plan for an FPO activity (Collective Procurement which will involve managing finances?) after reading the caselet in Annexure 1
2. Prepare a chart of how much money the FPO spend every day, showing the opening balance and closing balance for the day, from 2nd June to 14th June
3. Facilitator asks each group to present their chart to the entire group – 3 mins each + 1 min for any quick questions
 - a. From the charts, the Facilitator shows that on some days the cash balance is negative, and asks if we can have a negative cash balance at all? From this, he/she brings out the point that the FPO will need to either draw cash from the bank that day, or borrow money.
 - b. The Facilitator then asks the group – “Why do we need to do financial planning for FPO activities? What will happen if we do not do financial planning?”

Expected responses – To ensure that money is available for various expenditures at the right time. To avoid unexpected losses, debts and loss of goodwill among farmers. The Facilitator summarizes the responses to highlight the importance of financial planning for activities of the FPO

Task 3: What are the various sources of expenditure and income for an FPO? – 25 mins

- a. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and given 10 round cards each of 2 colors – one color for expenditure and another for income
- b. Small groups are formed to discuss the sources of income and expenditure of an FPO and write it on the cards. As soon as a card is written, one member from the group must paste the cards on the brown chart in the center, which is divided into 2 halves and Income is written on one side and expenditure on the other. (See Annexure -2 for examples) Groups must avoid repeating the same point which is pasted on the chart
- c. At the end of 5 mins, the entire group comes together as a plenary and Facilitators cluster the cards as fixed and variable costs. Fixed costs are those which are incurred by the FPO irrespective of the business done by the FPO, ex: salaries, rent etc. Variable costs are those which depend on the business of the FPO – ex: procurement cost, transportation etc.

Task 4: Understand Budgeting in an FPO? – 35 mins

- a. Facilitator discusses with participants about Budget - a plan for estimated income and expenditure, done at the beginning of a year and revised from time to time. – 5 mins
- b. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and assigned one quarter in a year (Group 1 (July – September) Group 2 (October – December)

Group 3 (January – March) Group 4 (Apr – June). At the beginning of the quarter, the opening balance cash with the FPO is Rs. 2 lakhs. the groups have to discuss the FPO activities in the quarter and asked to discuss various expenditure / income for the FPO, in the quarter. The Facilitator informs the groups that irrespective of whether they plan any activities or not, the FPO will incur fixed expenditure as follows:

Monthly Salary to staff	40,000
Office Rent	3,000
Communication	1500
Stationary	1000
Audit Fees (in Apr - June)	10000
Electricity, water, telephone/ utilities	1000

- c. At each step, the group must calculate the closing balance for the month which will be the opening balance for the next month 5 mins

At the end of the exercise, ask participants to present their charts, and draw out that cash inflow and outflow is not uniform, but varies month to month and quarter to quarter. In the discussion, bring out that the FPO may not have cash available at some point, and may need to borrow money to run its operations. But to borrow money, we need to apply to the bank at least three months in advance. so unless we plan how much cash we have and how much we need, we may not be able to carry out our work. (10 min)

The entire group comes together as a plenary, and Facilitator asks, “What did we learn from this exercise?”

Expected response – Apart from looking for profit, the FPO must manage cash flow. The money for day to day expenses is called working capital. Any FPO must have funds for its working capital needs, either from its own resources or from loans. The Facilitator explains that working capital is required for procurement of inputs, expenses towards statutory payments, monthly remuneration, utilities, loans & EMIs, business expansion activities which include meetings with FIGS, representation at various events, exhibitions, exposure visits, etc. It is also seen that there is a varying pattern from one quarter to another, wherein, some months/ quarters seem to have more inflow than outflow. This gives an insight to the management on how to plan and manage its finances for various activities

Task 5: What are the various sources of funds that an FPO can access? (25 mins)

- The Facilitator will keep a chart ready with the circles as per diagram in Annexure – 3 ready. All the circles should be blank for now.
- Then, Facilitator will call for a volunteer from the each group to come and write down a source from where FPO gets funds. This goes on till they have exhausted all possibilities.
- Then Facilitator will ask the group to think of their own FPO and call out which resources they have leveraged so far. The session can end with the suggestion that the BOD members can think of various sources which they can tap for their FPO business.

Task 6: Summing up – 10 mins

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper.

Conclusion

The Facilitator concludes by stating that funds are necessary for not just running operations of the FPO, but also for scaling up of its activities including future investment into infrastructure, machinery, materials, etc. The Facilitator also touches upon the various schemes of the government and other agencies available for investment financing and emerging models around financial institutions (both banks and NBFCs).

Annexures

1. Collective Procurement Caselet
2. Sources of Income and Expenditure - examples
3. Possible sources of funds for an FPO

Annexure 1: Collective Procurement Caselet

An FPO is planning to start collective procurement of Fertilizers. 100 farmer members are interested in purchasing fertilizer from the FPO – Total Urea requirement – 200 bags. The FPO can buy Urea in bulk, on cash payment, at a lower price, of Rs. 230 per bag. The FPO wants to supply fertilizers to farmers at their doorsteps and give the farmers one-month credit to pay for the fertilizer. The FPO purchases fertilizer from ABC company that requires cash payment. The actual activity is as follows:

On 2nd June, the FPO buys 200 bags and pays ABC company the full cost. It transports urea and stores in a godown, for which it has to pay a rent of Rs. 3,000 for the month., in advance on 2nd itself. For transport to the godown, the FPO pays Rs. 4,000 for the truck, on 2nd June itself. The FPO has Rs. 50,000 as cash balance that day.

The FPO supplies urea to 10 farmers every day, using its tractor for transport - it spends Rs. 100 for fuel and maintenance every day, and has to pay cash daily. farmers from 3rd June to 14th June, 5th and 12th are Sundays and holidays, so the FPO does not transport urea on those days.

Annexure 2: Sources of Income and Expenditure - Examples

Income	Expenditure
Trading	Trading
Sale of inputs	Procurement of inputs
Sale of fertilizers	Procurement of fertilizers
Sale of pesticides	Procurement of pesticides
Sale of produce	Procurement of produce
Other Income	Transportation charges
Donation	Godown rent
Interest	Taxes (GST and Sales Tax)
Service Charges	Other Expenses
Faculty Fees	Staff Salary
Membership Fees	Office rent
Share capital	Communication
	Stationery
	Audit Fees
	Training / Meeting expenses
	Fees paid to registrar of company

Annexure 3 : Possible Sources of Funds for an FPO



Session 4.6: Basics of Finance: Price Fixation (of FPO's produce) and Profitability

Time: 110 mins

Session Objectives

By the end of the 110 min session on Basics of Finance: Price fixation (of FPO's produce) and Profitability, the participants will be able to understand ways to improve profitability and how to cost the FPO produce.

Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction	Explanation	5 min	chart
2	How do we improve the profitability of FPO?	Brainstorming	35 mins	cards, pens, chart
3	How do we determine the price of our produce?	Small Group Exercise + Plenary Analysis	60 min	chart, pens, cards
4	Summarise the session	Explanation	10 mins	board, pens
	Total		110 min	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

In the previous session, we learnt about cash flow, using working capital and understanding opening and closing balances. Here, we continue to talk about finance and try to understand about costing and profitability.

Task 2: How do we improve the profitability of FPO? 35 mins

- a. The Facilitator explains to the group that this will be a buzz round. He/ she begins by enquiring what is meant by “profit?” Expected responses could be – Earnings, Income minus Expenditure. Ask the group to think about it and give all plausible responses
- b. The Facilitator moves on and enquires, “How can we improve the profits?” Expected responses could be – By improving incomes, by reducing expenditure, by efficiently managing resources, by enhancing their planning, etc
- c. Facilitator forms 4 small groups of 5-6 participants and asks them to discuss ways to improve income and reduce expenditure. Coloured cards are distributed to the groups to help them form/ coin words which depict their response/s. – 20 mins
- d. Facilitator puts up the cards on the brown sheet and summarises the discussion – 5 mins

Conclusion

Profitability is a combination of several aspects of operations of an FPO. All these need to be aligned and brought together in order to realise profits for the company. There will be different personnel internal to the company and actors who are external who will have an impact on the profitability of the company.

Task 3: How do we determine the price of FPO’s produce? 60 mins

- a. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and asked to calculate costing and pricing of a produce of their FPO. – 5 mins
- b. Small group discussion for costing the produce – 20 mins

The Facilitator gives the group participants an outline for working out the cost of a produce (Cotton), as given under:

Cost of seed cotton
Handling charges
Loading and unloading charges
Transportation charges
APMC Tax
GST
Ginning cost
Storage cost
Profit margin for the FPO
Any other cost

After the group discussion is completed, the Facilitator requests each group to present their working in a chart to the rest of the participants

Task 4: Summing up – 10 mins

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper

Conclusion

The Facilitator should carefully look for the groups’ listing out all possible aspects of expenses in calculating the cost of the produce, such as cost of inputs, costs of cultivation/ production, storage, logistics, taxes, labour, etc.

Session 4.7: Assessing the Financial position of the FPO for its operations

Time: 150 mins

Session Objectives

By the end of the 150 mins session, the participants will be able to broadly understand how to assess the financial status of FPOs based on its operations; how to understand its financial health using its various finance reports such as balance sheet, income-expenditure statement

Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction	Discussion	5 min	chart with objectives
2	Why is it necessary to understand financial status of an FPO?	Check the Pulse – Group Activity	30 min	
3	What are the contents of various financial statements?	Arrange the cards exercise	40 min	cards, pens
4	How do we assess financial performance of an FPO using financial reports?	Caselet + Small Group exercise	60 min	cards, pens, chart paper
5	Next steps an FPO can take to improve its financial performance and profitability?	Plus-Minus-Interesting Exercise followed by Brainstorming	15 min	chart paper, pens
	Total		150 min	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

In the previous session, we learnt costing and profitability. Here the session focuses on understanding the financial status of the FPO using reports and other documents.

Task 2: Why is it necessary to understand financial status of an FPO?¹⁶– 30 mins

1. Facilitator says that he will conduct a group activity, without explaining the task, to maintain suspense.
2. Facilitator divides the group into two subgroups and asks all the participants in subgroup 2 to step outside or to a corner of the training hall. People in group-1 will remain seated in their chairs. Facilitator explains to sub-group 2 that half of them must do some fast physical activity – climbing stairs or exercising or jumping or running for 2 mins and then mingle with other group members participants. Then they should re-enter the hall and sit next to group 1 members without saying anything. Now the group -1 members, without talking, should look at the group-2 members and find out whether they were just standing or they did some physical activity. –
3. Facilitator then asks the group “What did we learn from the exercise?”

Expected response – price to farmers, farmers’ feedback, whether activity happening in ground or not

4. Facilitator then asks, “What are the “signs” used which can help us understand the functioning of an FPO?”

Expected response – by looking at some signs (like heavy breathing, pulse, sweating etc.), we can understand what a person has been doing. Likewise, a doctor checks BP, Pulse and does some tests to understand the health of the patient

5. – Facilitator asks “How can we check the financial condition of the FPO? Can we use Receipt & Payment Account, Trading Account, Profit and Loss Account and balance sheets”? What other documents come to your mind that can be used?

Conclusion

This exercise helps the participants to appreciate the need for understanding the financial condition of the FPO as we check the health conditions of human being to determine whether they are fit.

Task 3: What are the contents of various financial statements? 40 mins

1. Facilitator then explains about Income, Expenditure, Assets and Liabilities.
Assets are the resources owned by the FPO. Examples – Cash, Bank balance, furniture, computer, amount due from traders etc. Liabilities are the FPO’s obligations towards others – E.g.: Loans, amount payable to vendors etc.

¹⁶ In the first task “Why is it necessary to understand financial status of an FPO?”, after clustering the responses of the participants, the Facilitator can ask a few questions to the group, based on the expected responses. After taking the consent of the group, the Facilitator can add his/her responses to the list that participants have put up.



Assets are divided into current Assets (which can be converted into cash immediately) and Non-Current Assets (which cannot be converted into cash immediately).

Likewise, liabilities are divided into Current Liabilities (which are to be paid within one year) and non-current liabilities (which are to be paid over a longer duration)- Facilitator shows the picture of a balanced stick and says, “Why do we call this as a balance sheet?”

2. Facilitator explains about the task. The entire group is divided into four subgroups and given a task – 15 mins
 1. The first sub-group is given a bunch of cards, with Assets in one colour and liabilities in another colour. The sub-group must arrange the cards and explain about Balance sheet to the group
 2. The second sub-group is given a bunch of cards, with receipts in one colour and payment in another colour. The sub-group must arrange the cards and explain about receipts and payments statement to the group
 3. The third sub-group is given a bunch of cards, with trading income in one colour and trading expenses in another colour. The sub-group must arrange the cards and explain about trading statement to the group
 4. The fourth sub-group is given a bunch of cards, with income in one colour and expenses in another colour. The sub-group must arrange the cards and explain about profit and loss statement to the group
 5. Facilitator asks the group “Is share capital an asset or liability? Explain with reasons”.

Expected debate: Share capital is an asset as it belongs to the FPO. Facilitator asks, “Does the share capital belong to the FPO or to the farmers who are members of FPO?” Share capital is a liability as it represents the responsibility of the FPO towards its members, and members have given the share capital to the FPO with the expectation that they will get good services from the FPO

Task 4: How do we assess financial performance of an FPO using (a sample template of) balance sheet? 60 mins

1. Facilitator asks the group “When can we say that any person or company is in good financial condition?”

Expected response – When we have money to pay for our expenses. Even in FPOs, the same principle applies – when FPO has money (current assets) to pay for its expenses (current liabilities) it one indicator of good financial condition of FPO. This is called Acid Test

2. Facilitator asks, “Apart from expenses, does a financially good FPO, also need to pay its loan instalments in time?” Example: If the FPO takes a 3-year loan for Rs.3,00,000/- at 10% interest per annum, how much will it have to repay in first year? Ans: 1st year – Rs.1,00,000(1/3rd of 3 lacs) and interest of Rs. 30,000/- Total – Rs.1,30,000/- likewise for 2nd and 3rd year. This is called Debt Servicing Test. Can we check whether the FPO has sufficient funds in its current assets or as last option, in its share capital to meet these loan instalments?
3. Facilitator then forms small groups of 3-4 participants each and gives each group a balance sheet (see Annexure -2) and asks them to discuss about the financial condition of the FPO based on the balance sheet. - 30 mins
4. The groups then presents their findings

Task 5: What steps can an FPO take to improve its financial performance? 15 mins

1. Facilitator puts up a brown chart and fixes three cards of different colours at the top, in columns and writes 1. The positive benefits of understanding financial operators), 2. negative issues if we do not understand financial operations), 3. what is interesting or what opportunities can we get by understanding financial operations) on the cards.. Then Facilitator introduces the task to the participants. Each participant will be given three cards – different colour for each part The participants must write in his/her response to the questions in the card – first thing that comes to mind when participant sees the question and then fixes the card on the brown chart. Participants be given only 1 min to write whatever strikes their mind first. – Total time for the task- 10 mins
2. Facilitator clusters the cards based on similar responses and summarises the responses. Expected responses - + (Plus) – Understanding the financial operations of FPO is like checking pulse/BP of a person, it helps to understand the overall health of the FPO. It helps us to take informed decisions to improve the functioning of FPO and communicate effectively with bankers and Government departments. – (Minus) – If we don't understand the financial operations of FPO, we might face audit issues, financial trouble and decisions taken without proper information may lead to losses.! (Interesting) – how can we earn profits, how to check if we are on the right track. – 5 mins

Task 6: Summing up – 10 mins

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper

Annexures

1. Contents of financial statements for card exercise
2. Balance Sheet

Annexure 1 : Contents of Financial Statements for Card Exercise

Group 1

Liabilities (Blue Rectangular card)	Assets (Pink Rectangular Card)
Shareholder's Funds (Blue Oval Card)	Non-Current Assets (Pink Oval Card)
Share Capital	Office Equipment
Reserves and Surplus	Godown
Grants / Donation	Own office
Non-Current Liabilities (Oval Card)	3 year loan given to members
Long-Term Loans (with repayment over 3-5 years)	Current Assets (Oval Card)
Current Liabilities (Oval Card)	Produce stocked in godown
Loans (to be repaid within one year)	Amount due from Trader
Amounts payable to Vendors	Cash
	Bank Balance
	Advance given to staff

Group 2

Receipts (Blue Rectangular Card)	Payments (Pink Rectangular Card)
Use Round cards for below. Use same colour for all receipts and a different colour for all payments	
Share capital	Stationary purchase
Bank Interest	Rent
Amount paid by trader for produce sold	Salaries
Grants from donors	Electricity Bill
Loan repayment by Members	Furniture
	Truck Charges
	Payment to farmers for produce
	Labour Charges

Group 3

Trading - Income (Blue Rectangular Card)	Payments (Pink Rectangular Card)
Use Round cards for below. Use same colour for all assets and a different colour for all Liabilities	
Amount paid by trader for produce sold	Truck Charges
	Payment to farmers for produce
	Labour Charges

Group 4

Income (Blue Rectangular Card)	Expenses (Pink Rectangular Card)
Use Round cards for below. Use same colour for all assets and a different colour for all Liabilities	
Revenue	
Revenue from Operations (From Trading Account)	Purchase of Traded Goods (From Trading Account)
	Selling Expenses
	Administration and other expenses
	Net Profit
	Tax Expenses
	Net Profit or Loss

Annexure 2 : Balance Sheet

Hasnabad Farmers Services Producers Company Limited

Registration Number: U01400AP2013PTC086661

BALANCE SHEET AS AT 31.03.2014			
Particulars	Note No.	AS ON 31.03.2014	AS ON 31.03.2013
I. Equity and Liabilities		Amount in Rs.	Amount in Rs.
(1) Shareholder's Funds			
(a) Share Capital	1	431,500.00	179,500.00
(b) Reserves and Surplus	2	10,515.00	2,829.00
(c) Money received against share warrants		25,000.00	
(d) Donation			
(2) Share Application money pending allotment			
(3) Non-Current Liabilities	3	2,115,000.00	-
(a) Long-Term Borrowings	4	-	-
(b) Deferred Tax Liabilities (Net)			
(c) Other Long-Term Liabilities			
(d) Long Term Provisions	5		146,940.00
(4) Current Liabilities	6	-	-
(a) Short-Term Borrowings	7	-	-
(b) Trade Payables	8	-	-
(c) Other Current Liabilities			
(d) Short-Term Provisions			
Total Equity & Liabilities		2,582,015.00	329,269.00
II. Assets		Amount in Rs.	Amount in Rs.
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	25,000.00	
(ii) Intangible assets	10	-	-
(b) Non-current investments			
(c) Deferred tax assets (net)	11	-	-
(d) Long term loans and advances	12	7,000.00	-
(e) Other non-current assets			
(2) Current Assets	13	-	-
(a) Current investments	14	1,923,300.00	-
(b) Inventories	15	130,524.00	-
(c) Trade receivables	16	385,885.00	329,269.00
(d) Cash and cash equivalents	17	110,306.00	-
(e) Short-term loans and advances			
(f) Other current assets			
Total Assets		2,582,015.00	329,269.00

Source: (Hasnabad Farmer Service Producer Company Limited (HFSPC), Institute of Rural Management at Anand (IRMA) <https://bit.ly/2SZqENP>)

Session 4.8: Introduction to Recruitment Process

Time: 105 mins

Session Objectives

At the end of this 105 mins session, the participants should be able to understand how to recruit staff through a systematic recruitment process

Process Summary

Sl. No.	Task	Methodology	Time	Material
1	Introduction & objectives	Explanation	5 mins	chart
2.	Understand the steps in recruitment process	Arrange the cards exercise	30 mins	cards, pens, chart
3	Do a mock Recruitment process	Group Exercise / Roleplay	45 mins	chart, pens
4	Understand the Do's and Don'ts in the Recruitment Process	Sub-Group Activity	20 mins	chart, pens
5	Summary	Explanation	5 mins	board, pens
Total			105 mins	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

The last 5 sessions were on finance operations in an FPO. Now the sessions will look at human resources management in an FPO. The first step is to understand the hiring of staff.

Task 2: Understand the steps in recruitment process – 30 mins

Activity: Arrange the cards exercise

Steps

1. Explain the task – The group will be given a set of cards, in random order, which the group will have to select and arrange in proper order (See Annexure -1 for Cards)¹⁷ –
2. The group stand in a circle and participants will step forward and arrange the cards. The Facilitator asks one or two persons in the group to explain the recruitment process and asks questions based on the recommended order of cards (see Annexure -1)¹⁸ –
3. At the end of the exercise, the groups come together in a plenary and discuss what they observed – 5 mins

Expected Response: The group arranges the cards with steps in recruitment process logically and to ensure fairness and transparency in the process.

Concept Conclusion

For the FPO to have well performing staff, recruitment process must be done systematically to ensure the selection of the right person for the job based on merits and not allowing any external factors (recommendation, political influence etc) to affect the process.

Task 3: Do a mock Recruitment process – 45 mins

Activity: Role play

Steps: Option 1

1. Explain the task – two teams will be formed – one for a Recruitment panel and another for candidates and they must enact the various steps in a recruitment process and candidates' team can nominate members to apply for the position of CEO in the FPO. Teams will get 15 mins for preparation and 20 mins for enacting.
2. During the role play, the Facilitator will create some unexpected situations such as – bandh announced on day of interview, candidate applies with fake certificates, too few candidates apply for the position, no women candidates, an influential politician calls up the FPO president and recommends a specific candidate for the position, the selected candidate declines the offer etc.
3. At the end of the role play, the Facilitator asks the feedback of both groups, what was good and what needed improvement, both from point of view of candidates as well as from recruiter side, in the process.

Steps: Option 2

1. Explain the task – an FPO is planning to recruit a CEO - Four small groups will be formed, and each group must work on a stage of recruitment and enact it. – 2 mins
2. The first group must prepare for stage 1 of recruitment process (which starts with board resolution and ends with announcing the Job Opening). The second group prepares for stage 2 of recruitment process (which starts with receiving applications and ends with shortlisting candidates for selection process). The third group prepares for stage 3 of

17. Facilitator must jumble the cards and give it to the group and ask them to discuss and arrange as per their choice. Facilitator must not give instructions to group about the order of cards.

18. It is important to allow the group to decide what step is to be followed and what should not be followed – Facilitator can ask guiding questions like “Why do you think this step is necessary?” “Should this step come before or after this step?” and so on..

recruitment process (the selection process). The fourth group prepares for stage 4 of recruitment process (which starts with background check and ends with issuing employment letter) – Preparation time – 20 mins (See Annexure -2 for formats to each group)

Concept Conclusion

Facilitator can emphasise the need to select a person based on merits & character rather than religion, caste, region or political affiliation. Facilitator can quote Dr. Verghese Kurien, popularly known as the Father of White Revolution in India, who was behind the large number of milk cooperatives all over the country.



Picture Credits: Indian autobiographs

While selecting a team - maximum attention was paid in making sure that team members have absolute integrity. He would often say, "Give 80% weightage to integrity. Never compromise on this aspect at any cost. Secondly, ensure that the person is hard working. Give 20% weightage to hard working nature of a person. Even if someone has no qualifications or has different qualifications – he/she would learn quickly." His mantra gave no weightage to caste, creed, religion or region.

The recruitment process must be conducted in a fair and transparent manner, and the focus must be on bringing out the best in the candidates and to select the best candidate based on merit.

Task 4: Understand the Do's and Don'ts in Recruitment Process - 20 mins

Activity: Sub-Group Activity

Steps

1. Explain the task – same four subgroups will be formed – two sub-groups will work on the Do's in recruitment process and two sub-groups will work on the Don'ts in the recruitment process.
2. One subgroup will present Do's and the other subgroup/plenary will add any points. Likewise, one subgroup will present Don'ts and the other subgroup/plenary will add any points (see Annexure 3).

Task 5: Summarise the session – 5 mins

- The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.
- Establish link to the next session.

Annexures

1. Cards for Recruitment Process
2. Formats to each group
3. Some of the Do's and Don'ts in the recruitment process

Annexure 1: Cards for Recruitment Process

Green – Step to be followed	Red – Step Not to be followed
Check Budget availability for staff salary	Check if the candidate is related to anyone in the BoD
Pass Board Resolution to recruit staff	Check the political background of the candidate
Write Job Description	Judge the candidate based on his / her looks
Announce the Job Opening	Take recommendation from local MLA
Receive applications from interested candidates	Check if the candidate is related to anyone in the BoD
Shortlist candidates based on applications	
Verify qualification and experience certificates	
Form Interview Panel	
Conduct selection process - Written Test	
Conduct selection process - Interview	
Conduct selection process - Group Discussion	
Select the staff based on performance in selection process – X 3 cards	
Shortlist the staff based on performance in selection process – X 3 cards	
Announce the results	
Do background/Reference check of the candidate	
Issue Employment Letter	

Annexure 2 : For formats to each group

Group 1 - Stage 1 of recruitment process Starting with board resolution and ends with announcing the Job Opening.

Sample Job Description
Position
Main Responsibilities
Required Qualification / Experience

Group 2 - Stage 2 of recruitment process starting with receiving applications and ending with shortlisting candidates for selection process.

Group 3 Stage 3 of recruitment process (the selection process).

Sample Application Format
Basic information about candidate
Work Experience
Educational Qualifications
Other Skills, Languages known

Evaluation Point	Marks (out of 10)
Knowledge, Experience – Does the candidate have experience and sufficient knowledge related to the position?	
Communication – Ability to express thoughts clearly and confidently	
Planning Ability and coordination Skills – Ability to think clearly about steps involved in an activity and work with different people	
Ability to handle problems/conflicts – Ability to convince people and deal with situations with maturity	
Overall impression of the candidate	
Total	

Group 4 - Stage 4 of recruitment process (background check, issuing employment letter)

Background Check

Information Provided	Method of Verification
Educational Qualifications	
Work Experience	
Family Background	
Any involvement in Criminal Activities	

Employment Letter

Duration of offer of employment

Position/Designation

Main roles and responsibilities

Terms of Employment

- No outside employment
- Working hours
- Leaves
- Notice period of termination

Reporting officer

Salary Structure

Annexure 3 : Some of the Do's and Don'ts in the recruitment process

Do's	Don'ts
Encourage all eligible candidates irrespective of religion, gender, physical disability etc. to apply	Allow any influence or bias in the selection of candidates, as it create performance and many other issues later on.
Conduct the recruitment process with an OPEN mind and give equal opportunity to each candidate to do their best and then select the right person for the position based on merit	The candidates should not be asked personal questions or any questions about their personal beliefs, physical appearance etc
This is not the only organisation that the candidate will apply to, hence have options/ waitlist in case selected candidates do not accept the offer.	Candidates must not be selected without proper due diligence. Check all documents – when in doubt, ask for more documents - Do not believe people's verbal claims
Document the recruitment process well so that any issues that might be raised later on, can be countered with documents	Heated arguments with candidates must be avoided – during interview or at any time during the recruitment process. Any disagreements must be settled amicably and with mutual respect.
Announce the selected candidates as soon as possible, to give clarity to the candidates and also to bring in transparency in the selection process.	
Involve experts and professionals of repute, integrity to sit on the interview panel and support the FPO in recruiting the right person	

Session 4.9: How to Leverage Available Resources and Provision for Future Needs

Time: 65 mins

Session Objectives

By the end of the 65 min.session on “How to leverage available resources and provision for future needs”, the participants would have

1. Understood how to fully utilize and leverage the internal (available) resources
2. Learnt how to make provision for future needs of FPO.

Process Overview

Sl. No.	Task	Methodology	Time	Material
1	Introduction		5 min	chart
2	What do we mean by resource planning?	Group Activity	20 mins	
3	What are the two main things to keep in mind during resource planning?	story telling	20 mins	Annexure 1, chart paper, pens
4	Planning resources for the future	Small group exercise	15 mins	chart, pens, cards
5	What next steps can we take to improve resource plans?	Brain-storming	5 mins	
	Total		65 min	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

We discussed recruitment of staff in the previous session. This session will now talk about further planning of resources.

Task 2: What do we mean by resource planning? – 20 mins

1. Small groups of 5-6 participants each will be formed and given a group task to plan and do – 5 min
2. Facilitator asks each sub-group to plan any task – such as organising the various things in the room; arranging the furniture in an orderly manner, etc - to be done by the entire group, within the room and using the materials available in the room. They can take 5 minutes to plan for the task, which must be done within 2 mins– 10 mins

Facilitator then asks the group “What did we learn from the exercise? What resources did we have, what did we use/not use?”

Expected response – Importance of working as a team, coordinating with others, contingency planning, Time planning, Involving all the participants

Task 3: What are the two main things to keep in mind during resource planning? 20 mins

- a. Facilitator narrates the story of the three disciples by showing the pictures (See Annexure -1) Facilitator asks, “What do we learn from this story?”



Expected responses – we must use our internal resources to the fullest, to achieve our goals, for our FPO business to grow.

- b. Facilitator narrates the story of the Ant and the Grasshopper by showing the pictures (See Annexure -2) – 5 mins
- c. Facilitator asks, “What do we learn from this story?” Expected responses – we must plan for our future, to sustain our business. – 5 mins. The Facilitator will, thereafter, weave the learnings from the two stories together to highlight the importance of resource planning, before giving them an exercise for groups to work on.

Task 4: Planning resources for the future – 15 mins

Four groups are formed, and the Facilitator asks 2 groups to work on “How can FPO utilise its internal resources better?” and 2 groups to work on “How can FPO plan its resources for the future?”

The groups then present their findings to the group on a chart for all to see.

Planning approach → Resources to be planned ↓	 Use internal resources to fullest	 Plan with future needs in mind	Others
Man (Human Resources)			
Material (Produce)			
Machine (Equipment or Infrastructure)			
Money (finance)			
Others			

The Facilitator then asks the group to arrange their cards in the above table and asks “What did we learn from the exercise? What resources did we plan for? What questions did we ask or did not ask while planning resources” Expected response – planning for 4 Ms and using internal resources and planning for future needs. Also summarise other points that emerge from the participants 15 mins

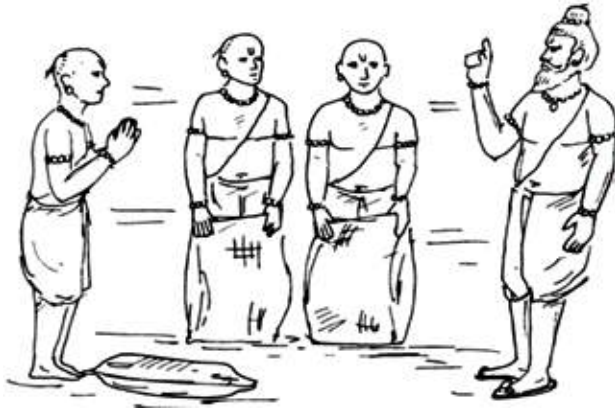
Task 5: Summing up - 5 mins

The Facilitator will then close the session by summing up the learnings in the objectives and by stressing the point that for any kind of planning, it is important to assess the strengths and limitations of internal resources so that allocation of work versus ability to carry that out, is planned and the outcomes are favourable.

Annexures

1. Story of Three Disciples
2. Story of the Ant and the Grasshopper

Annexure 1 : Story of Three Disciples

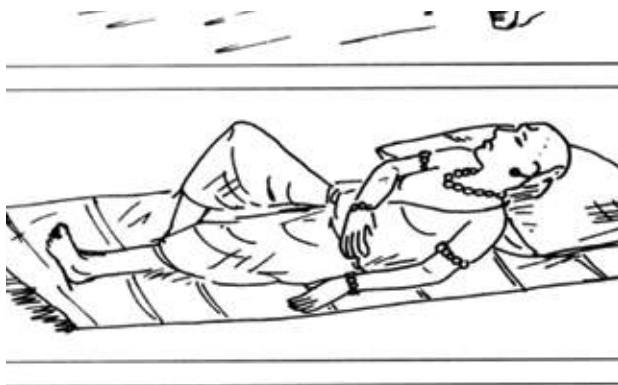


1

A Guru once decided to go on a pilgrimage and before he left he called his three disciples and gave them each a sack of paddy and told each one "look after this sack of paddy for me, let not be destroyed"

2

Now the first disciple thought that the Guru would take very long to return from the pilgrimage or might never return. He milled the paddy and ate up all the rice.



3

The second disciple fearing that some animal would eat up the paddy or some thief would steal it, kept it beside him all the time and even slept on it. The paddy gradually deteriorated and was destroyed.

4

The third disciple sowed the paddy and in time was able to take two crops of paddy producing 20 bags in all before the Guru returned from his pilgrimage.



5

Which of the disciples did the Guru praise and why?

Message: Money does not grow by spending resources on things that earn no returns. It does not grow when resources are kept idle. Money grows when resources are put to productive use.

Annexure 2 : Story of The Ant and The Grasshopper



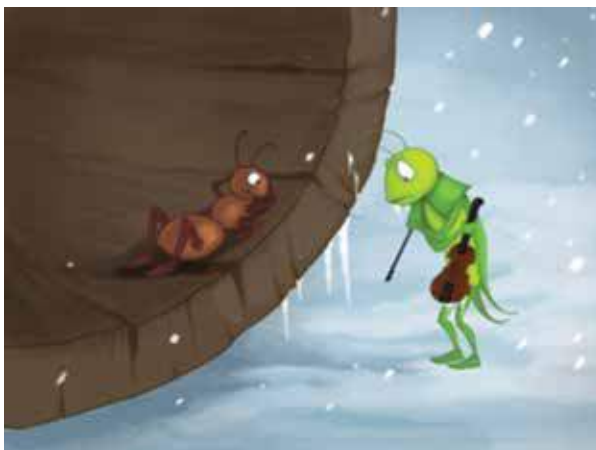
1

On a warm sunny day, a grasshopper was relaxing in the shade, when an ant passed by. The ant was dragging a huge seed. The Grasshopper asked the ant “Why are you working so hard in the hot sun, instead of relaxing?”



2

The ant said “I am collecting food for the rainy day when there will be no food. It will be good if you can also work to collect food”. The Grasshopper laughed at the ant and said, “There is plenty of food available now, there is nothing to worry” and started playing music. The ant walked away with its grain and continued its work.



3

After a few months, it started raining and snowing and the entire place was covered with water and snow and no food was available. The grasshopper had not stored any food and was searching here and there for food but could not find anything.



4

The ant was relaxing and told the grasshopper “All summer, I was working hard, while you were singing and laughing at me. As a result, I have enough food now and you are hungry.”

Which of the two – ant or grasshopper is likely to survive the rainy season/winter?

Message: If we plan our resources (time, money, effort) only looking at our present needs, our future will be full of problems. If we spend our resources today by also looking at future needs, then our future will also be bright and successful.

Session 4.10: Different Scenarios in Efficiently Managing Resources using Simulation (Examples)

Time: 125 mins

Session Objectives

By the end of the 125 mins session, the participants will be able to understand how to apply principles of resource planning in various situations faced by FPOs.

Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction		5 min	chart
2	What are the main resource planning questions in various situations faced by FPOs	Buzz group activity	50 mins	Annexure 1
3	Why do we require standard operating procedures?	Small group Exercise	20 mins	
4	What standard operating procedures are needed for the smooth functioning of FPOs?	Small Group Exercise	40 mins	chart paper, pens, cards
5	Summing up	Brain-storming	10 mins	
	Total		125 mins	

Session Details

Task 1: Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.

Several sessions have explained the need for resource planning. This session looks at various situations from the perspective of resource planning.

Task 2: What are the main resource planning questions in various situations faced by FPOs [1]? – 50 mins

- a. Facilitator explains the buzz group activity¹⁹.– 5 mins
- b. 12 small groups of 2 participants each will be formed and given different situation cards (please see Annexure 1²⁰) to respond to. Group will get only 2 mins to discuss and write down the response that first comes to mind. After 2 mins, the situation card will be passed on to the next group. In this manner, each group will work on every situation – 30 min
- c. Facilitator puts up a brown sheet with a table drawn as shown below. Try to draw or paste pictures of the stories from earlier sessions so participants can relate to it.

Task 3: Why do we require standard operating procedures? 20 mins

3. Facilitator shows each picture²¹ and asks the question mentioned

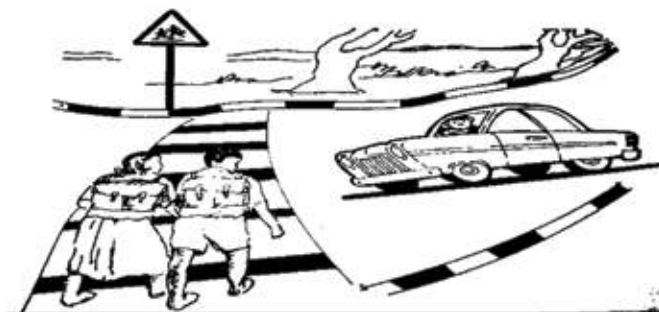
Picture 1



Why is there a queue in a fair price shop?

What would happen if there was not queue?

Picture 2



Why are traffic rules enforced?

What would happen if there were no rules?

19. Buzz group discussion is a method in which small groups of 2-3 participants discuss a specific question or issue to come up with many ideas in a short time. At the end of the time (usually 2-3 minutes), the questions can be circulated to the next group, thereby, by the end of the task we ensure every group gets to work on every question.
20. Facilitator must select one situation per group. While selecting situations, please ensure that at least one situation is selected from each group (Man (Human Resources), Material (Produce), Money (Finances), Machine (Equipment)). Facilitator can also change the crops mentioned in the situation as per the crops grown locally.
21. Facilitator can prepare flex charts of the pictures for easy display

Picture 3



Why are there fixed timings in a school?

What would happen if there were no fixed timings?

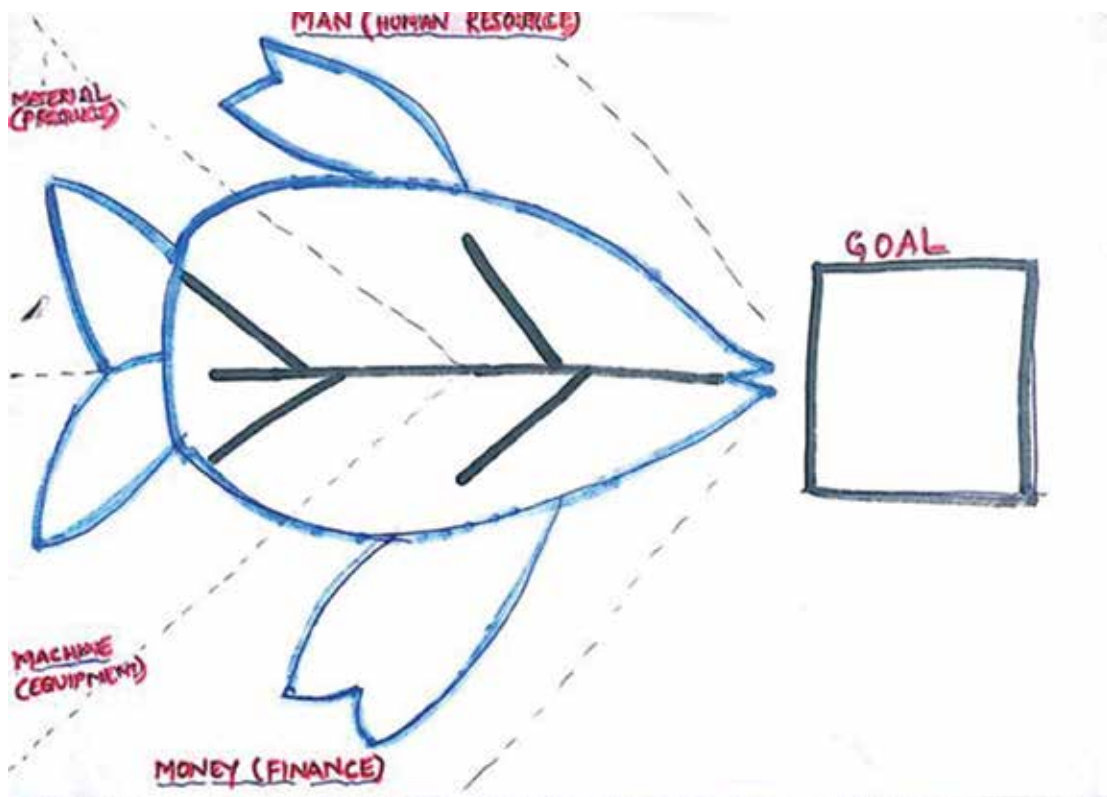
Source: Illustration on what will happen if rules not followed to be taken from Myrada CMRC manual and included here

Facilitator asks, "What do we learn from these examples?"

Expected responses – by having some norms or standard processes, we can develop discipline while doing business, we can learn from our mistakes and avoid them, helpful for strengthening the FPO, avoid misunderstanding among the members, it's helpful in resolves problems

Task 4: What standard operating procedures are needed for the smooth functioning of FPOs? – 40 mins

1. Facilitator explains the task – 5 mins
2. Facilitator fixes a brown sheet with below sketch (fishbone)



3. In the plenary group, Facilitator asks, “what is the goal of the FPO?”

Expected response – profit for members, better services etc. Facilitator writes it in a card and puts in up in the above diagram – 5 mins

Facilitator 2 groups and says “Group 1 will discuss let us write what norms we can follow to make full use of our internal capacities and place them in the bones of the fish; and in Group 2 will list out what norms to follow to take care of future needs and put them in the fins of the fish,

The Facilitator can begin by giving some examples as given below:

Man (Human Resources)

Preferably recruit graduates from same area after transparent recruitment procedure (use internal capacities)

- All staff must undergo extensive training (plan future needs)

See questions related to standard operating procedures for Man (Human Resources) in Annexure - 2. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.

Material (Produce)

- Use FIGs for checking quality, managing procurement of produce and distribution of inputs (use internal capacities)
- Do crop planning at FIG level by looking at market trends (future needs)

See questions related to standard operating procedures for Material in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.

Money (Finance)

- Use share capital to get loans from banks or matching grants from Govt. (use internal capacities)
- Before taking loans, check ability to repay (future needs)

See questions related to standard operating procedures for finance in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.

Machine (Equipment)

- Before any purchase of equipment, check if facilities available nearby or with members (use internal capacities)
- Before investing in any asset, check if the asset will increase profit of FPO in future or become a burden on FPO (future needs) - 15 mins

See questions related to standard operating procedures for Machine (Equipment) in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.

The groups fix their cards on the fish chart and discuss if anything can be added – 15 mins

Task 5: Summing up - 10 mins

The facilitator can close the session encouraging the BODs to go back and discuss the points raised in this session and work on their standard operating procedures

Annexures

1. Situation Cards for Buzz Group Activity
2. Questions Related to Standard Operating Procedures

Annexure 1 : Situation Cards for Buzz Group Activity

1. A Tur FPO in Karnataka, has seen CEOs change many times in last three years' time. Due to this, the FPO has not been functioning properly. The last CEO who left recently was from another district and had no experience related to managing FPOs. He left saying that the salary was not enough.

What points, from a resource planning point of view, will you, as the BoD of the FPO, discuss in the board meeting?

2. A Tur FPO has one CEO and accountant, who are already busy with routine activity of the FPO. For next 3 months, FPO plans to procure Tur from several villages. During procurement, people are needed in each centre to ensure quality and proper weighing, record keeping.

What options will you, as BoD of the FPO, think of in this situation?

3. An Organic FPO, at the time of procurement, pays slightly better than current market price. At the end of the year, BoD considers the profit before tax of the company and decides to pay withheld price to farmers in cash or kind or by allotment of shares, as decided by the board

What will you, as BoD of the FPO, consider before declaring the withheld price for the year?

4. A Tur FPO plans to procure Tur from its members during the harvesting season at market prices and sell it to traders after a few months when prices are high.

What are the main planning decisions that you, as BoD of the FPO, must take in this situation?

5. A fisheries FPO has agreed to supply fish throughout the year to an exporter. It discusses with members and fixes the procurement price at the beginning of the year. However, some members sell to the FPO when the FPO price is higher than market price and sell directly to market when market price is higher than FPO price.

How will this affect the business of the FPO and what can the FPO do about it?

6. A horticulture FPO has entered into an agreement with a big retail company to sell an agreed quantity of Tomatoes every month. The company had agreed to pay a higher price than market price if the FPO is able to supply the agreed quantity every month. The first load is expected after six months.

How will you, as BoD of the FPO, plan for this?

7. A horticulture FPO did collective marketing on trial basis and suffered losses as the markets were far away. They heard about a Government scheme for a vehicle with subsidy. The CEO believes that own vehicle can help the FPO in reducing transportation cost and will improve FPO's business.

What questions, from a resource planning point of view, will you, as the BoD of the FPO, ask the CEO?

8. A newly formed FPO working with Maize farmers is planning to get a thresher with support from Government. Farmers need thresher for their maize crop this season. If this works well, the FPO plans to get more threshers to provide threshing services to its members in various village clusters.

What will you, as BoD of the FPO, do to ensure that the threshing services reach all the FPO members?

9. A Tur FPO based in Telangana plans to procure Tur from farmers at open market price and process into dhal and sell it to traders. There is a cooperative Dhal mill about 30 kms from their FPO which processes dhal for a fee. Some of the directors feel it is better for FPO to establish its own dhal mill.

What will you, as BoD of the FPO, consider before deciding what the FPO must do?

10. A Groundnut FPO plans to collectively procure fertiliser for its members. Based on the demand from its members, it will purchase in bulk from companies and supply to members. The FPO must pay companies in advance and farmers will pay the FPO after one months' time.

How will you, as BoD of the FPO, plan resources for collective procurement?

11. A Tur FPO entered into agreement to supply Tur to a miller and as agreed, 100 Tons were procured and supplied. The first few consignments were paid online, and the entire stock was supplied. However, after about a month or so, the trader stopped payment after receiving the entire stock.

What steps/decisions will you, as BoD of the FPO, take in this situation?

12. An organic FPO discusses with FIGs and fixes the procurement price before every cropping season. FPO also offers bonus to the farmer-members, FPO staff members and labourers who work at the FPO's processing plants. The BoD decides the bonus depending on the net profits earned every year.

How will you, as BoD, decide upon the procurement price and the bonus?

Annexure 2 : Questions Related to Standard Operating Procedures

Man (Human Resource)

1. Is it necessary to have a Job description, approved by the BoD, for each position? Should BoD regularly monitor the work of the staff through monthly or quarterly review meetings?
2. Is it important to jointly agree on performance indicators and evaluate the staff based on the performance indicators?
3. Is it necessary to have a transparent recruitment processes?
4. Is it necessary to send staff for relevant training at regular intervals?
5. Should FPO have a mechanism to reward and recognize good performers?
6. Should salary and other benefits be given to staff on time?
7. Should staff have social security benefits like insurance, Provident Fund, etc.
8. Should there be a staff grievance committee in the BoD?
9. Should there be a notice period, proper exit procedure for staff wanting to resign from the organisation?

Material (Produce)

1. Should there be clear procurement plans before any procurement activity is undertaken?
2. Who should prepare these procurement plans?
3. Will FIGs be involved in preparing the procurement plans?
4. Who will compile and approve the plans?
5. Should the FPO have a procurement committee?
6. Should there be written contracts with buyers for purchase of produce from the FPO? Should there be agreement on quantity, quality, how quality will be checked etc.
7. Should FPO members receive training on proper grading, sorting and bagging of produce?
8. Should there be proper mechanism for transparent weighing of the produce?
9. Should there be a proper mechanism for transparent checking of the quality of the produce?
10. Should FPO have a proper mechanism to decide the procurement price to be paid to farmer?

Money (Finance)

1. Is it necessary for an FPO to open a Bank account in its name?
2. Should the bank account be operated joint signatories or by a single person?
3. Can Cheque book be held by the authorized signatories?
4. Should the BoD decide the maximum amount which can be paid by cash by the FPO?
5. Does the FPO need to print the necessary Receipts, Invoices and Vouchers?
6. Is it necessary that the receipt of cash or cheque should be immediately accounted by issuing a Receipt?
7. Should Cash receipts be remitted to the Bank immediately after receiving the cash?
8. Should we allow any payment without proper support of Bills and vouchers. Is it necessary that voucher should be prepared for every payment made?
9. Should a cheque issue Register should be maintained?
10. Should all supporting be cancelled with paid seal before the payment is made?
11. Should vouchers be serially numbered?
12. Should vouchers be authorized by the CEO or principal director?
13. Should all vouchers be filed with supporting documents?
14. Should Cash receipts be issued in book serially numbered. Should the original cash receipt be issued to the person / institution remitting the amount. Should FPO retain a Copy?

15. Should cash receipts and Payment vouchers be recorded immediately after making the payment.
16. Does FPO need to use Tally package?
17. Should Trial Balance be prepared every month and a Bank Reconciliation be prepared?

Machine (Equipment)

1. Should we avoid purchasing any new equipment like flour mill, dhal mill, vehicle etc. without understanding whether FPO will benefit from it or not?
2. To understand the use of any equipment, can FPO experiment with doing business with existing facilities nearby or on rental/hire basis?
3. Before purchase of any equipment, should there be clarity on:
 - a. Where it will be installed?
 - b. How it will be operated?
 - c. Who will operate it?
 - d. What are the service charges?
 - e. How will the FPO get the money for maintenance of equipment?
 - f. How will the FPO earn from the operation of the equipment?
 - g. How will FPO manage in case of any accidents or any damage to equipment?
4. Should there be a proper purchase procedure for purchase of equipment?
5. Should there be a purchase committee in the BoD?
6. Should the FPO staff or operator be trained on the use of the equipment before it is used?

