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**INCOME GENERATING PROJECTS (IGP)  
MANUAL**

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## **CHAPTER 1 GENERAL INFORMATION**

### **1.1. Introduction**

Batas Pambansa Bilang 189 has upgraded the institution into a chartered state college known as the Ifugao State College of Agriculture and Forestry (ISCAF) an institution of higher learning in the Province of Ifugao on February 16, 1982. The college specializes Agriculture, Forestry and other related fields.

To carry out its Vision, Mission and Goals, the State College thru its linkages with the European Economic Council (EEC) crafted a Farm Plan Manual strengthened and delineated existing farm projects of the school. There were four areas of that specialization, namely: Animal Production, Crop Production, Farm Mechanization and Postharvest in support of the DAT-BAT program offerings at ISCAF, Main Campus.

R.A. 8292 otherwise known as the Higher Education Modernization Act of 1997, requires all SUCs in the country to generate income in order to augment their present financial constraints (MOOE). This prompted the OIC President, Dr. Marcelo M. Roquel to initiate the drafting of an IGP Manual which was patterned from the CLSU experiences.

In 2003, Dr. Serafin L. Ngohayon assumed the ISCAF Presidency. Decisively he had the IGP Manual fine-tuned and endorsed for BOT approval. That time, the ISCAF-IGP Manual was patterned from the CHED Income/Resource Generation Manual for State Universities and Colleges.

The conversion of ISCAF to IFSU, by virtue of R.A. 9720 signed into law on October 14, 2009, has prompted the first University president, Dr. Serafin L. Ngohayon, to conduct series of ADCO meetings for the revision and strengthening of the different college manuals to suit the university level. One of it is the IFSU-IGP Manual which was cared of to the IGP Director, Dr. Wedy J. Lannaon. The IGP Manual was prepared using the CLSU University Agribusiness Manual as reference. It was presented to the appropriate bodies of the college and was finally presented to the Board of Trustees which approved it as an integral part of the University Code covered under Board Resolution No. 1010 s. 2009.

### **1.2. IFSU Agri-based and Non Agri-based Projects**

#### **Agri-Based Projects**

1. Food service
2. Corn Production
3. Integrated Farm
4. Piggery Project
5. Poultry Project
6. Cattle Production
7. Goatery
8. Dressmaking project
9. Marketing center services
10. Postharvest Processing
11. Broiler contract Growing
12. Woodcarving

#### **Non Agri-based Projects**

1. Library Photocopying & Bookbinding
2. Internet Auxiliary Services
3. Printing Press
4. Furniture and Cabinet Making
5. Land and facilities renting

### **1.3. Legal Bases of production**

- 1.3.1. The operation of IGPs in SUCs shall follow NBC No. 331 issued on November 27, 1980 which created a revolving fund (Fund Code 161).
- 1.3.2. The agricultural and manufacturing operations of SUCs shall follow NBC No. 331-A issued on December 23, 1982, which created a revolving fund (Fund Code 162).
- 1.3.3. The rules and regulations governing the accounting of agricultural products shall be followed based on COA Circular No. 84 – 239.
- 1.3.4. The operation of Auxiliary Services, such as dormitories/hostels/guest houses, infirmary, printing press and canteens shall follow DBM Circular Letter No. 92 – 8 issued on November 18, 1992.

- 1.3.5. In the furtherance of income generation of the SUCs. RA 8292 (Higher Education Modernization Act of 1997) stipulated that SUCs shall enter into joint ventures with business and industry (Section 4r), to develop consortia and other forms of linkages with other units, institutions and agencies (Section 4s), or to privatize management of non- academic services such as health, food, building or grounds or property maintenance and similar such other activities (Section 4w).

Note: See Attachment A – E for the legal bases of production.

#### **1.4. Agribusiness and Entrepreneurial Management**

##### **1.4.1. Vision:**

The IFSU Income Generating Projects (IGPs) are income generating enterprises that are profitably operated with the use of innovative and cost effective practices, supportive to instruction, research and extension and promoting entrepreneurship to ensure better quality of life and food security within the province, region and country as a whole.

##### **1.4.2. Mission:**

The IFSU IGPs shall continuously operate to generate income for the attainment of fiscal autonomy shall serve as training ground for students in terms of technical, managerial and manipulative skills, research, extension and show windows of viable technologies for clientele to emulate.

##### **1.4.3. Objectives:**

The general objective is to establish income-generating projects that will operate as income generating entities. The specific objectives are as follows:

- 1.4.3.1. To develop profit-oriented project to generate local fund to supplement the general fund of the college.
- 1.4.3.2. To provide an appropriate venue for training students enrolled in technical and/or special courses.
- 1.4.3.3. To provide areas for conducting basic applied researches.
- 1.4.3.4. To actively support the implementation of the Agriculture and Fisheries Modernizations Act (RA8435)
- 1.4.3.5. To provide employment opportunities to students and jobless graduates of IFSU.

#### **1.5. Definition of Terms and Acronyms Used**

##### *1.5.1. Definition of Terms:*

- 1.5.1.1. Income Generation Project Manual – is a compilation of instructions, guidelines, policies, rules and regulations, and standard operating procedures (SOPs) to be observed in performing income generation program of the university.
- 1.5.1.2. Income Generation – refers to agricultural and non-agricultural activities intended to produce the necessary goods/or foods and services that have exchange values in order to generate income for the university. This likewise includes income generated from tuition and other student fees.
- 1.5.1.3. Resource Generation Program (RGP) – is the fourth function of SUC whose function is to utilize optimally available physical, financial, human and technological resources to generate income.
- 1.5.1.4. Return on Investment (ROI) – is a profitability measure of an income-generating project, defined as the ratio of net profit to total capital.
- 1.5.1.5. Capital Build-Up (CBU) – is an additional fund allocated to each project for purposes of expansion and improvement.

*1.5.2. Acronyms Used*

1.5.2.1.	ALOBS	- Allotment and Obligation Slip
1.5.2.2.	BOM	- Board of Management
1.5.2.3.	BOR	- Board of Regents
1.5.2.4.	CBU	- Capital Build-up
1.5.2.5.	CHW	- Contact Hour per Week
1.5.2.6.	COA	- Commission on Audit
1.5.2.7.	DBM	- Department of Budget and Management
1.5.2.8.	DPSDR	- Daily Production and Sales/Disposal Report
1.5.2.9.	ETL	- Equivalent Teaching Load
1.5.2.10.	FPP	- Food Production Plan
1.5.2.11.	GASS	- General Administration and Support Staff
1.5.2.12.	IGP	- Income Generating Project/s
1.5.2.13.	IWC	- Initial Working Capital
1.5.2.14.	LOI	- Letter of Instruction
1.5.2.15.	NBC	- National Budget Circular
1.5.2.16.	PM	- Project Manager
1.5.2.17.	PO	- Purchase Order
1.5.2.18.	RA	- Republic Act
1.5.2.19.	RDET	- Research Development, Extension and Training
1.5.2.20.	RFs	- Revolving Funds
1.5.2.21.	ROA	- Request of Allotment
1.5.2.22.	ROI	- Return of Investment
1.5.2.23.	ROE	- Return of expenditure
1.5.2.24.	SO	- Special Order
1.5.2.25.	SS	- Support Staff
1.5.2.26.	VPPRG	- Vice President for Planning & Resource Generation
1.5.2.27.	WFP	- Work and Financial Plan
1.5.2.28.	PPB	- Project Plan and Budget

## **CHAPTER 2**

### **STARTING AN INCOME GENERATING PROJECTS (IGPs)**

#### **2.1. Introduction**

One of the weaknesses which often results to the failure of Income Generating Projects being implemented by a university may be attributed to poor project planning and formulation. In particular, ideas or concepts are not systematically integrated into the overall goals and objectives of the institution. The program and the individual projects comprising it must be organized into a scheme whereby given quantities of resources are efficiently utilized in a specific way to achieve particular effort, and the mobilization of different skills and resources which will directly or indirectly result to new or added values and to the social, economic and financial benefits of the university's various groups and clientele.

Just like in any business enterprise, the key to a successful business project is good program formulation. The hardest part is how to start. This chapter provides some helpful tips and strategies on how to start a university Income Generating Project (IGP). It enumerates and discusses the important steps to follow in establishing a project. Sample cases are presented which are based and drawn from the experiences of IFSU and other academic institutions.

#### **2.2. Factors to Consider in Starting an Agribusiness Program**

Before starting an IGP, several important factors should be considered. It must be emphasized that these are complementary to each other and therefore must all be present in order for the program to succeed. As part of the program formulation strategy, the extent of availability of the following factors or pre-requisites should be assessed:

##### **2.2.1. Strong leadership**

This would mean a capable leader (head of the institution) with a vision to provide hands-on training to students; a risk-taker to try new ways in managing the program; aggressive in sourcing out funds; and a charismatic person who can motivate project managers to work religiously in their respective projects.

Strong leadership must also be implied to the IGP Director and Project Managers (PM). As chairman of the Board of Management (BOM), his main responsibility is to oversee the effective implementation of policies formulated by the BOM. Impartiality and decisiveness are also demanded of him.

##### **2.2.2. Committed and qualified project manager;**

The real backbone of an IGP is the PM. They can make or unmake a project. The heavy responsibility of running the individual projects comprising the program rests on their shoulders. Desirable qualifications demanded from the PMs are extreme honesty, dedication, and commitment. The selection of PM starts with the solicitation of letters of intent and submission of credentials from prospective PMs. After a careful evaluation and close scrutiny of the candidates' credentials, verification and consultation by and with the members of the Board of Management and the applicants' immediate supervisors are done prior to the final selection. More detailed operational guidelines on personnel management are presented in Chapter IV.

##### **2.2.3. Available physical resources (land, labor, capital)**

While the manpower resource constitutes the backbone of the IGPs, the foundation of a successful agribusiness activity consists of the land, buildings and financial resources. In most situations, however, only the land and old buildings are available in the university. In order to generate the needed financial requirement to run the operation, the resourcefulness and creativity of the university head is very important.

Funds can be sourced out both from internal and external sources. From within the Institution, the utilization of savings can be explored. Money could also be made available through budget realignment and prioritization of needs. These strategies may require official approval by the

Department of Budget and Management, however, with proper justifications and persistent representations, this is not too difficult to secure for external fund sources. Among the possible strategies are joint ventures, contract growing, allocations from politicians, and donations or grants from government and non-government organizations.

To a great extent, the quality of resources available in the university determines the kind of project to be established. For example, IFSU is straddled in a 658-hectare agricultural land; hence, the university specializes in crop production, livestock production, and fishery projects.

### **2.3. Steps in Starting Agribusiness Program**

When planning to start an IGP, it should be done in an orderly and systematic manner. This is to make sure that the different components and aspects are adequately addressed and evaluated. The following steps are hereby recommended:

- 2.3.1. Formulate the vision, mission, goals and thrusts or concerns of the program. Identify and emphasize the core values of the people who will manage it. The purpose of this activity is to agree on a consensus on what should be done, and how these are achieved.
- 2.3.2. Prepare an inventory of the physical resources available in the university by conducting a land survey and listing down existing facilities. Based on this survey, a land use plan could be prepared. The current use and potential utilization of the facilities should be done.
- 2.3.3. Survey the needs of students, faculty and staff members, and the residents of the immediate surroundings as the potential market outlets. This provides an idea what products or services are required or demanded in the area and in what quantities.
- 2.3.4. Determine the enterprises in the area producing the needed commodities. This step identifies the supplies and potential competitors of the proposed projects.
- 2.3.5. Design an appropriate organization structure with clear lines of authority and coordination and define individual responsibilities and accountabilities. This will facilitate timely decision making and responsive project operation.
- 2.3.6. Select the personnel for the various positions based on the merit of records presented. The President of the Institution designates the IGP director upon recommendation of the VP for Planning and Resource Generation and Project Managers the recommendation of the IGP Director.
- 2.3.7. Prepare a farm plan and budget for all selected projects. The IGP director should ensure that every project must have a Project Plan and Budget to be prepared by the Project Managers who are the direct implementers of the plan. The IGP Director should further ensure the propriety of such project plan and budget through designed processes and procedures before presenting the same to the Board of Management (BOM) for appropriate action.
- 2.3.8. Identify sources of funds be it internal or external. It must be emphasized that fund sourcing by the head of the University is a continuing activity. However, the IGP director should be involved in the fund sourcing activity through the preparation and submission of project proposals.
- 2.3.9. Formulate implementing guidelines and policies. The IGP Director should spearhead the preparation of implementing guidelines in consultation with project managers and other concerned individuals. The output shall be presented to the Board of Management for appropriate action.

### **2.4. Factors to Consider in Starting Income Generating Projects**

There are several factors that must be considered in putting-up a project. Careful evaluation and assessment of these factors must be done in order to enhance the probability of success of the projects. These factors include the following:

- 2.4.1. Suitable area. This factor is very important for land-based project such as rice production, orchard, and other plantation crops and fish production. For rice crop, the area (ranging from 3-5 ha) should have the required physical and chemical characteristics. For animal projects, the area should be far from houses, has good drainage and near water and power supply. For fish production, site requirements include suitable soil (with adequate clay content for construction durability and water holding capacity); and reliable source of good quality water.

- 2.4.2. Quality stocks or seeds. The initial stock should come from well-established or accredited hatcheries and rice seeds from trusted and certified growers. This factor is very important because the yield is dependent upon the quality of stocks or seeds used in the production process. In order not to be over-dependent from external sources for the supply of seeds especially that of rice, it is recommended that a seed production project solely dedicated for this purpose shall be operated by the Institution. If this not possible due to some constraints or limitations, rice seeds classified as foundation, registered or certified can be obtained from the Philippine Rice Research Institute (Phil Rice) at Maligaya, Muñoz, Nueva Ecija and from the International Rice Research Institute (IRRI) in Los Baños, Laguna.

In the case of quality seed stocks for fish (tilapia), CLSU or its accredited hatcheries are recommended as sources. If capable, maintaining a hatchery to produce the needed fingerlings for the fish production operation is highly recommended in order to maintain cropping and harvesting flexibility.

- 2.4.3. Qualified Project Manager. For projects involving animal and fish production, the PM should be equipped with the necessary technical expertise required of the position. He must possess utmost dedication to his job, working even before and after office hours. Honesty is a prime virtue, which should be incumbent upon the PM because he handles saleable commodities (rice, eggs, fish broilers, etc.), inputs and funds. He should be able to effectively manage laborers and students working in the project.
- 2.4.4. Availability of Manpower. This factor is very important for projects such as animal and fish production whose operation requires full-time manpower services, preferably even on a 24-hour work basis. This is so because there are activities, which require full time attention and fixed time schedules such as feeding, health monitoring, and operation of certain facilities and equipment. The ideal arrangement is for a laborer to live-in at or near the project site to render services whenever necessary. In crop production projects, the need for labor reaches its peak during planting and harvesting periods. It is therefore essential that manpower should be readily available during these times. For CLSU, one laborer could handle 3,000 layers, or one worker could maintain 5 hectares of rice farm. It is strongly recommended to utilize student labor whenever possible as is being practiced in some college/universities such as NVSIT, BSU and CavSU and USM.
- 2.4.5. Availability of Capital. One of the basic and common problems encountered in starting a project is the unavailability or lack of funds especially for its initial operation. Moreover, the availability of funds during critical times in the project's operation is also very important. If funding is a constraint, it is advisable to start a project on a small scale, gradually expanding as income is generated. For the timely availability of funds for operation, the project In-charge should be allowed to draw or maintain a cash advance to cover emergency purchases. Meanwhile, fund sourcing should be continuously pursued from potential sources as previously mentioned.
- 2.4.6. Administrative Support. This is required in order to insure a smooth flow of transactions and facilitate ease in operation. Administrative support pertains to the aggressiveness of the university head in providing motivation and policy direction in the projects' operation, as well as in the assistance and cooperation of the support offices responsible for accounting, procurement, cashiering, budgeting and auditing. Although the primary accountability rests on the Project Manager, the IGP director shares the burden of the management aspects being the immediate supervisors of all project managers. Thus, the IGP director should undertake proper direction and coordination with all the support personnel to insure the attainment of production targets. In order to establish a close relationship between the project staff and administrative support personnel everyone should be involved in evaluation and planning workshop activities. This will enable everyone to have the opportunity to provide constructive suggestions and criticisms. This is also a way of developing good rapport between and among those directly and indirectly involved in project operation.

- 2.4.7. Market Assurance. For a production project to be viable, a market outlet of its products should be assured. For college/university projects, there are captive buyers among the students, faculty and staff members. Market assurance could also be guaranteed with the establishment of marketing tie-ups with wholesalers or retailer's groups. Perishable products such as eggs and vegetables have to be marketed in the shortest possible time especially if no storage facilities are available. For college/universities with large student population, marketing may not be a problem. However, when students are on vacation, projects may resort to selling on salary deduction to faculty and staff members. The problem with this strategy lays on the slow turnover of cash, hence, the problem of incurring inadequate funds for buying inputs and paying for operational expenditures arise. It is therefore important that the scale of a project is determined considering the size of the market.

## **2.5. Steps in Starting a Project**

Just like in establishing an agribusiness program, there are steps to follow in putting up any income generating project. These steps may vary depending on the project, but the major activities are as follows:

- 2.5.1. Survey of resource present in the university. Preparation of a land use plan may indicate the possible site of the project. This function could be undertaken by the Project Manager in consultation with the IGP director. The same shall be presented to the BOM for appropriate action.
- 2.5.2. Selection of a Project Manager with the required technical expertise, honesty, and commitment. The PM shall conduct a market survey to determine the scale of the project;
- 2.5.3. Formulation of farm plan and budget, including records format and recording system. Aside from the farm plan and budget, a project proposal or feasibility study should be required as basis in giving action for the start of a project.
- 2.5.4. Selection of project laborers. The qualifications are technical expertise, honesty, and dedication to work. The PM selects and recommends the personnel to the IGP director who in turn recommends the same to the higher authorities.
- 2.5.5. Sourcing of funds. This activity is important if the project needs support from outside the university. Aside from the farm plan and budget, a project proposal or feasibility study may be prepared.



### CHAPTER 3 ORGANIZATION AND MANAGEMENT

This chapter presents the organizational chart and the duties and function of the personnel involved in the operation and management of IGP from the Administration to the project manager and laborers.

#### 3.1. University IGP Organizational Chart

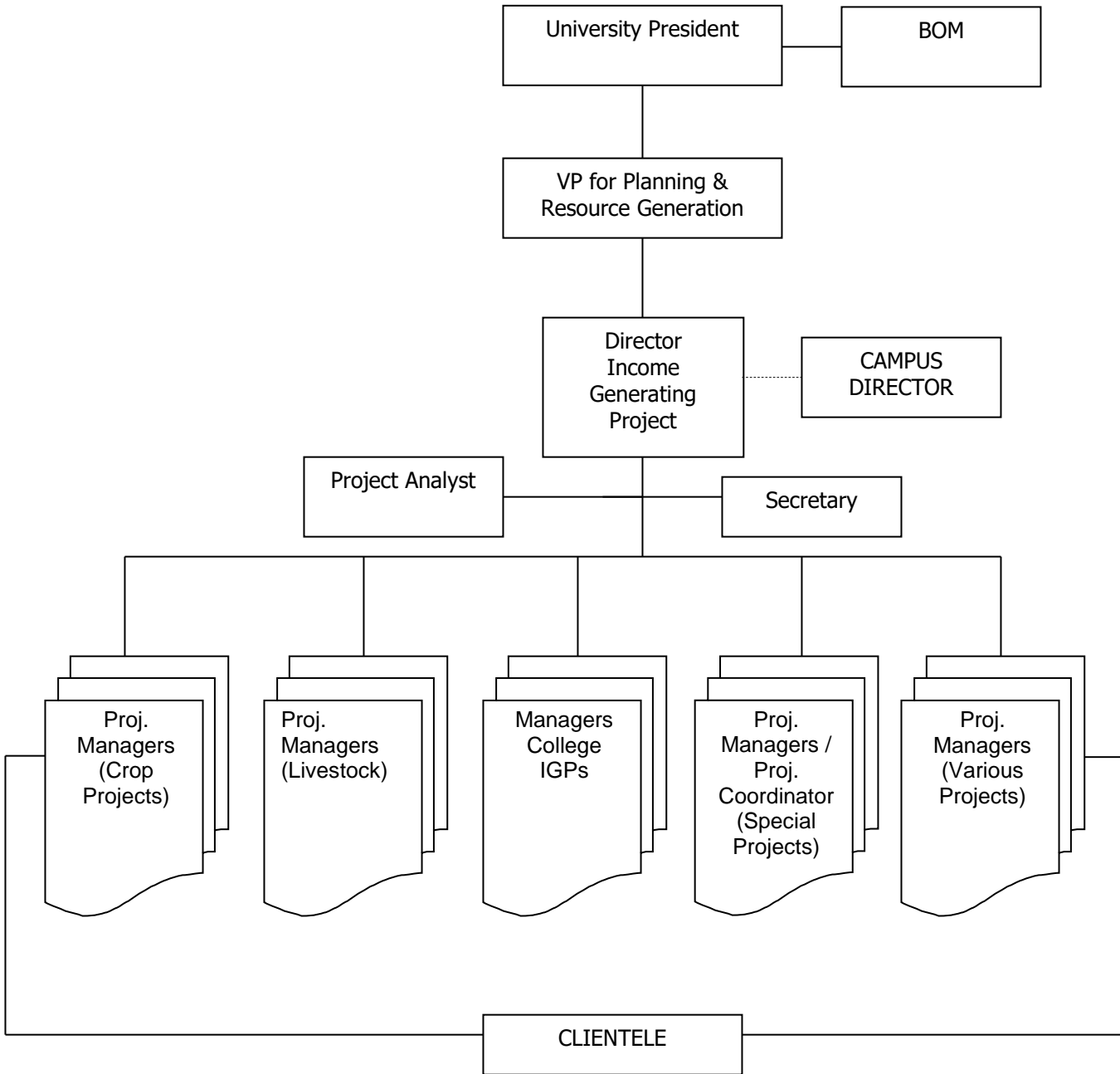


Fig. 4.1. The IGP Organizational Chart

## **3.2. Duties and Functions of Management and Personnel**

### *3.2.1. University President*

- 3.2.1.1. To provide the vision and the overall direction of IGP programs.
- 3.2.1.2. To oversee the overall implementation of policies as approved by the Board of Trustees of the College.

### *3.2.2. Board of Management (BOM)*

- 3.2.2.1. The Board of Management is the policy making body of the Income Generating Projects. It is chaired by the University President with the Vice-President for Planning and Resource Generation as the vice chairman. It shall be composed of members: VP-Admin & Finance, IGP Director, Campus Directors of Campuses with IGPs, Finance Director, and Resident Auditor.

#### 3.2.2.2. The general duties and functions of the BOM are:

- 3.2.2.2.1. To act on policies and proposed programs emanating from the office of the director for Income Generating Project (IGP).
- 3.2.2.2.2. To formulate policies and guidelines with respect to the proper management and operation of income generating projects.
- 3.2.2.2.3. To govern and supervise the implementation of IGP policies of the University to compliment and interface instructions, research and extension programs.
- 3.2.2.2.4. To delegate some of its functions to the IGP director as a matter of management flexibility intended to speed up operation.

#### 3.2.2.3. Specific functions of the BOM:

- 3.2.2.3.1. To determine investment priorities in income generating projects and to develop/promote such projects according to acceptable investment criteria. The IGP director shall provide the needed data/documents for the BOM consumption.
- 3.2.2.3.2. To make the projects available as part of the facilities for instruction, research, extension and training consistent with the policies and programs of the university.
- 3.2.2.3.3. To set performance objectives and standards in the management of the IGPs.
- 3.2.2.3.4. To cause the formulation of rules and procedures that will govern routine activities as guide to decision-making concerning funds, property, resource in accordance with auditing and accounting procedures.
- 3.2.2.3.5. To confirm the appointment, designation of low level personnel and dismissal of the same from the IGP for cause after due process.
- 3.2.2.3.6. To recommend for approval by higher authorities proposed incentive scheme of IGP personnel and support staff emanating from the office of the IGP director.
- 3.2.2.3.7. To perform other functions related to the attainment of the IGP objectives as well as those delegated by higher college authorities, which are deemed important for the advancement of the university programs.

### *3.2.3. Chairman, Board of Management*

- 3.2.3.1. To preside in all meetings of the BOM.
- 3.2.3.2. To ensure that the BOM performs its duties and responsibilities.
- 3.2.3.3. To represent the BOM in all meetings inside and outside of the college.

### *3.2.4. Vice President for Planning & Resource Generation:*

- 3.2.4.1. To set the agenda of BOM meetings, organize, schedule and communicate BOM meetings.
- 3.2.4.2. To preside over BOM meetings in the absence of the Chairman
- 3.2.4.3. To supervise the overall operation/administration of income generating projects and the implementation of approved policies, programs and guidelines.

- 3.2.4.4. To evaluate proposed income generating projects, programs, policies and guidelines emanating from the office of the IGP director and recommend for appropriate action to the BOM.
- 3.2.4.5. To provide assistance in the conduct of planning workshop, project proposal preparation and other IGP enhancing activities.
- 3.2.4.6. Determine available resources (land, labor, and capital) for efficient and effective utilization of the Income Generating Projects.
- 3.2.4.7. To recommend to the University President the appointments/designations of the IGP Director, PM/s and other lower level personnel including the dismissal/termination of the same for cause after due process.
- 3.2.4.8. To recommend for approval by higher authorities a reward system to maintain/boost the morale of IGP personnel.
- 3.2.4.9. To perform other functions related to the achievement of the goals and objectives of the IRGP as well those delegated by the University President.

*3.2.5. Campus Directors*

- 3.2.5.1. To recommend campus IGP proposals and plans for review by the IGP Director, recommendation by the Vice President for Planning and Resource Generation and approval by the University President.
- 3.2.5.2. To oversee the implementation of approved IGP in their respective campus.
- 3.2.5.3. To submit status reports as required and recommendation when necessary.

*3.2.6. IGP Director*

The IGP director is the chief operating officer of the IGP department. His/her specific duties and responsibilities are as follows:

- 3.2.6.1. To prepare plans in coordination and consultation with the stakeholders and to carry out its implementations.
- 3.2.6.2. To evaluate status of programs/projects and provide appropriate courses of actions through appropriately designed means.
- 3.2.6.3. To assume direct responsibility in the overall operation and administration of programs and projects and the implementation of policies, and guidelines in order to achieve targets with efficiency and effectiveness.
- 3.2.6.4. To promote sense of responsibility, commitment, accountability, harmonious camaraderie, cooperation and to establish linkages for the smooth functioning of all the projects.
- 3.2.6.5. To prepare and submit regularly a semi-annual and annual report to the office of the VP for planning and resource generation and the BOM and other reports as may be required regarding the status of operation of the IGPs.
- 3.2.6.6. To spearhead, initiate, and coordinate IGP planning and organize manpower resources and activities of all IGPs for efficiency and effectiveness in production.
- 3.2.6.7. To delegate/assign duties, responsibility, authority and powers to colleagues and subordinates as may be allowed by existing issuances.
- 3.2.6.8. To conduct meetings with IGP personnel on operations, projects or any subjects relevant to the IGP.
- 3.2.6.9. To perform other duties delegated by higher authorities.
- 3.2.6.10. To evaluate and monitor all project operations in coordination with the PM.
- 3.2.6.11. To coordinate statistical work, research analysis and economic evaluation of data and trend forecast.
- 3.2.6.12. To recommend to the BOM appropriate actions geared towards the enhancement or improvement of IGP operation and management.
- 3.2.6.13. To design appropriate IGP monitoring and evaluation instruments.

*3.2.7. Project Analyst*

- 3.2.7.1. To analyze the financial viability of all IGPs and recommend corrective measures to anticipated problems and recommend closure of any IGP with bleak future.
- 3.2.7.2. To assist the PM in the preparation of project plan and budget.
- 3.2.7.3. To take minutes of the meetings of the BOM and proceedings of IGP related activities such as planning workshops and consultation and keep records of the same and other IGP documents.
- 3.2.7.4. To prepare financial reports and other reports as may be required and communication for the BOM and university officials.
- 3.2.7.5. To ensure the availability of forms for business transactions and its appropriate uses and recording.
- 3.2.7.6. To perform other related duties as may be delegated by the chair and/or higher authorities.

*3.2.8. Project Managers/Project Coordinators*

The Project Managers/Coordinators are the direct implementers of the IGP policies. They are designated by the chair upon the recommendation of the IGP director. The specific duties of the project managers/coordinators are:

- 3.2.8.1. To exercise direct supervision over the project.
- 3.2.8.2. To prepare project proposal/business plan.
- 3.2.8.3. To implement IGP Policies.
- 3.2.8.4. To supervise project personnel/staff.
- 3.2.8.5. To prepare and submit regular/periodic reports and recommendations to the BOM through the IGP Director.
- 3.2.8.6. To process requisition forms/vouchers for supplies and materials needed.
- 3.2.8.7. To assist the procurement officer in canvassing supplies and materials needed in the project.
- 3.2.8.8. To record transactions and activities concerning the project.
- 3.2.8.9. To inform the marketing manager regarding the products/commodities to be sold from the project.
- 3.2.8.10. To coordinate with the university veterinarian (poultry & livestock) regarding the health of the animals.
- 3.2.8.11. To perform other related duties as may be required by higher authorities.

## **CHAPTER 4 OPERATIONAL GUIDELINES AND PROCEDURES**

### **4.1. Introduction**

The operation of any entrepreneurial income generating project requires setting up of appropriate mechanism to effectively implement policy guidelines. Complemented by detailed procedures, these entrepreneurial agribusiness programs help substantiate not only CHED but also for our institution specifically our quest for excellence in income generation.

### **4.2. Guidelines/Policies on Project Operations**

#### *4.2.1. Personnel Management*

- 4.2.1.1. Project Manager shall be subject to screening by the BOM to determine their qualification/expertise in the project where they have applied
- 4.2.1.2. Preferably a faculty member or non-academic staff with permanent position;
- 4.2.1.3. With sufficient experience in managing a project in line with his specialization;
- 4.2.1.4. He/she must show honesty, sincerity, industry, commitment and willingness to work even beyond official time;
- 4.2.1.5. Interested faculty and staff members should submit a letter of intent (LOI) to the chairman who shall present it to the BOM for consideration.
- 4.2.1.6. The services of the following may be tapped by the Program Managers/BOM:
  - 4.2.1.6.1. University Engineers (On call)
  - 4.2.1.6.2. Project Veterinarian (On call)
  - 4.2.1.6.3. Project Crop Protection Specialist (On call)
  - 4.2.1.6.4. Soil Science Specialist (On call)
  - 4.2.1.6.5. Weed Science Specialist (On call)
  - 4.2.1.6.6. In-charge Farm Machineries (On call)
  - 4.2.1.6.7. Director, General Services (On call)
  - 4.2.1.6.8. BFAD (On call)
  - 4.2.1.6.9. DTI (On call)
- 4.2.1.7. The number of laborers on Job order (J.O.) status and other hired personnel working in the IGP shall be determined by the BOM upon the recommendation of the IGP Director.
- 4.2.1.8. Hiring of IGP personnel such as clerks, laborers, messengers, utility workers, driver mechanics, security guards, etc., shall be the responsibility of the University President upon the recommendation of the Vice President for Planning & Resource Generation and IGP Director.
- 4.2.1.9. Contractual labor shall also be offered to interested students with the existing hiring rate in the university. Student Assistants can also be tapped to provide labor to all IGP projects.
- 4.2.1.10. The IGP Director shall automatically be the chairman of the bidding committee of Purchases of inputs and sales of product and shall be involved in the financial management and coordination with the accountant and Project Analyst of the university.
- 4.2.1.11. No Project Manager shall be assigned to more than one project.
- 4.2.1.12. Project Manager should desist from engaging in similar projects in and outside the university which are private in nature.
- 4.2.1.13. Project Manager shall maintain laborers and/or utilize student labors that are paid with the existing student rate in the university subject to the approval of the IGP Director.

4.2.2. *Project Operations*

- 4.2.2.1. The management and operation of all projects shall be in accordance with the guidelines for the National Budget Circular Nos. 331 and 331 – A and COA Circular No. 84-239. (Pls. See attachments A, B and C.)
- 4.2.2.2. The BOM is tasked with the responsibility of drawing the production policy and rationalizing production programs of all university projects in accordance with directions and over all programs set by the University President.
- 4.2.2.3. The BOM, in consultation with its managers, shall draw medium range production and/or land use program submitted to the University President for approval.
- 4.2.2.4. No project shall be implemented without an approved farm plan and budget.
- 4.2.2.5. Procurement of inputs, supplies and materials as approved, and equipment shall be the function of the University Procurement Officer or a designated buyer for IGP. Purchases shall be in accordance with government accounting and auditing rules.
- 4.2.2.6. Issuance of inputs in accordance with the approved farm plan and budget shall be done after properly accomplishing the RIV form.
- 4.2.2.7. Record keeping shall be enforced to all project managers using the prescribed forms.
- 4.2.2.8. A consolidated project report/statement of operation must be submitted. For crops and special projects, the report has to be submitted at the end of the cropping period, whereas, the project report on poultry, livestock and nursery is submitted on a monthly basis.
- 4.2.2.9. Time of marketing and the choice of outlets shall be pre-determined in the plan or before the produce is harvested.
- 4.2.2.10. Custom hiring of farm machinery shall be allowed only if there are no available farm machineries in the university. A request in this regard must be approved by the Vice President for Planning & Resource Generation upon recommendation of the IGP Director copy furnished the University President.
- 4.2.2.11. In case a project incurs net losses not due to force majeure or other unjustifiable reasons, the project manager shall be made directly answerable by requiring that such losses be covered first from the current income before the overall project ROI during the production year shall be computed as a basis for giving the incentives to project personnel concerned.
- 4.2.2.12. In case of critical project activity where there is labor shortage, pooling of manpower shall be done with the approval of the IGP Director. Hiring of contractual labor is also allowed under this situation.
- 4.2.2.13. All IGP personnel shall be issued an appointment/designation. An academic faculty participating in any IGP activities shall receive a corresponding minimum ETL/ CHW based on the following: **(Refer to Faculty Workload Manual)**

Designation	Max. ETL
Vice President for P & RG	18
IGP Director	12
Campus IGP Supervisor	9
Project Manager	6
Project Analyst	3
Project Coordinator	3

Note: The ETL (Equivalent Teaching Load) received by IGP personnel shall be included in the computation of the workload but not in the computation of overload pay. Furthermore, academic faculty assigned to the new and/or changed projects may enjoy the minimum ETL computation provided, the approved ROI for that projects is fifteen percent (15%) or higher.

*4.2.3. Product Disposal*

- 4.2.3.1. Advertise schedules of selling of IGP products in bulletin boards of all units in the university.
- 4.2.3.2. Faculty, staff and students should be given priority in the purchase of IGP Products.
- 4.2.3.3. Purchase of IGP products by salary deduction (SD) shall be granted to faculty and staff. They will be given 6 months to pay their debts; any unpaid amount will be charged .5% monthly interest on the remaining balance.
- 4.2.3.4. Produce offered for sale to the university constituents should be of the highest quality.

*4.2.4. Guidelines on the Marketing of IGP Products*

- 4.2.4.1. The produce of various projects shall be sold preferably through the university market and/or store.
- 4.2.4.2. All university products shall be sold to faculty/staff members and students at discounted price.
- 4.2.4.3. The Marketing Analyst shall collate market data for appreciation of the various projects. Research funds may be allocated by the IGP Program to support student researches along this line.
- 4.2.4.4. The Project analyst shall conduct periodic consultations/sessions with BOM chairman, IGP Director, Project Managers and Project Coordinators regarding the market situation and how IGP Management reacts with it.
- 4.2.4.5. The pricing of products shall either be:
- 4.2.4.6. Cost of production plus mark-up (e.g. 10% for consignment and credit basis)
- 4.2.4.7. Market price less 10% for cash basis.
- 4.2.4.8. A pricing committee composed of the Project Manager, IGP Director and ICU representative maybe formed to decide on policies and issues of pricing.

*4.2.5. Guidelines on the Use of IGPs for Instruction*

4.2.5.1. Rationale

Production and related projects are established and maintained to support curricular offerings especially the vocational and technical courses in Agriculture. Specially, some project such as crops, poultry, swine, livestock, and fishery are maintained where the students undertake the actual operation of the projects, (being course related) and share with the net profit. The IGPs shall be operated in a business-like manner to which theories taught in classrooms shall be demonstrated in practice. Similarly, the project shall be a venue for in-campus internship program. To meet the objectives of agricultural curricula, the courses and the projects, the project should be a joint undertaking of the Agricultural Management, Faculty, and Technical Course Faculty/Adviser with the students as team approach to Project Management.

4.2.5.2. General Guidelines

- 4.2.5.2.1. Institute Heads concerned shall inform in advance the IGP Management as to the number of students who will undertake actual project operations and when they would actually start fielding the students.
- 4.2.5.2.2. The projects assigned to students shall be managed and operated by a Team composed of the Project Manager, faculty Adviser teaching the course and the student.
- 4.2.5.2.3. Student shall share with the profits as per approved guidelines/resolutions. Sixty percent (60%) goes to the students; five percent (5%) to the Institute, ten percent (10%) to faculty in charge and twenty five percent (25%) shall be the share of the university.
- 4.2.5.2.4. The IGP Management shall advance the production inputs as student loan; to be liquidated at the end of the production period and after the products are sold.

- 4.2.5.2.5. The students shall prepare a statement of field practice report, based on their farm records, at the end of the production and after the products are sold.
- 4.2.5.2.6. The project manager and the faculty teaching the course shall prepare more detailed guidelines for the students to follow in the project operations/implementation.
- 4.2.5.2.7. The BOM shall prepare a business plan for the IGP.

#### 4.2.5.3. Specific Guidelines

- 4.2.5.3.1. The students as a group shall prepare a farm plan and budget and a corresponding loan application under the guidance of the faculty teaching the course.
- 4.2.5.3.2. The IGP management shall have the right to review and approve the farm plan and budget, together with the loan application.
- 4.2.5.3.3. The project manager shall prepare the RIVs a necessary inputs based on the approved farm plan and budget.
- 4.2.5.3.4. The project manager shall issue to the students the required inputs, as they are needed. All inputs shall first be deposited in the IGP bodega.
- 4.2.5.3.5. The students shall maintain adequate farm records
- 4.2.5.3.6. The students must perform most of the farm activities except in cases where their academic load restrains them.
- 4.2.5.3.7. At the end of the production period, the students under the supervision of the project manager dispose, sell, and market the products.
- 4.2.5.3.8. Upon product disposal, a financial report is prepared reflecting the cost of product in (including land rental/irrigation fee, machinery fees), revenue, net profit and the students' shares based on approved implementing guidelines.
- 4.2.5.3.9. Costs of inputs advanced from the IGP as student loan shall be liquidated.
- 4.2.5.3.10. The faculty manager likewise prepares a statement of operation for the project as a whole at the end of the semester.
- 4.2.5.3.11. Arrangements for field practice students shall be at the discretion of the Project Manager.
- 4.2.5.3.12. Project area/farm production facilities not actually used by students during the period when the above-mentioned courses are not offered shall be managed by IGP personnel and operate the same without impairment of the curriculum's objectives.

#### 4.2.6. *Guidelines on the Use of IGPs for research*

Research is a basic and vital function of any university. Hence, the management of income generating projects shall in no way constrain the conduct of research by rather support, complement research so that it can be conducted effectively and efficiently without considerably affecting project's operations and production.

The two categories of research are that of the faculty and the students' (thesis) researches.

The foregoing provisions shall serve as guidelines for the conduct of such researches.

#### 4.2.6.1. On the research proposals

- 4.2.6.1.1. Proponents of approved research proposals/Thesis outlines that will utilize any portion/segment of the project shall provide a copy to the BOM Chairman with corresponding communication requesting for allocation of the needed space, area/facilities of the project.
- 4.2.6.1.2. The BOM Chairman or his authorized representative in consultation with the proponent/researcher, project manager, and faculty adviser shall allocate the needed space, area/facilities of the project under consideration.



4.2.6.2. On funding/financing

- 4.2.6.2.1. Student's researcher(s) seeking IGP support shall submit a proposal duly endorsed by the adviser for consideration and action of the IGP management.
- 4.2.6.2.2. Utilization of any IGP facilities (work animal, machinery, etc.) shall be made available for the conduct of research. Rentals shall be paid at prevailing rates. If in case research had negative effects on livestock, the researcher will return the book value.
- 4.2.6.2.3. Student's researcher(s) using project supplies and inputs proper arrangements with the project manager and adviser shall reimburse the costs upon disposal/sale of the produce incidental to the research undertaking.

4.2.6.3. On Reporting

- 4.2.6.3.1. The researchers shall keep records of supplies/input utilization under the supervision of the adviser and/or project manager.
- 4.2.6.3.2. Upon completion of the research, a financial statement of operation shall be made, duly approved by the project manager/adviser copy furnished the IGP office.
- 4.2.6.3.3. Research manuscript shall copy furnished the IGP Office.

4.2.6.4. Disposal/sale of Research Production

- 4.2.6.4.1. Net profit from the sale of output incidental to the student research shall be shared by both the research unit (25%) and the IGP Office (75%) accruing to Fund 161.
- 4.2.6.4.2. Output of produce of student research shall be disposed/marketed and sold by the student, Project Manager and Adviser based on IGP guidelines.
- 4.2.6.4.3. Out of the sales, the rentals cost of supplies, inputs, socks advanced by the IGP Management through the Project Manager shall be reimbursed/paid to the account of the project under consideration.

4.2.7. *Guidelines on Allocation of Net Profit of IGPs*

4.2.7.1. Rationale

Among the objectives in restructuring, directing and redirecting the Income Generating Projects (IGPs) via the IGPs is equalization, to the extent possible of giving opportunities to staff and faculty alike who can contribute to the university's productivity/entrepreneurial capabilities. The management and labor force shall consciously plan and implement cost-saving and efficiency-improving measures in the project to further improve its performance particularly if they have direct bearing on the amount of benefits that can be derived from the project.

What is envisioned then is to share benefits to all faculty and staff, support personnel/offices directly or indirectly contributing to the productivity and /or efficiency of all IGPs. To affect this scheme, all beneficiaries of the net income of these projects shall only share certain percentages as stipulated in the provisions of this allocation scheme.

4.2.7.2. Coverage

All projects under Income Generating Projects (IGPs) shall be included in this profits allocation scheme.

4.2.7.3. Guidelines

Net profit/ income shall be allocated for the following purposes: a) incentive of IGP personnel; b) Capital build-up; c) Support for Administration. The net profit of every project shall be remitted to the Special Trust Fund of the University to be allocated for the aforesaid purposes.

*4.2.7.3.1. Incentives of IGP personnel (40%)*

To encourage personnel in various IGP, 40% of the net profit shall be allocated for their incentives which shall only be given when the following conditions are met within the production year.

4.2.7.3.1.1. A project must have an individual ROI of 15%. Individual IGP who did not meet the 15% ROI will not be given incentives.

4.2.7.3.1.2. Allocation of the 40% incentives:

4.2.7.3.1.2.1. 32% for project managers but not to exceed 75,000/ production year.

4.2.7.3.1.2.2. 22% for project laborers but not to exceed 35,000.00.

4.2.7.3.1.2.3. 30% for board management and finance analyst.

4.2.7.3.1.2.4. 16% for the benefits of IGP office personnel and support staff of IGP( i.e. bonus cash gift, allowance and incentives).

*4.3.7.3.2. Capital Build Up (20%)*

This amount shall be used to augment the capital of any project found to be most viable. The maximum capital that a project could have is 10,000,000.

*4.3.7.3.3. Support to Administration (40%)*

4.3.7.3.4. The incentives and/or distribution of the incentives to all units of the production system maybe revised anytime it is deemed necessary subject to the approval of the President upon recommendation of the Board of Management. Incentives shall only be given if the ROI is 10% or higher.

## **CHAPTER 5 RECORDS AND RECORDING SYSTEM**

### **5.1. Introduction**

Records are necessary in monitoring and evaluating project's performance, and serve as basis in making decisions, formulating policies, and calculating incentives.

In project management, three persons/offices should keep same set of records project manager, IGP director, and accounting office. Monthly reconciliation of income and expenses records is encouraged to minimize problems of wrong entries at the end of the production cycle.

### **5.2. Keeping of Records**

Records are supposed to be kept and will be available when required by the BOM or other higher authorities. The officials responsible in the safekeeping of records as specified below are the following:

#### 5.2.1. IGP Director

- 5.2.1.1. Journal of Analysis of Obligations (JAO). This is reconciled with the accounting office annually.
- 5.2.1.2. Status reports of projects
- 5.2.1.3. Semi-annual and annual reports
- 5.2.1.4. Copy of labor contract and lease contract
- 5.2.1.5. Copy of RIV, PO, Abstract of Canvass, ROA, vouchers
- 5.2.1.6. Copy of appointment of SO and casual employees
- 5.2.1.7. Financial analysis report of the project analysts and accounting office
- 5.2.1.8. Cash advance ledger of the BOM chairman
- 5.2.1.9. Designation of Project Manager

#### 5.2.2. Project Manager

- 5.2.2.1. Farm Plan and Budget
- 5.2.2.2. Warehouse receipt or weight slip (for crop projects)
- 5.2.2.3. Delivery receipts of product brought to market outlets
- 5.2.2.4. Sales invoice
- 5.2.2.5. Status report of project
- 5.2.2.6. Semi-annual and annual reports
- 5.2.2.7. Income statement prepared by project manager, accounting office and project analysts.
- 5.2.2.8. Financial analysis report of the project analyst

#### 5.2.3. Accountant

- 5.2.3.1. Journal of Analysis of Obligations (JAO)
- 5.2.3.2. General ledger
- 5.2.3.3. Subsidiary ledger
- 5.2.3.4. Checks paid
- 5.2.3.5. Trial balance
- 5.2.3.6. Income Statement of each project

Other records and reports are also kept at various offices as follows:

- 5.2.4. Cashier's Office
  - 5.2.4.1. Cash book
  - 5.2.4.2. Bank book
  - 5.2.4.3. Monthly accountability report
  - 5.2.4.4. Daily collection reportReport of daily deposits
- 5.2.5. Income Generating Project Office
  - 5.2.5.1. Sales invoice
  - 5.2.5.2. Collection list (for purchases by salary deduction)
  - 5.2.5.3. Statement of accounts (toiling fee, rentals, electricity and water)
  - 5.2.5.4. Subsidiary ledger by project
  - 5.2.5.5. Bidding forms
  - 5.2.5.6. Advertisements for bidding
  - 5.2.5.7. Invitation to bid
  - 5.2.5.8. Abstract of bids
  - 5.2.5.9. Purchase orders
  - 5.2.5.10. Inventory of stored inputs
  - 5.2.5.11. List of equipment/machineries
  - 5.2.5.12. Charges on land preparation and hauling of produce
  - 5.2.5.13. List of machineries
  - 5.2.5.14. Appointment of casual employees
  - 5.2.5.15. Vacation and sick leaves of casual employees
  - 5.2.5.16. Copies of labor contract

### 5.3. Process Flow of Papers

This section of the manual shows the various activities of IGP operations and the responsible office in the preparation and approval of the papers.

Activity	Responsible Office/signatory
<i>5.3.1. Procurement and Delivery System</i>	
Preparation of farm plan budget	- Project manager
Consolidation of inputs requirement	- IGP Director and Procurement Section
Certification of fund availability	- Accounting section
Procurement of Inputs	- Procurement section (IGP buyer) or Bids and Awards Committee (if through bidding)
Delivery/acceptance of inputs	- Property section, BOM rep, Project Manager, internal control Unit (ICU) officer and supplier
<i>5.3.2. Issuance of supplies</i>	
Preparation of RIV	- Project Manager
Approval of RIV	- IGP Director
Issuance of supplies	- Property Custodian
Receiving officer	- Project manager
<i>5.3.3. Salaries and wages</i>	
Preparation of payroll	- IGP Office
Certification of Daily time record	- Project manager
Recommending approval	- IGP Director
Certification of fund availability	- Accountant
Recommending approval	- IGP Director
Certification of fund availability	- Accountant
Approval	- University President

**5.3.4. Payment of Contractual Services**

Certification of job completed	- Project Manager
Acceptance	- IGP Director
Request for inspection	- IGP Director
Inspection	- ICU Office
Preparation of voucher	- IGP Office

**5.3.5. Product Disposal**

**5.3.5.1. For large animals**

Request to dispose animals	- Project Manager
- Certification on the health of the Animals to be disposed	- Project Veterinarian, - Livestock Inspector
- Recommending approval	- VP for P & RG & Program Director
- Approval	- University President
Request for inspection	- Project Manager
Inspection/verification of sales	- Auditor or his Representatives
Payment of the cashier's office	- Buyer
Recording of sales invoice	- Project Manager
Issuance of official receipt	- Cashier

**5.3.5.2. For Poultry/Fishery/Crop Products**

**5.3.5.2.1. Outlet: University Marketing Center**

Securing and accomplishment Of delivery receipt	- Project Manager
Delivery of products to the Center	- Project Manager
Remittance of sales of cashier's Office	- Marketing Center's staff
Weekly report of sales (Copy Furnished the Project Manager and IGP Director)	- Marketing Center's staff

**5.3.5.2.2. Outlet: At the project site**

Securing of sales invoice from Project Manager	- Project Manager
Collection of payment and Issuance Of sales invoice	- Project Manager
Remittance of sales to the cashier Office	- Project manager
Issuance of official receipt	- Cashier
Weekly report of sales (Copy furnished IGP Director)	- Project Manager, Cashier

**5.4. Control Systems and Procedures**

Control mechanisms have to be instituted to ensure success of IGPs.

**5.4.1. For crop Project, the guidelines are as follows:**

- 5.4.1.1. Project Manager prepares farm plan and budget for the cropping season. No inputs will be purchased without an approved farm plan budget.
- 5.4.1.2. Inputs needed for the days are withdrawn by the Project Manager through a request for issuance of supplies (RIS), and upon signing the warehouse logbook. The inputs withdrawn are based on the farm plan and budget.

- 5.4.1.3. The project Manager monitors input application in the field, then returns empty fertilizer sacks and bottles to the warehouse.
- 5.4.1.4. Threshing is allowed only at daytime with the presence of a security guard/Program Director or his representative. Threshing at night and holidays may be allowed with the approval of the program.
- 5.4.1.5. A security guard should escort hauling of products from the field to the warehouse.
- 5.4.1.6. The number of bags of threshed palay should tally with the volume received by the warehouseman.
- 5.4.1.7. The ICU officer conducts inventory of stocks preferably every quarter.
- 5.4.1.8. Gate pass is issued for palay and inputs taken out from the university premises.
- 5.4.1.9. Purchases of inputs (fertilizer, pesticides) and selling of palay are done through canvass or bidding. Inputs shall be purchased before the start of production operation.
- 5.4.1.10. Marketing of produce (vegetables, mangoes) is done at the college/university marketing center, or at project site with the corresponding sales invoice.
  
- 5.4.2. For Poultry and Livestock Projects, the control guidelines are as follows:
  - 5.4.2.1. Project manager prepares farm plan and budget for each production cycle.
  - 5.4.2.2. Monthly reporting of inventory of stocks.
  - 5.4.2.3. Monthly reconciliation of data on income and expenses by the project manager with the accounting office.
  - 5.4.2.4. Presence of auditor/s representative when selling large animals.
  - 5.4.2.5. Marketing of produce at the project site is permitted but with corresponding sales
  - 5.4.2.6. Daily remittance of collections to the Cashier's office.
  - 5.4.2.7. Preparation of monthly statement of sales and expenses.
  
- 5.4.3. For Fishery projects, the guidelines are as follows:
  - 5.4.3.1. Project manager prepares farm plan and budget for each production cycle.
  - 5.4.3.2. Presence of security guard during harvesting.
  - 5.4.3.3. Monthly reporting of sales and expenses.
  - 5.4.3.4. Daily remittance of collections to the cashier's office.
  
- 5.4.4. At the university level, the monitoring and evaluation system are done following these guidelines:
  - 5.4.4.1. Submission of reports by the Project Manager and IGP Director.

Type of Report	Frequency	Prepared by	Submitted to
Project status	Monthly	Project manager	IGP Director;Accounting
Income	Monthly	Project Manager	IGP Director
	End of Production Cycle	Project manager Project Analyst	IGP Director
Semi-annual Report	Twice a year	IGP Director	President, Auditor
Annual Report	once a year	IGP Director	President, Auditor

- 5.4.4.2. Regular visitation of the IGP Director to the different projects/offices.
- 5.4.4.3. Conduct of performance evaluation after each production cycle outside the university.
- 5.4.4.4. Conduct of project analysis by selected faculty members to be presented during the performance review.
- 5.4.4.5. Conduct of regular (Monthly) meeting of the project manager by the IGP Director and the President.
- 5.4.4.6. Spot checking of the resident auditor, the University President and/or Director/BOM Chairman.

## **5.5. Records Forms and Formats**

The records forms presented are classified by type of project. The importance and use of each record are also indicated. The manual presents only the basic records needed for project operation. Other records may be formulated based on the particular requirement of a project.

### 5.5.1. For all types of projects

- 5.5.1.1. Project plan and budget – It shows the overall activities, date and corresponding amount of money required for one production cycle. This is the basis for the purchases of inputs and the timelessness of the activities. This record is needed for monitoring the progress of the project (IGP Form 1).
- 5.5.1.2. Daily Transaction Record – serves as logbook of daily transactions in the project and as basis in the preparation of sales and expenses records IGP Form 2.
- 5.5.1.3. Remittance slip – It is used when a project manager remit his collection for the day. The total amount is part of the sales of the project (IGP Form 3).
- 5.5.1.4. Gate pass of product released – It shows the name of the buyer; quantity of the product and the official receipt number. This record is needed to monitor products coming out of the campus, and deter the possible incidence of pilferages (IGP Form4).
- 5.5.1.5. Cash Sales Record – shows the amount of cash sales including the name of buyer and items purchased (IGP Form 5).
- 5.5.1.6. Accounts Receivables Records – shows the amount of credits sales including the name of buyer and items purchased (IGP Form 6).

### 5.5.2. For the Crop Projects

- 5.5.2.1. Production record – presents the gross yield and net yield in wet basis. It can be used to calculate yield per hectare. It is filled up at the end of each cropping season (IGP Form 7).
- 5.5.2.2. Expense record – Identifies the quantity and cost of inputs and the expenses for contract labor. This record is filled up within the cropping season and should be consistent with the expense items listed in the farm plan and budget. It can be used for all types of project (IGP Form 8).
- 5.5.2.3. Inventory of inputs – Indicates the amount and value of inputs left after one production cycle. It is done at the end of the cropping season (IGP Form 9).
- 5.5.2.4. Weight slip – shows the number of bags and weight of the palay. This is given by the warehouseman to the project manager as the produce enters the warehouse, and after drying the palay (IGP Form 10).

### 5.5.3. For Animals/Fishery Projects

- 5.5.3.1. Feed Consumption and Weight Record – shows the population, mortality and feeds
- 5.5.3.2. Flock Production Record \_ presents the population, egg production, mortality and feeds consumed for the whole flock. It allows the computation of feed conversion ration for layers. It also shows the depletion of layers, either culled or dead (IGP Form 12).
- 5.5.3.3. Egg Production and Disposal Record \_ indicates the egg production by size and the amount of eggs sold (IGP Form 13).
- 5.5.3.4. Health Care and Management \_ shows the activities undertaken in a day. It can be used for animal and fishery project (IGP Form 14).
- 5.5.3.5. Feed Consumption Record \_ presents the amount, type and cost of feeds. This format is appropriate for hog fattening, goats, and fish projects (IGP Form 15).
- 5.5.3.6. Monthly Inventory Record \_ shows the beginning and ending inventory for each class of animals and the value, number added disposed (IGP Form 16).
- 5.5.3.7. Breeding Record \_ monitors the date of breeding for each female and male animal, the expected and actual date of birth, and litter size (IGP Form 17).

**5.6. Awards System**

- 5.6.1. The academic faculty member who is given assignment shall neither be entitled to a proportionate reduction in teaching load nor given equivalent teaching load (ETL).
- 5.6.2. In recognition of his/her service to the program, a distinguished service award shall be given to PM who has contributed to the growth and development of the program for the production year.
- 5.6.3. An incentive in the form of cash shall be given to project managers who have exceeded their target yield/income for the production year.

**5.7. Monitoring and Evaluation**

- 5.7.1. An effective monitoring, evaluation, and control system shall be developed in order to ensure smooth operation and implementation of projects.
- 5.7.2. Aside from good record keeping, this shall include timely submission of reports and periodic monitoring and evaluation.
- 5.7.3. Consolidated project/statement including inventory of stocks shall be prepared and submitted by the project manager to the head of the office. The frequency of submission depends on the nature of the project.
- 5.7.4. Monthly reconciliation of data on income and expenses shall be done by the project manager with the accounting office.
- 5.7.5. Marketing of produce shall be done at designated place or at the project site but with corresponding sales invoice.
- 5.7.6. Project Manager or his/her duly designated representative shall remit daily collection to the Cashier's Office. He shall also prepare monthly statement of sales and expenses.
- 5.7.7. A regular meeting of the project manager and project laborers with the head of the office shall be conducted.
- 5.7.8. The President, Vice President and the head of the office shall regularly visit the different projects/offices.
- 5.7.9. A performance evaluation of the program shall be conducted at each production year, which could be done inside or outside the university.
- 5.7.10. During the annual performance review of the program, project analyst or critics shall be invited to make an honest evaluation of the program.



## **CHAPTER 6 FINANCIAL MANAGEMENT**

### **6.1. Introduction**

This chapter presents the final management guidelines, source of funds, the three financial statements commonly prepared to determine the profitability and viability of a project, and some ratios to analyze the results of its operations.

### **6.2. Financial Management Guidelines**

- 6.2.1. Initial capitalization is taken from the General Fund (Fund 101).
- 6.2.2. Incomes generated by the projects are deposited under Revolving Fund (Fund 161).
- 6.2.3. Each project has its own account code at the accounting office.
- 6.2.4. Funds for a particular project cannot be used by another project unless allowed by the PM and the IGP Director. The borrowed funds are paid back to the particular project.
- 6.2.5. Cash accounting is being followed in the preparation of income statement.
- 6.2.6. The official income statement is prepared by the accounting office every end of the production cycle as basis for giving incentives or when required by higher authorities. Incentives are given at the end of one production year.
- 6.2.7. Two analyses are being done by the project analysts – financial (cash accounting) and economic (accrual method). The economic analysis is prepared for management's decision making while the financial analysis is used as basis for giving incentives.
- 6.2.8. Technical and financial ratios are calculated such as yield per hectare, cost per dozen eggs, break – even yield, break –even price, return on investment, etc.
- 6.2.9. Net profits are allocated for the incentives (40%) and support to administration (60%).
- 6.2.10. Disbursements of profit funds are prepared by the accountant upon approval by the BOM in appropriate disbursement payroll/vouchers.

### **6.3. Sources of Funds**

- 6.3.1. Internal Sources
  - 6.3.1.1. Initial budget for IGP comes from Fund 101 under Maintenance and other Operating Expenses (stated in NBC No. 331).
  - 6.3.1.2. A project can also borrow from income generated from agriculture operations (Fund 161), manufacturing activities (Fund 162), Auxiliary services (Fund 163), and Income from tuition fees, etc. (Fund 164).
- 6.3.2. External Sources
  - 6.3.1.1. Loans from financial institutions, such as banks
  - 6.3.1.2. Grants from businessmen and politicians
  - 6.3.1.3. Joint ventures agreement
  - 6.3.1.4. Built – Operate – Transfer arrangements
- 6.3.3. Funding or providing seed capital of new projects may be sourced out from funds of existing projects provided that the same amount shall be returned to the respective project where the amount was borrowed. The treatment of this case shall be covered by an approved policy guidelines and should require the consummation of a memorandum of agreement/understanding wherein terms and conditions are clearly stipulated.

### **6.4. Financial Statements**

The end product of the financial accounting process is a set of reports, which are called financial statements. The three financial statements which have to be prepared by the Project manager and Accountant every end of the period for submission to the Program Director are the following: (a) income statement; (b) cash flow statement and (c) balance sheet. However, in the

present government accounting system, only the income statement is being prepared among the three financial statements.

**6.4.1. Income Statement**

The income statement shows the results of operation of a certain period of time, usually a month (for fast moving projects, i.e., with daily sales, such as: poultry, fishpond and swine), or a production cycle (for projects like rice). It shows whether a net income is earned or a net loss is incurred by the project during the period.

An income statement showing the revenues and expenses has the following format:

<b>Name of Project</b>	
<b>INCOME STATEMENT</b>	
For the period of covering _____	
<b>REVENUES</b>	
Sale of _____	P _____
_____	_____
_____	_____
<b>TOTAL REVENUES (A)</b>	P _____
<b>Less: OPERATING EXPENSES</b>	
_____	_____
_____	_____
<b>TOTAL OPERATING EXPENSES (B)</b>	_____
<b>NET INCOME/ (LOSS) (A –B)</b>	P _____

Figure 4.2. Format for Income Statement

6.4.1.1. Revenues

These are the income, which accrue to the project. These consist mainly of sales of product or output from the different projects. The different sources of revenues for each type of project are shown in the following table.

Table 4.1. Sources of Revenues for each type of Project

Type of Project	Source of Revenues
1. Crops (Rice)	Sale of milled rice & palay seeds
2. Broiler/Poultry	Sale of broilers, manure and empty feed bags Sale of eggs, cull, manure and empty feedbags
3. Swine	Sale of weanlings, fatterer, culled sow/boar and breeder gilt/boar
4. Goat	Sale of stocks and milk
5. Beef Cattle	Sale of fattened culled cows and yearlings (Slaughtered)
6. Tilapia	Sale of tilapia; sale of fingerlings

6.4.1.2. Expenses

These are mainly expenditures for production inputs, labor costs and other items needed for the operation of the project. The different expenses incurred in the operation of the different projects are enumerated in the following table.

Table 4.2. Expenses Incurred of the Different Projects

Type of Project	Expenses Incurred
1. Crops	- Inputs like seeds, fertilizers, chemicals, hired labor, Machinery/fuel & oil, irrigation fees, harvesting and threshing fees
2. Broiler/Poultry	- Stocks, feeds, veterinary supplies & services & labor (For contract growing only labor services & additional vet. Supplies)
3. Swine	- Stocks, feeds, veterinary supplies and services, labor
4. Goat	- Stocks concentrate feeds, buck service, veterinary Supplies & services
5. Beef Cattle	- Stocks, feeds, veterinary supplies & services labor
6. Tilapia	- Fingerlings, chicken manure, inorganic fertilizer, Herbicide fuel/oil, irrigation fee and transport.

6.4.1.3. Net Income/(Loss). A net income is realized if the total revenues generated during a certain production period is greater than the total expenses incurred in the same period in generating those revenues. However, if the total expenses are greater than total revenues, a net loss is incurred.

#### **6.4.2. Cash Flow Statement**

Aside from determining the profitability of a project by preparing the income statement and computing its net income during the period, the adequacy and timeliness of the project cash flows to attain its objective should also be considered and determined through the cash flow statement. Only then can we say that the project is financially feasible.

The cash flow statement highlights the amount of cash generated (cash flow) by the projects operations as well as cash expenditures (cash outflow) incurred during a certain production period.

##### 6.4.2.1. Cash Inflows

The sales revenues generated by the project from the sale of its products in the form of cash are considered the cash inflows during the production period. All cash sales are remitted to the Cashier's Office.

##### 6.4.2.2. Cash Outflows

All the expenses incurred during the period wherein cash flowed out of the project are considered the cash outflows. These consist of cash payments made for the purchase of the different farm inputs like fertilizers, seeds, veterinary supplies, etc. and cash payments for the hired labor.

##### 6.4.2.3. Net Cash Inflows

It is the difference between cash inflows and cash outflows.

**Name of Project**  
**CASH FLOW STATEMENT**  
 For the period covering \_\_\_\_\_

CASH INFLOWS	
_____	P _____
_____	_____
_____	_____
TOTAL CASH INFLOWS	
LESS CASH OUTFLOWS	
_____	_____
_____	_____
_____	_____
TOTAL CASH OUTFLOWS	
EQUALS: NET CASH FLOW	_____
ADD: CASH BALANCE BEGINNING	_____
EQUALS: CASH BALANCE ENDING	p _____

*Figure 4.3. Format for Cash Flow Statement*

**6.4.3. Balance Sheet**

A balance sheet shows the financial status of a project as of a specific date. It is usually prepared at the end of any given production period. It shows the different assets owned by the project, whether it is own equity or loaned from financial institutions. The total value of assets should be equal to the sum of total project's equity. Included in the total project's equity are the retained earnings realized by the project in its previous operations.

6.4.3.1. Assets

An asset is anything that a project owns like cash, receivables, inventory of stocks, feeds and supplies, tools, equipment and building.

6.4.3.2. Liabilities

A liability is a financial obligation or a debt owned by a project from financial institutions. Usually, a project resort to borrowing if it has no available cash to purchase the things/supplies it needs.

6.4.3.3. Project's Equity

The project's equity refers to all things owned and acquired by the project out of its retained earnings during the period. Retained earnings refer to the net income/profit that has accumulated during the previous periods of project operation.

**NAME OF THE PROJECT**  
**Balance sheet**  
 AS OF \_\_\_\_\_

ASSETS	AMOUNT (P)	LIABILITIES	AMOUNT (P)
		ADD: PROJECT'S EQUITY	
TOTAL ASSETS		TOTAL LIABILITIES AND PROJECT'S EQUITY	

*Figure 4.4. Format for Balance Sheet*

**6.5. Profitability Analysis**

To evaluate/analyze the project’s profitability, some ratios can be considered. These are as follows:

6.5.1. Return on Working Capital = 
$$\frac{\text{Net income}}{\text{Operating Expenses}}$$

It is the ratio of net income over project’s working capital (equivalent to the total operating expenses incurred in generating the total revenues of the project) during the production period.

6.5.2. Net Income = Total Revenues – Total Operating Expenses

The profitability of a project, regardless of its size, can be determined by considering its net income on a per unit basis, as indicated below:

*Table 4.3. Net Income of Project on a per unit Basis*

Type of Project	Profitability Index (P)
1. Crops	Net Income per hectare
2. Poultry and livestock	Net Income per hectare
	Per sow
	Per cattle
	Per goat
	Net Income per sack of feed
	Per sack of milled rice
	Per kg of meat processed
	Per kg of tilapia

6.5.3. Net Profit Margin = 
$$\frac{\text{Net Income}}{\text{TOTAL REVENUES}}$$

This ratio tells us how much net profit margin the project will realize for every peso sale.

6.5.4. Return On Investment (ROI) = 
$$\frac{\text{NET INCOME}}{\text{TOTAL ASSETS OR CAPITAL}}$$

6.5.4.1. Investment

This ratio shows the amount of net earnings per peso invested in the project. It is a more realistic estimate of the project’s earning power during the production period since all resources/assets are considered in the profitability analysis.

It can be noted that incentives are only given to the college/university/project personnel if the project’s ROI is 15% or higher.

6.5.5. Return on Equity (ROE) = 
$$\frac{\text{NET INCOME}}{\text{TOTAL PROJECT’S EQUITY}}$$

This ratio shows the earning rate of the project’s equity. The project is profitable if ROE is greater than the opportunity cost of capital.

6.5.6. Return to Labor = 
$$\frac{\text{Total Revenues} - \text{All Costs Other Than Labor}}{\text{Total Labor Cost}}$$

This ratio shows the net earnings realized per peso labor cost incurred in the project.

6.5.7. Labor Sales Ratio = 
$$\frac{\text{Labor Cost}}{\text{Sales}}$$

This ratio shows how much is spent on labor per sales revenue generated by the project.

6.5.8. Labor- Sales Generation Efficiency = 
$$\frac{\text{Net Income}}{\text{Labor Cost}}$$

This ratio shows the amount of sales revenues generated per peso labor cost incurred in the project.

6.5.9. Labor – Income Generation Efficiency = 
$$\frac{\text{Net Income}}{\text{Labor Cost}}$$

This ratio shows the amount of net income realized per peso labor cost incurred in the project.

**6.6. Breakeven Analysis**

The minimum level of production and sales volume that could be maintained by the project to have at least breakeven should be known by the Project Manager. The cost structure of the project can also be considered in the setting of selling price and the desired profit in a given production period. A *breakeven* means that the project will neither earn a net income/profit nor incur a net loss in its operation.

Following is the breakeven model that can be used in determining the desired selling price and production/sales volume that would help achieve the project’s objectives.

6.6.1. Breakeven price (BEP) = 
$$\frac{\text{Total Operating Expenses}}{\text{Total Quantity Produced}}$$

This will give us the minimum selling price that we can offer to at least breakeven. It means that a net income/profit will be realized if we sell our product above this price, while a net loss will be incurred, if sold below this price.

6.6.2. Breakeven Volume (BEV) = 
$$\frac{\text{Total Operating expenses}}{\text{Proposed Selling Price}}$$

This will help us determine the minimum production level that should be produced and sold by the project to at least breakeven. It means that production above this level will help the project realize a net income. However, if production is below this level, a net loss will be incurred.

If the project would like to attain its target net income/profit in a given production period, the following formulas will help guide the Project Manager.

6.6.3. BEP to attain Target Net Income = 
$$\frac{\text{Total Operating Expenses} + \text{Target Net Income}}{\text{Total Quantity Produced}}$$

This will guide us in the product price that we can offer to attain our target net income in a given production period.

6.6.4. BEV to attain Target Net Income = 
$$\frac{\text{Total Operating Expenses} + \text{Target Net Income}}{\text{Proposed Selling Price}}$$

This will guide us on how to produce and sell to attain our target net income in a given production period.

## **6.7. IGP Forms**

The following forms which are available at the IGP Office are used to facilitate the efficient flow of operations of income generating projects of the University:

- 6.7.1. IGP Form 1 – Farm Plan and Budget
- 6.7.2. IGP Form 2 – Daily Transaction Record
- 6.7.3. IGP Form 3 – Remittance Slip
- 6.7.4. IGP Form 4 – Gatepass for Products Released
- 6.7.5. IGP Form 5 – Cash Sales Record
- 6.7.6. IGP Form 6 – Account Receivable Records
- 6.7.7. IGP Form 7 – Crop Project No/Season
- 6.7.8. IGP Form 8 – Expense Record
- 6.7.9. IGP Form 9 – Inventory of Inputs
- 6.7.10. IGP Form 10 – Weight Slip
- 6.7.11. IGP Form 11 – Flock Production Record
- 6.7.12. IGP Form 12 – Egg Production and Disposal Record
- 6.7.13. IGP Form 13 – Health Care and Management
- 6.7.14. IGP Form 14 – Feed Consumption Record
- 6.7.15. IGP Form 15 – Monthly Inventory Record
- 6.7.16. IGP Form 16 – Breeding Record

## **6.8. Legal Bases for the Operations of IFSU IGP**

- 6.8.1. National Budget Circular No. 331 – Revolving Fund for School Agricultural Operations
- 6.8.2. National Budget Circular No. 331-A – Revolving Funds for Schools and Manufacturing Operations
- 6.8.3. National Budget Circular NO. 92 – 8 – Guidelines on the Revolving Funds (RFS) of State Universities and Colleges (SUCs) for the Operation of Auxiliary Services
- 6.8.4. Republic Act No. 8292 – An Act Providing for the Uniform Composition and Powers of the Governing Boards, The Manner of Appointment and Term of Office of the President of Chartered State Universities and Colleges, and for Other Purposes.
- 6.8.5. Commission on Audit Circular No. 84-239 – Rules and Regulations Governing Agricultural Products

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