

HUBBARD COMMUNICATIONS OFFICE
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HCO POLICY LETTER OF MARCH 4, 1965

ACCOUNTS HATS

RESERVED PAYMENT ACCOUNT

All organizations must start, as an additional bank account, a Reserved Payment Account with signatories the same as other routine org accounts.

The Reserved Payment Account, as its name indicates, is money set aside for a certain destination but not yet sent.

PURPOSE OF THE RESERVED PAYMENT ACCOUNT: To prevent a false idea of the financial position of the org from occurring by providing a place where money awaiting disbursement can be placed before it is actually paid out, thus removing it from the general accounts and estimates of financial position of an org.

QUESTIONED BILLS: Anytime a bill is in question, it is not paid to the creditor until fully settled. However, dateline paying becomes very disrupted by such sums and the actual financial position of the org becomes difficult to estimate while such sums remain in its regular accounts. When a past bill prior to the dateline is being challenged and corrected, the full amount is deposited in the Reserved Payment Account. To pacify the creditor who may get the idea you are just stalling, also always send him a copy of the Reserved Payment Account Transfer Voucher, writing: "Dear Blitz & Co: Your bill is being audited for verification or correction. Meanwhile its payment is being held in our Reserved Payment Account. If verified or corrected the amount owing to you will be paid to you from this account." The transfer voucher is clearly marked "Blitz & Co., Reserved Payment Account Transfer for March bill, being checked." Such vouchers accompany other cheques being presented to the signatories of accounts. When the actual sum is verified, that amount is then paid the creditor by a cheque from the Reserved Payment Account. For any money not paid, it is eventually returned to the regular accounts.

At times when the books are being closed for the period just past, any excess money in the Reserved Payment Account is returned to the regular accounts as a transfer or left as a saving for future purchases as directed by financial management.

TAXATION: All taxation monies which are owed governments but are not yet paid are deposited in the Reserved Payment Account and eventually paid to the government as owed. This means that where an org must pay withholding tax, PAYE and other such sums, TWO salary cheques are drawn each week, one for the staff, one for the government. The government cheque is deposited to the Reserved Payment Account. Once a month or as wise, the government is paid off to date with a Reserved Payment Account cheque or cheques amounting to the sum owed. In cases of org income tax payments, any sum estimated can be placed in the Reserved Payment Account as seems prudent, fitting the conditions of the area.

OUTSTANDING PURCHASE ORDERS: Where, on preparing a Monthly Bills Summary for dateline paying, large P.O.s for which statements are not yet received, incurred prior to the dateline must have their amounts deposited in the Reserve Payment Account or a liberal estimate of the amount. Such large P.O.s must not remain undetected and must be part of the dateline payment system. If a large P.O. exists for August but the creditor has sent no statement and the dateline being paid to is September 1, then the amount of the large P.O. is deposited in the Reserved Payment Account when the other bills are paid. There it remains until a statement is submitted by the creditor.

SAVINGS: When the org desires to buy something big or expensive, it should not use time payments, hire purchase or mortgages. It should start putting money into its Reserved Payment Account and when the full sum is there, buy the item for cash, using the fact to obtain a good big discount. While the Building Fund on Building Purchases is also intended to help buy buildings outright, there is nothing wrong with also depositing available amounts of the Disbursement Sum in the Reserved Payment Account to help out.

All monies transferred to the Reserved Payment Account are made the subject of a Disbursement Voucher which clearly states why and for what the payment is being reserved for. Of course, when any amount is paid from the Reserved Payment Account another voucher is written, referring to the first one regarding the original transfer. So it is necessary that when one makes a Disbursement Voucher for transfer into the Reserved Payment Account, a copy of that voucher is spindled or put into a handy single file. Otherwise one won't be able to recall why the Reserved Payment Account has money in it

and so may let it be used for something else as an apparent overflow - much to everyone's eventual embarrassment when the X bill gets straightened out and wants money to pay it.

The Reserved Payment Account is an easy system. People often handle their own personal money this way - \$20 aside for a new jacket, \$15 for this week's share of the rent when it falls due. Add to this \$12.50 "for the money Bill says I borrowed and he has to find the note for" and put it all in the broken tea-pot on the top shelf and you've got the purpose and action of the account.

You can object to it on the grounds that "it ties up capital on which we pay interest in another account" etc., but frankly such small interest bits are little to pay for the security of knowing you can meet your obligations. To juggle with already committed funds is financial Brinkmanship.

You see, by just an orderly scheduling of payments (as per dateline paying) and being prudent in setting big amounts owing but not paid aside, an org can move up to present time.

I know no other way of getting an org's finance (or a pc) to present time except by pulling off the things which hold him in the past.

An org is far more aware, and far saner if it's in Present Time. Just like preclears. Hence dateline paying and the Reserved Payment Account.

LRH:jw
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