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## **Unit 1: Introduction to Public Sector Accounting:**

### **Objectives of unit**

At the end of this unit, trainees will have a good understanding of the setting in which public sector accounting applies. Trainees will be able to answer questions as:

- What is Public Sector Accounting?
- What are public sector institutions?
- What are the features of public sector institutions?
- What are the differences between public sector and private sector institutions?
- What are the similarities between public sector and private sector institutions?
- What are the objectives of public sector institutions?
- What are the objectives of public sector accounting?
- What are the objectives of Government financial reporting?
- Who are the users of public Sector financial statements and what are their information needs?

### **1.0 Introduction**

This unit will introduce us to the issues in public sector accounting which embraces the accounting processes in government institutions, local government institutions and non governmental institutions. For effective and efficient management of the resources of the state, governments are elected and entrusted with the custody of those resources. The government of the day is therefore accountable to the electorate for the use of public resources. Such accountability is met through the application of public sector accounting principles.

#### **1.1 What is Public Sector Accounting?**

Public Sector Accounting is the application of accounting principles, concepts and standards in the recording, classifying, reporting and interpreting financial transactions of public sector institutions to various users to permit informed judgments and decisions by users of the information.

Public Sector Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about public sector entities that is intended to be useful in making economic decisions.

Public Sector Accounting is the branch of accounting that concentrates on the accounting and reporting issues of public sector organisations such as central government, local government, non-governmental organisations etc. It encompasses financial accounting cost and management accounting practices in public sector organisations.

### **1.1.1 Recording**

Recording involves the process of documenting and filing all government financial transactions. The first source of records is the source documents such as vouchers with supporting invoices and receipts. Information from the source documents are then recorded into books of accounts such as the cash book, the ledger, the vote book etc. These books of accounts could be kept either manually or electronically.

### **1.1.2 Classifying**

This involves the process of separating transactions according to what they have been made for and putting them into heads and subheads according to the chart of accounts. Transactions could be grouped into classes as revenue, expenditure, assets, liabilities or reserves with further sub classification in accordance with the chart of accounts.

### **1.1.3 Reporting**

The classified transactions are then summarized into various kinds of reports. Such reports may include: statement of cash receipts and payments; statement comparing budget with actual performance, statement of financial performance, statement of financial position etc. These reports are then communicated to the relevant stakeholders or users for the intended purpose.

### **1.1.4 Interpreting**

Interpreting financial statements involves giving explanations to the various reports that have been generated. This includes but not limited to: explaining the implications of the information portrayed in the reports, provide reasons for the existing state of affairs, make recommendation for improvements etc. This enables users to make informed decisions.

## **1.2 What are public sector institutions?**

There is a range of meanings given to the phrase 'public sector'. At one extreme, the government provides measures of the accumulated 'net public debt' and of 'public sector net borrowing' for the year; at the other extreme, the phrase becomes a slogan, often used pejoratively, to summon up threats of 'taxation' or 'bureaucracy' or big government. A variation of its antonym 'privatization' is commonly used to allude to lower taxation or less bureaucracy or greater freedom. It is important to appreciate that different disciplines such as Law, Economics, Public Administration, Sociology, and Politics offer different, though some time overlapping perspectives on the phrase 'public sector' using a range of concepts including ownership, control, taxation, accountability, entitlements and rights.

Public Sector organisations are organisations that are not privately owned and operated. They are organisations without shareholder equity interest that can be owned, bought and sold by private individuals. These are often organisations whose goal is something other than the earning of profit for its owners.

The above definitions convey the idea that the Public Sector consist of organisations where control lies in the hands of the Public, as opposed to private ownership, and whose objectives involve the provision of services where profit is not a primary objective.

Institutions that are often classified as public sector institutions include the following:

- National governments
- Government Ministries
- Government Departments
- Local Government Institutions
- State/Provincial/ governments
- International Government Organizations
- Government Business Enterprises
- Other public sector entities:
  - Program Boards
  - Commissions
  - Agencies
  - Public Sector Social Security Funds
  - Trusts
  - Statutory Authorities

### **1.3 Features of public sector institutions**

There are varying features of differing public sector organisations. The following features are however general to most public sector institutions.

#### **1. Absence of profit motive**

Public sector institutions do not usually exist to make profit. The motives of such organisations include: to provide services to stakeholders as economically, efficiently and effectively as possible; use surplus if any to improve services; and manage the organisation independently of market forces. Products produced by public sector organisations are often priced at marginal cost.

#### **2. Broader objectives**

Public sector institutions have broader objectives. The objectives normally go beyond providing goods and services to include addressing issues of justice, equity, poverty reduction, maintaining peace and security etc.

#### **3. Stewardship and accountability**

Public sector institutions provide public goods to the public; therefore they are accountable to the public through the representatives of the people, for the resources entrusted into their stewardship. Usually, records of expenditure focus on the purpose of spending and whether

or not such spending is justifiable legally, socially or otherwise. Accountability in public sector institutions most of the time focuses on budget expenditure.

#### **4. Source of finance**

Public sector institutions are financed through tax revenue, grants, other forms of external assistance and loans which are usually channeled through the Consolidated Fund in the case of central government. For central government institutions, government can create money and levy taxes.

#### **5. Political and social considerations**

Financial and operational decisions of public sector institutions are significantly influenced by political and social considerations. Government fiscal policy significantly influences the operational and financial decisions of central and local government institutions which form the greater chunk of public sector institutions.

#### **6. Wider group of stake holders**

Public sector institutions deal with a larger group of stakeholders compared with private sector institutions. Some of the stakeholders include: members of parliament, international donors, journalists, economic and financial analysts etc.

#### **7. Difficulty of measuring performance**

Unlike in the private sector where profit is often used as a benchmark for assessing performance, it is relatively difficult to measure performance in the public sector. Subjective indicators are often used for assessing performance in the public sector and these include measures of efficiency, economy and effectiveness in the use of financial resources.

#### **8. Use of different accounting basis**

Different types of public sector organisations have different accounting objectives and thus apply different accounting basis for the achievement of their objectives. Some use accrual basis accounting systems whilst others use cash basis accounting systems. Some public sector institutions use either a modified cash basis accounting system or a modified cash basis accounting system. Some public sector accounting institutions described as Government Business Enterprises apply private sector accounting standards: International Financial Reporting Standards; in the preparation and presentation of financial statements whilst the majority of public sector institutions are supposed to apply International Public Sector Accounting Standards.

#### **9. Purchaser of own good and services**

Government is sometimes also the major purchaser of its goods and services. This is because of the large nature of government. Ministries and Agencies of government tend to service each other and so customers of government goods and services are largely internal.

#### **10. Legal basis of formation**

Public sector institutions are often established by national constitutions, Acts of Parliament and Legislative instruments.

## 1.4 Differences between public sector accounting and private sector accounting

	<b>Public Sector accounting</b>	<b>Private Sector accounting</b>
1	<p><b>Operates a fund system of accounting:</b></p> <p>many separately self-balancing fund accounts exist in one organisation for each project or programme and are treated as independent accounts</p>	<p><b>Operates entity or proprietorship system of accounting:</b></p> <p>Accounts are prepared taking a total view of the organisation as a business entity. Financial records of all projects are consolidated into a single statement for the whole organisation as a single economic entity.</p>
2	<p><b>Cash basis accounting:</b></p> <p>The “pure” cash basis of accounting recognizes transactions and other events in the reporting period during which cash relating to the transaction or event has been received or paid. There is no recognition of accruals and prepayments.</p> <p>Financial statements prepared using the cash basis of accounting recognize cash receipts and payments for the period and cash balances as at the reporting date. Accordingly, information disclosed in the financial statements under the cash basis indicates whether the government has spent more or less cash than it collected during the reporting period.</p> <p>Some public sector institutions are however now migrating to full accrual basis accounting.</p> <p>There is diversity of government accounting among countries and within a country</p>	<p><b>Accruals basis accounting:</b></p> <p>The full accrual basis of accounting recognizes the effects of transactions and other events in the period during which they occur, regardless of the timing of associated cash receipts. Financial statements prepared using the full accrual basis of accounting recognizes all the assets (including physical assets), liabilities, net assets or equity, revenues, and expenses of an entity.</p> <p>There is recognition of prepayments and accruals.</p> <p>There is divergence of accounting systems among companies across the globe.</p>
3	<p><b>Main financial statements:</b></p> <p>(a) statement of cash receipts and payments</p> <p>(b) Statement comparing budget with actual</p>	<p><b>Main financial statements:</b></p> <p>(a) Statement of financial performance.</p> <p>(b) Balance sheet</p> <p>(c) Cash flow statement</p>

	<p>(c) Notes explaining the elements of the financial statements.</p> <p>Some public sector organisations now use the accrual basis statements.</p>	<p>(d) Analysis of changes in equity</p> <p>(e) Notes explaining the elements of the financial statements.</p>
4	<p><b>Capital and Revenue expenditure:</b></p> <p>In a cash basis accounting environment, there is no distinction between Capital and revenue expenditure. All expenditure are treated as revenue expenditure and so therefore is often no depreciation charges</p>	<p><b>Capital and Revenue expenditure:</b></p> <p>There is a distinction between Capital Expenditure and Revenue Expenditure and for Capital expenditure there is often a depreciation charge.</p>
5	<p><b>Basis for assessing performance:</b></p> <p>Subjective measures of assessment such as; economy, efficiency, effectiveness are often used to assess whether public sector institutions have value for their money.</p>	<p><b>Basis for assessing performance:</b></p> <p>Among some other more objective assessment criteria, profit figures are often used to assess the performance of private sector business enterprises.</p>

### 1.5 Similarities between public sector and private sector institutions

1. Both public sector and private sector institutions exist to provide goods or services. They therefore require financial resources to carry out their objectives. These resources are however raised from different sources.
2. Both public sector and private sector institutions must account for their stewardship, albeit to different stakeholders. There is therefore a common application of double entry and other accounting concepts though with slight modifications in emphasis rather than of substance.
3. Both public sector and private sector institutions need to achieve efficiency and effectiveness in the utilization of their resources.
4. Both public sector and private sector institutions are expected to be socially responsible in the execution of activities to achieve their objectives.

### 1.6 Objectives of public sector institutions

Public sector institutions exist in many countries, for a number of reasons, some of which are listed below:

- (a) To provide public goods and services for all citizens regardless of the ability of citizens to pay for those goods and services. For example; basic education, primary health care, etc.
- (b) To provide public goods and services where such can only be economically provided by a centrally planned organisation for the whole of the citizenry. For example; protection against external aggression, justice and equity, internal peace, security and order. These

types of goods and services are usually beyond the private means of people and it is only the government which can better provide these goods and services.

- (c) To create and maintain economic and social infrastructure within the country and to provide a benefit to everyone within socially acceptable norms. This may include the building of roads, hydro electric power, telecommunication systems, educational infrastructure, health facilities etc.
- (d) To correct perceived inequalities that exists among different groups of persons within the country. For example to achieve certain minimum standards of roads, hydro electric power, telecommunication systems among different geographic locations of the country; equality of access to minimum and universal standards of health care, access to education, etc among people from different locations in the country; achieving gender balance in access to primary secondary and tertiary education; providing assistance to less privileged persons.
- (e) To ensure a consistent approach to certain practices or procedures and to promote certain minimum standards in the handling of critical national issues. For example, police operational matters, or fire service response to fire etc.

These objectives within the Public Sector will be influenced by the attitude taken by the central government. The interplay of Central Control and of local democracy is an important political consideration, and while the concept of what the public sector provides is fairly universal, the means of control over the different organisations providing these services can differ.

## **1.7 Objectives of public sector accounting**

- (i) To fulfill the legal and regulatory requirements as may be contained in statutes that regulate the public sector organisation.
- (ii) To fulfill the stewardship function of the organisation. This is achieved through the preparation of financial statements and accounts that show how public funds have been employed or expended and the current state of resources (assets and obligations) of the organisation.
- (iii) To provide records to assist the organisation to:
  - Measure the use of financial resources so as to be able to establish its relative efficiency and effectiveness; and
  - Estimate its financial requirements for effective delivery of its objectives.
- (iv) To provide a structure for financial control. Financial controls can be effectively exercised in a public sector organisation through a sound budgetary accounting system, supported by; written internal regulations and income and expenditure procedures. Thus one of the objectives of public sector accounting is to provide a mechanism for the monitoring of the public purse.

## **1.8 Objectives of Government financial reporting**

The objectives of financial reporting are determined by reference to the users of general purpose government financial statements and their information needs. In general however, the following are the objectives of Government financial reporting:

1. To explain to the citizens through their representatives, how resources were raised and disbursed and whether such disbursements were in accordance with law and represented value for money.
2. To provide information about the sources, allocation and uses of financial resources and show how the government financed its activities and met its cash requirements.
3. To explain to monitoring bodies, oversight bodies and donors whether funds were deployed for their intended use and in accordance with laid down procedure.
4. To explain the performance of the government in delivering its manifesto to the electorate by achieving the set objectives by providing information that could be used to evaluate government's performance in terms of service costs, efficiency and accomplishments.
5. To provide information that is useful in evaluating government's ability to finance its activities, meet its liabilities and commitments.
6. To present the balances of funds and other resources available to the government for future use as well as outstanding obligations of government.

## **1.9 Users of Public Sector Financial Statements and their Information Needs**

### **Recipients of Services**

Citizens and their representatives, legislature and oversight or monitoring bodies. As recipients of government services, the interest will be on the type and quality of goods and services that have been delivered. This group of users will also be interested to know whether or not government is delivering on its promises.

### **Resource Providers**

Tax Payers, ratepayers, lenders, donors, Suppliers, fee-for-service consumers, investors, legislature and elected officials, central agencies, oversight bodies, advisors etc. These group of users need information to determine what resources were raised, how these were disbursed and whether such disbursements were in accordance with law and represented value for money. They will also want to know whether funds were deployed for their intended use and in accordance with laid down procedure.

### **Other parties**

Special interest groups, legislature, analysts, government statisticians, media, etc. These group of users will like to know the performance of the government in delivering its manifesto to the electorate by achieving the set objectives.

The group of users will also be interested in knowing the balances of funds and other resources that are available to the government for future use as well as outstanding obligations of government.

## **1.10 Summary and conclusion**

In this unit we explained public sector accounting as the application of accounting principles, concepts and standards in the recording, classifying, reporting and interpreting financial transactions of public sector institutions to various users to permit informed judgments and decisions by users of the information.

We also discussed the institutions that make up the public sector and outlined the features of such institutions to include: the absence of profit motive; broad objectives involving issues of justice, equity, poverty reduction, maintaining peace and security; accountable the larger public through the representatives of the people; financed mainly through tax revenue, loans and grants; are significantly influenced by political and social considerations in the decision making processes; often established by national constitutions, Acts of Parliament and Legislative instruments.

The unit further discussed the differences between public sector and private sector accounting; the main difference being that in the past public sector institutions used a cash basis accounting whilst private sector institutions used accrual basis accounting. This is no longer the case as most public sector institutions are now migrating to the use of accrual basis accounting. We noted that both public sector and private sector accounting applies the same principle of double entry to record, classify and present reports to ensure the efficient, effective and economic use of resources.

This unit also noted that the primary objective of public sector institutions is to provide public goods and services for all citizens regardless of the ability of citizens to pay for those goods and services. It was also observed that public sector accounting aims at the following: fulfill legal requirements; satisfy the stewardship function; facilitate planning and programming of government activities; facilitate control of financial resources and provide a mechanism for monitoring the public purse. Financial reporting in the public sector is thus aimed at providing information about the sources, allocation and uses of financial resources and shows how the government financed its activities and met its cash requirements.

The unit concluded with a brief discussion of the user of financial statements and their needs. Users of public sector financial statements include: Citizens and their representatives, legislature and oversight or monitoring bodies, tax payers, ratepayers, lenders, donors, Suppliers, fee-for-service consumers, investors, special interest groups, analysts, government statisticians, media, etc. These group of users need information to determine what resources were raised, how these were disbursed and whether such disbursements were in accordance with law and represented value for money. They will also want to know whether funds were deployed for their intended use and in accordance with laid down procedure.

In conclusion, the public sector is a critical area of the economy entrusted with the resources of the state to serve the citizenry. It is therefore imperative that the highest standards of accountability are exhibited through appropriate public sector accounting processes.

## **1.11 End of Unit Review Questions**

1. What is Public Sector Accounting?
2. What is the difference between public sector accounting and government accounting?
3. List 50 public sector institutions that exist in your country.
4. Explain 10 features of public sector institutions.
5. Explain 5 differences between public sector and private sector institutions.
6. Explain the main similarity between public sector and private sector institutions.
7. List and explain 5 objectives of public sector institutions.
8. Explain 4 objectives of public sector accounting.
9. What are the objectives of Government financial reporting?
10. List the users of public Sector financial statements and state their information needs.

## **Unit 2: Overview of Regulatory Framework of Public Sector Accounting**

### **Objective of Unit**

At the end of this unit, trainees will have a good understanding of the legal and regulatory framework of public sector accounting. Trainees will be able to:

- Outline and explain relevant constitutional provisions on government financial arrangements;
- Outline and explain relevant provisions from the Public Finance Management Act on Government Accounting;
- Outline and explain the relevant provisions from the Regulations on the Public Finance Management Act as well as relevant provisions from other legislations on Government Accounting.

### **2.0 Introduction**

This unit discusses the legal and regulatory framework of public sector accounting standards. The unit will discuss the relevant provisions in the constitution of the Republic as they relate to financial arrangements as well as relevant provisions in the Public Finance Management Act and the Public Finance Management Regulations relating to accounting and financial reporting. Provisions in other legislation that relate to accounting and financial reporting will also be reviewed. The unit will also present a brief history of the International Public Sector Accounting Standards, their scope and the accounting basis for Government Business Enterprises.

#### **2.1 Constitutional Provisions on Government Financial Arrangements**

The constitution of the Republic of Liberia is the supreme law of the Republic and any law inconsistent with it is void to the extent of the inconsistency.

Article 50 of the Constitution of the Republic of Liberia provides as follows: ‘The Executive Power of the Republic shall be vested in the President who shall be Head of State, Head of Government and Commander-in-Chief of the Armed Forces of Liberia...’

As head of Government the president is ultimately responsible for ensuring proper management and accountability of the finances of the Republic of Liberia.

Article 58 of the Constitution of the Republic of Liberia provides that: ‘The President shall, on the fourth working Monday in January of each year, present the administration’s legislative program for the ensuing session, and shall once a year report to the Legislature on the state of the Republic. In presenting the economic condition of the Republic the report shall cover expenditure as well as income’.

In article 34(d) of the constitution, it is provided that: The Legislature shall have the power to levy taxes, duties, imports, exercise and other revenues, to borrow money, issue currency, mint coins, and to make appropriations for the fiscal governance of the Republic, subject to the following qualifications:

- i. all revenue bills, whether subsidies, charges, imports, duties or taxes, and other financial bills, shall originate in the House of Representatives, but the Senate may propose or concur with amendments as on other bills. No other financial charge shall be established, fixed, laid or levied on any individual, community or locality under any pretext whatsoever except by the expressed consent of the individual, community or locality. In all such cases, a true and correct account of funds collected shall be made to the community or locality;
- ii. no monies shall be drawn from the treasure except in consequence of appropriations made by legislative enactment and upon warrant of the President; and no coin shall be minted or national currency issued except by the expressed authority of the Legislature. *An annual statement and account of the expenditure of all public monies shall be submitted by the office of the President to the Legislature and published once a year;*
- iii. no loans shall be raised by the Government on behalf of the Republic or guarantees given for any public institutions or authority otherwise than by or under the authority of a legislative enactment.

It is clear that the constitution of the republic of Liberia requires the office of the President to submit to the Legislature, published annual financial statements. This has to be done every year.

## **2.2 Provisions on Government Financial Arrangements in the Public Finance Management Act 2009 (PFM Act)**

### **2.2.1 Introduction the Public Finance Management Act.**

Section 1 subsections 2 and 3 of the Public Finance Act establish the ambit and scope of the Act. The Act governs all matters relating to the management of the public finances of the Republic of Liberia. It lays out fundamental procedures for the preparation, adoption, execution and final accounts of the National Budget and related matters including internal control, accounting and auditing of public finances, assets as well as the arrangements for public debt and government guarantees. The Act is supplemented by the Public Finance Regulations promulgated by the Ministry of Finance and approved by the President.

The provisions of the public Finance Act of 2009 apply to all agencies, entities and institutions of the central government. According to the Act, the central government includes:

- (a) The Executive and all its agencies/entities/institutions
- (b) The Legislature and all its agencies/entities/institutions
- (c) The Judiciary and all its agencies/entities/institutions
- (d) Autonomous Public Agencies under central government control.

In addition, the entities referred to in (e), (f) and (g) below are governed by the provisions of the Act when stipulated in specific provisions of the Act.

- (e) All public agencies, entities and institutions of governments at the local level, established by law or under the jurisdiction of local governments now or to be established in the future

- (f) State-owned enterprises
- (g) Any person or legal entity that receives or uses public funds.

## 2.2.2 Principles of Public Finance Management enshrined in the PFM Act

Section 2 of the PFM Act stipulates that the management of public finances of the Republic of Liberia including the preparation and execution of the National Budget and its supplements are guided by the following principles:

- (a) **Accountability:** All members of the Executive are accountable to the Legislature for the way they carry out their responsibilities with respect to the management of public finances; and within the Executive, all public officials entrusted with public finance responsibilities are accountable to the President of the Republic of Liberia for the proper execution of their duties.
- (b) **Annual basis:** The budget authority is granted by the Legislature for a fiscal year, unless there are exceptions specified in law. County development funds for example are exempted from the lapse of appropriation.
- (c) **Balanced Budget:** In the National Budget, expenditure and financial outflows shall be balanced by revenues and financial inflows, including any new borrowing.
- (d) **Comprehensiveness:** All central government revenues and expenditures shall be included in the National Budget, being recorded on a gross basis.
- (e) **Specificity:** All central government revenues and expenditures shall be presented and executed with the detail specified under the PFM Act and its enabling regulations in the National Budget.
- (f) **Stability:** The National Budget is to be prepared in the context of a medium-term fiscal framework with the aim of achieving national objectives over a multi-year period.
- (g) **Transparency:** The roles of those entrusted with financial management functions are clearly specified in the PFM Act or the regulations to be issued under it. The PFM Act requires that timely and reliable financial information on the National Budget be made publicly available, and it requires that the legislation governing public finances be drafted with clarity.
- (h) **Unity:** The National Budget is the instrument for approving the annual estimates of central government revenues, expenditures, and financing transactions; these are presented in a single document and adopted by an annual budget law, which includes annual appropriations.

## 2.2.3 Public Funds / Public Money and the Consolidated Fund

### 2.2.3.1 Public Funds/Money

In the PFM Act, public money /funds means:

- (a) Money or financial assets in the custody or under the control of the State, including money that is held for the benefit of a person other than the State but does not include money held in trust or custody on behalf of non-governmental organizations or money received by State-Owned Enterprises ; and

- (b) Money or financial assets in the custody or under the control of any person acting for or on behalf of the State in respect of the custody or control of the money,

Resources that become public money upon receipt include, but are not limited to:

- (a) taxes imposed by the State;
- (b) user fees imposed by the State or any of its Ministries, Agencies or instrumentalities;
- (c) interest received by the State;
- (d) dividends or other payments from companies owned by the State;
- (e) proceeds received by the State from the sale or leasing of any property owned by the State;
- (f) proceeds received by the State from licensing or selling any rights controlled by the State, including radio spectrum rights, natural resource exploration or exploitation rights, and intellectual property rights;
- (g) royalties received by the State;
- (h) fines, regulatory charges, damages from civil actions, and insurance proceeds paid to the State;
- (i) grants and gifts received by the State;
- (j) debts due of the State;
- (k) money transfers corresponding to credits taken by the State in accordance with legal provisions regarding the formation of State Debt; and
- (l) receipts from the issuance of national and international documents of credit by the State.

### **2.2.3.2 Consolidated Fund**

For the effective and efficient management, accounting and control of the public financial transactions and operations of the Republic of Liberia, a Consolidated Fund is established by the PFM Act.

### **2.2.3.3 Composition of the Consolidated Fund**

Pursuant to Section 4(1) of the Public Finance Management Act 2009, receipts into the Consolidated Fund or other public funds shall be classified as follows:

- (a) Tax Revenue, including taxes on income and profits, goods and services, and taxes on international trade and other transactions
- (b) Non-tax revenues and internally generated funds
- (c) Repayment of loans
- (d) Domestic and external grants;
- (e) Other revenues received under an enactment;

- (f) Other receipts including the product of borrowing, repayment of government loans and advances, sale of government securities, sale of government equity investments, sale of other government assets and special funds

The balances of all the public funds of the Republic of Liberia are to be included in the Consolidated Fund under the oversight of the Legislature and managed and executed by the Minister of Finance, save for exceptions granted under Section 28.5 of the PFM Act. The Minister of Finance has the authority to manage the Consolidated Fund to allow for an effective and efficient cash management.

#### **2.2.4 Authority and Responsibilities of the President**

Consistent with the provisions of the constitution of the Republic of Liberia, the PFM Act entrusts the President with the overall responsibility for the financial management of the Republic of Liberia. Section 5 of the PFM Act provides as follows:

1. The President has overall responsibility for all policy matters related to the National Budget and public financial management system of the Republic of Liberia, and has the authority to take the decisions and actions necessary to carry out such responsibilities.
2. Except for the authority to submit the Proposed Budget to the Legislature, the President may delegate to the Minister of Finance, any of the authorities and powers conferred to the President under this Act, subject to terms and conditions specified by the President at the time of the delegation. Such delegation, however, does not discharge the responsibility of the President with regard to the PFM Act.

These responsibilities are reiterated in section 58 of the Regulations.

#### **2.2.5 Authority and Responsibilities of the Minister of Finance**

Section 6 of the PFM Act and section 21.2 of the Executive Law outlines the authority and responsibilities of the Minister of Finance. These generally include the following:

1. The Minister of Finance is responsible for all technical matters related to the proper functioning of the public finance management system, subject to the overall policy guidance from the President.
2. The Minister's specific responsibilities include the preparation and execution of the National Budget, the preparation of annual and in-year accounts and other reports pertaining to the National Budget, and the management of government property, fixed assets, financial assets, including revenues, debt and Government guarantees, as specified in the PFM Act.
3. Following approval from the President, and consistent with the laws of the Republic of Liberia, the Minister may establish, structures/units within the Ministry for implementing the requirements under the PFM Act in order to fully discharge her/his functions prescribed herein. Details relating to such structures/units will be prescribed in regulations pursuant to the PFM Act.
4. Authority and responsibility specifically granted to the Minister under this Act may be delegated to deputies or other key designated officials of the Ministry. Any responsibility delegated under this subsection does not, however, divest the Minister of the responsibility under the Act.

5. The Minister shall develop and recommend to the President for approval regulations, where required in the PFM Act, for the implementation of the provisions of the Act. The Minister may issue regulations, instructions and guidelines, as the need arises, to further clarify specific responsibilities and tasks related to the implementation of this Act and its regulations consistent with the Administrative Procedure Act and the Executive Law. **Regulations** issued by the Minister pursuant to this Act, shall be subject to approval of the President. Copies of all such regulations shall be sent to the Legislature for coordination purposes.

The responsibilities are reiterated in section 59 of the PFM Regulations.

### **2.2.6 The National Budget**

The budget is the financial document through which the government is able to mobilize various revenue resources, in the form of taxes (direct and indirect), as well as loans and at times other proceeds to run the activities of the Government. The concept of **Appropriation** in the public sector refers to the procedure through which national revenue is made available to government organizations annually by the Legislature to finance their programmes or activities.

The relevant provision of the PFM Act is section is part II to IV; starting from section 5 up to section 27.

Sections 8 and 9 of the PFM Act for example require that:

1. All public financial transactions, both revenues and expenditures, are to be structured and classified using the same classifications for both budgeting and accounting. Where relevant, these classifications shall be designed to meet generally accepted international standards as defined in regulations issued pursuant to the PFM Act.
2. The National Budget shall comprise all revenues and expenditures, on a gross basis, of the central government, including transfers of any kind from the National Budget to sub-national governments, autonomous agencies and funds, public or private enterprises or financial institutions, non-government entities or institutions, or private persons.
3. The National Budget shall, to the extent of the availability of reliable data, include all donor financing provided directly to the Budget in support of the central government, general budget support, basket funding of sectors, and funding of government projects.
4. The National Budget shall be a single unified budget including both recurrent and capital expenditures.

#### **2.2.6.1 Budget Preparation Cycle and Calendar**

Section 11 of the PFM Act stipulates the budget preparation cycle and calendar and requires that:

1. The President shall submit the Proposed Budget and accompanying documents to the Legislature not later than 2 months before the start of the fiscal year.
2. The preparation of the National Budget shall conform to the process and time table set forth in Section 11.1 of the PFM Act (as stated in the first point above), which will be further

supplemented by a detailed cycle established in a published annual budget calendar in the *regulations* accompanying the Act.

3. The budget preparation cycle shall consist of two phases, the first concentrating on the preparation of a budget framework paper and the budget circular, and the second concentrating on the preparation of the detailed annual budget that addresses the policies and priorities set out in the budget framework paper.

#### **2.2.6.2 Contingency Appropriation**

The PFM Act makes room for contingency appropriation in section 11. The section provides as follows:

1. In the National Budget, the Legislature shall approve an amount of public funds not exceeding 5 per cent of total annual domestic revenues, as estimated in the Proposed Budget to be used as Contingency Fund.
2. The Contingency Fund may cover urgent and unforeseen expenditures arising from emergency situations for which payments cannot be postponed until the passage of a supplementary budget or the next annual National Budget without seriously affecting the public interest.
3. The Minister shall submit to the President, for approval, all proposals for the use of funds out of the Contingency Fund. .
4. The use of funds out of the Contingency Fund shall be reported by the Minister in the next quarterly outturn covering the month(s) in which the expenditure occurred.

#### **2.2.6.3 Supplementary Budgets and Mid-Year Review**

Section 18 of the PFM Act allows for supplementary budgets to amend the original budget. The said section provides as follows:

1. During the fiscal year, the Approved Budget may be amended through supplementary budgets to be approved by the Legislature.
2. The preparation, approval and execution of a supplementary budget are governed by the same rules applicable to the approval and execution of the National Budget as specified in the PFM Act.
3. The Minister shall submit to the Legislature a mid-fiscal year review of the implementation of the Budget in the middle of February each year, including an analysis of the revenue collections and expenditure performances in the first six months of the fiscal year, and, if necessary, a proposed supplementary budget for approval by the Legislature.
4. To ensure that the Legislature does not receive two different budgets at the same time for passage, the Minister shall ensure that, if necessary, all Supplementary Budgets are submitted to the Legislature by February 15 of the fiscal year to which the Supplementary Budget refers. The Legislature shall approve all such Supplementary Budgets not later than March 31st of each year.

#### **2.2.6.4 Expiration of Appropriation at End of Fiscal Year**

Section 27 of the PFM Act enunciated the principle of lapse of appropriation. Section 27 provides as follows:

1. All un-allotted appropriations and all uncommitted allotments will lapse at the end of the fiscal year.
2. All balances of appropriations committed but not disbursed prior to the end of the fiscal year, shall be available for the settlement of those obligations within 90 days from the end of the preceding fiscal year. All such balances not disbursed after ninety (90) days following the end of the preceding fiscal year shall be moved to government Consolidated Account. The recording, accounting and reporting of such undisbursed balances shall be set out in *accounting regulations* to be issued under this Act and shall be consistent with the provisions of sections 33, 34 and 35 of the PFM Act.
3. In order to facilitate proper accounting and reconciliation of the Consolidated Fund, the Minister shall establish new bank accounts at the start of each fiscal year for the collection of revenues against the new fiscal year's budget. After ninety (90) days following the end of the preceding fiscal year, all accounts established for the execution of the budget of the preceding fiscal year shall be closed and balances therein transferred to the new accounts established for the new fiscal year.

#### **2.2.7 Banking Arrangements**

The PFM Act anticipates a Treasury Single Account where all government Ministries and Agencies are managed as if they are one from the cash point of view by keeping one main bank account with the Central Bank of Liberia. In respect of this, section 34 of the PFM Act provides as follows:

1. The banking arrangements of government will reflect, to the extent possible, the principles of a Treasury Single Account, in which all accounts of central government are essentially managed as one from a cash point of view.
2. No Central Government bank account, whether in or outside the country, shall be opened without the prior written authorization of the Minister.
3. The main bank account of the government shall be established in the Central Bank of Liberia, into which all revenues shall be deposited and from which all payments will be made.
4. The Minister may, in agreement with the Central Bank of Liberia, authorize the opening of additional bank accounts in the Central Bank of Liberia and other accounts in domestic and foreign commercial banks, to act as transitory bank accounts to facilitate the collection of revenues or processing payments. The details relating to the management of these transitory accounts will be provided in *regulations* or instructions to be issued under this Act.
5. The procedures for opening, closing, and operating government bank accounts will be prescribed in *regulations* under this Act. The Minister may also issue instructions and guidelines for operating bank accounts.

## 2.2.8 Accounting and Reporting

### 2.2.8.1 Accounting

The PFM Act recommends the adoption of International Accounting Standards as basis for accounting and reporting Government financial transactions. Part VII of the Act comprising of section 35 up to 37 relates to Accounting and Reporting.

Section 35 of the Act provides as follows:

1. Accounting Rules and Standards for central government should adhere to internationally accepted principles, and are to be applied consistently to all government agencies, including autonomous agencies, as well as local governments or any other subdivisions of Government at the local level, whether in existence or to be established in the future.
2. The Minister, in consultation with the Auditor General, shall be responsible for establishing the Accounting Rules and Standards for central government. These will be set out in accounting regulations established under this Act, and further detailed in instructions and guidelines issued by the Minister.
3. The accounting regulations shall also include specific rules and standards for the accounting of all donor funded assistance provided to the government not channeled through the government's accounting system.
4. The Minister, in consultation with the Auditor General, shall issue the chart of accounts, which will conform to the structure prescribed for budgetary classifications specified in this Act and or accompanying regulations.
5. The Minister shall establish a central accounting function in the Ministry whose functions will be defined in regulations to be issued under this Act:
6. Each minister or head of a budgetary institution or agency is responsible, under guidance issued by the Minister, for the establishment of an accounting function within the ministry/institution/agency in accordance with the requirements prescribed in accounting regulations, instructions and guidelines under this Act.
7. Each minister or head of a budgetary institution or agency is responsible for the filing, maintenance and safekeeping of all documents related to public finance transactions, in a manner and for the length of time prescribed in accounting regulations under this Act.

### 2.2.8.2 Reporting

Section 36 of the PFM Act provides as follows:

1. It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that *financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act*, under its regulations, and in instructions issued by the Minister.

2. Each Spending Entity is required, where applicable, *to provide a monthly report on revenues and a quarterly expenditures performance report to the Minister in the terms, format and within the timeframe determined by regulations under this Act.*
3. Notwithstanding the provisions of Section 35.2 (as stated above) spending entities shall further submit to the Minister on a quarterly basis, the accounts of the spending agency comprising *a statement on cash flow, a statement on revenue and expenditures from the Consolidated Fund, a balance sheet showing assets and liabilities as at the end of the quarter; and such other details as may be prescribed in regulations to be issued under this Act.*
4. Based on the information received from each Spending Entity, the Minister shall produce a consolidated quarterly report comparing budget execution and revenue collections to the estimates contained in the National Budget. This report shall be available to the President, the Legislature and the general public within forty five (45) days of the end of the quarter. The format of these monthly and quarterly reports will be prescribed in regulations under this Act.

### **2.2.8.3 Final Account of the National Budget and External Auditing**

Section 37 of the PFM Act provides as follows:

1. The Minister shall prepare the unaudited Final Account of the National Budget and submit it to the Auditor General no later than four (4) months after the end of the fiscal year.
2. The unaudited Final Account of the National Budget shall be in accordance with the content and classifications of the budget. The content, format, timeframe and procedures for the preparation and submission of the Final Account of the National Budget shall be determined by accounting regulations under this Act.
3. The constitutionally established and other statutory institutions of the State shall be obligated to prepare and submit their annual accounts to the Minister for consolidation into the final accounts. All such entities including public corporations not funded directly from the state budget shall make provision for annual audit fees to be charged by the Auditor General in the conduct of his/her responsibilities. Rates and amounts of the audit fees to be charged shall be determined by the Minister in consultation with the Auditor General during Budget preparation. Such amount shall be placed in the Budget of the General Auditing Commission.
4. Notwithstanding the provisions of Section 37(3) above, the accounts of the General Auditing Commission shall be audited, at least once in every financial year, by a registered and reputable firm of qualified public accountants and auditors appointed by the Legislature or possessing such other qualifications as the Legislature may deem appropriate, at such remuneration and on such other terms as the Legislature may determine. The remuneration of the auditor appointed under this section shall be defrayed from the funds of the General Auditing Commission.
5. The Auditor General shall review the Final Account of the National Budget produced by the Minister and forward an audit report, along with the Final Account, to the Legislature not later than four (4) months after receipt of the unaudited Final Account from the Minister. The audit report of the Auditor General shall include response and clarifications furnished by the Minister on the observations and comments raised by the Auditor General on the unaudited accounts.

6. The Auditor General shall publish the audit report in the Official Gazette and make it available to the Legislature and the public within one month of the completion of said audit report.

Details on accounting and reporting have been further discussed in Part XVII of the PFM Regulations from sections 257 to 275.

From the provisions in sections 35, 36 and 37 of the PFM Act, the following important observations can be made:

- The requirement to apply internationally approved principles and standards
- The establishment of a unit in each Ministry/Agency and at the Ministry of Finance to be responsible for the accounting and reporting function.
- Each ministry must maintain files of all financial records and documents relating to government financial transactions and keep same safe.
- Requirement for timely, comprehensive and accurate reporting of government financial transactions.
- Ministries and Agencies to submit to the Minister of Finance:
  - ✓ Monthly revenue reports; and
  - ✓ Quarterly expenditure reports.
- Ministries and Agencies to submit the following reports to the Minister of Finance on a quarterly basis:
  - ✓ a statement on cash flow,
  - ✓ a statement on revenue and expenditures from the Consolidated Fund,
  - ✓ a balance sheet showing assets and liabilities as at the end of the quarter; and
  - ✓ such other details as may be prescribed in regulations to be issued under this Act.
- The minister of Finance to submit to the president and the legislature, quarterly consolidated report comparing budget with actual performance.
- Ministries and Agencies to submit to the Minister of Finance annual financial statements
- The Minister of Finance to submit a consolidated annual financial statement to the Auditor General four (4) months after the end of the fiscal year.
- The Auditor General to submit an audit report to the Legislature within four (4) months after the receipt of the unaudited financial statements from the Minister of Finance.
- The Auditor General to publish the audit report in the Official Gazette and make it available to the Legislature and the public within one month of the completion of said audit report.

### **2.2.9 Internal Control and Audit**

To assist line ministers to effectively carry out their accounting and reporting functions, the PFM Act in section 38 makes room for internal control and audit.

Section 38 specifically provides as follows:

1. The ministers of line ministries and heads of institutions and agencies of government are ultimately responsible for all financial operations and transactions undertaken within their organization, including any sub-units they supervise or control. The minister or head is assisted by an internal auditor, reporting directly to him or her, whose tasks shall include inter alia:
  - (a) To periodically review the organization of financial management within the organization or unit
  - (b) To assess the adherence to all financial management procedures and processes prescribed in this Act, its regulations and in instructions issued by the Minister;
  - (c) To evaluate the adequacy of management checks and balances, and controls, in the financial management practices within the organization or unit; and
  - (d) To recommend to the line minister or head of agency remedial actions where required or desirable and inform the Minister accordingly.
2. The functions, reporting responsibilities, and activities of internal auditors shall be prescribed in regulations under this Act, supplemented by instructions and guidelines issued by the Minister in collaboration with the Auditor General.
3. Under this Act, copies of all internal audit reports prepared by internal auditors contracted directly under donor funded projects shall be provided to the internal auditor of the ministry under which the project is established.
4. Internal audit reports will be made available to the Auditor-General. The Auditor General shall produce an annual audit report on internal controls over financial reporting including an evaluation of internal audit.

Regulations 276 to 278 provide details on the guidelines on the framework for internal control and internal audit.

## **2.3 Relevant provisions of the PFM Regulations**

### **2.3.1 Introduction to PFM Regulations**

The PFM Regulations complement the PFM Act by providing further clarification and elaboration on the Act to facilitate its compliance, accountability, implementation, and enforcement arrangements. Detailed rules for the efficient management of public finances of the Republic of Liberia have been prescribed by the Regulations. A few relevant sections of the Regulations will now be discussed.

### **2.3.2 Monetary Unit, Accounting and Reporting Currency**

Section 2 of the PFM Regulations clarifies the issues relating to reporting currency for Government financial reporting. The section provides as follows:

“Subject to the provisions of the Central Bank Act 1999 and any other enactment:

1. The monetary unit of Liberia for all government agency official business, accounting, and financial reporting shall be the Liberian Dollar.
2. The Liberian dollar shall be the currency of Liberia and legal tender.
3. The United States of America currency shall also be legal tender in Liberia.
4. Currencies issued by the monetary authorities of other countries can freely circulate in Liberia, and such currencies can be freely exchanged with the Liberian Dollar at prevailing market rates”.

It is clear from the above provision that the reporting currency for Government financial transactions is the *Liberian Dollar*. This is consistent with section 6 of the revenue code which requires books of accounts on Government revenue to be kept in Liberian Dollars. The provision is also consistent with the requirements of the Central Bank Act of 1999.

### **2.3.3 Duty to Keep Proper Records and Books of Accounts**

The Regulations in section 3 clearly spells out the duty to keep proper records and books of accounts by all public officers concerned with the conduct of Government financial transactions.

Section 3 provides as follows:

1. Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and Inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by , the Auditor-General, the Comptroller-General , the relevant Internal Auditor or any officers authorised by them.
2. A public officer who fails to keep or produce any records under this regulation is in a breach of financial discipline as defined in Regulation 20 (1).
3. An officer responsible for keeping financial and accounting records in accordance with this regulation shall ensure that the necessary books and forms for the purpose are provided and the non-availability of the books and forms shall not relieve the officer from responsibility.

### **2.3.4 The Office of the Comptroller-General**

The office of the Comptroller-General is critical in the accounting and reporting function of central Government. Provisions regulating the office of the Comptroller-General have therefore been enacted in section 62 of the Regulations. Section 62 of the PFM Regulations provides as follows:

1. There shall be appointed on such terms and conditions as shall be specified in the appointment, and sworn into office by the President a Comptroller-General who shall be accountable to the Deputy Minister for Expenditure for the discharge of the Minister’s responsibilities under the Public Finance Management Act 2009 or any other enactment. The appointee shall be a professionally certified accountant who is a full member of an accountancy body that is a member of the International Federation of Accountants (IFAC).
2. The Comptroller-General shall be responsible to the Deputy Minister for Expenditure through the Assistant Minister for Expenditure for the compilation and management of the accounts and

the custody and safety of the public money and public property of the Government, and for that purpose the Comptroller-General may, in the manner prescribed by the Minister, and with the prior consent of the Deputy Minister for Expenditure, give such instructions of a general or specific character to Heads of Government Agencies as may be necessary for the effectual implementation of the purposes and provisions of the Public Finance Management Act 2009.

3. Without prejudice to the generality of the provisions of sub regulation (2), the Comptroller-General:
  - a) shall receive all public moneys payable into the Consolidated Fund, provide secure custody for these moneys, and make disbursements on behalf of the Government in accordance with the Public Finance Management Act 2009 or any other enactment and under the authority of the Minister or his designee. He shall ensure the safety and integrity of the Consolidated Fund and all other public funds of the Government of the Republic of Liberia.
  - b) shall be the Chief Accountant, the head of the accounting class and also the Head of the Treasury for the Government of the Republic of Liberia. He shall advise the Minister and the government on accounting matters and on public finance management issues under the Public Finance Management Act 2009 and any other enactment.
  - c) may, with the approval of the Deputy Minister for Expenditure, appoint officers to act on his behalf in the discharge of his duties, and such officers shall be accountable to the Comptroller General for the proper discharge of such duties in accordance with any enactment or instructions issued by the Comptroller General.
  - d) shall with the approval of the Deputy Minister for Expenditure, establish treasury offices staffed by officers of Comptroller General, for the receipt, custody and disbursement of public moneys as may be required by circumstances of public financial business.
  - e) shall be the Chief Accountant of the Government responsible to the Minister for keeping, rendering and publishing statements of the public accounts as required under the Public Finance Management Act 2009 or any other enactment.
4. Subject to sub regulation 319, the detailed organizational structure and operational modalities of the Comptroller General's unit shall be prescribed under separate instructions and guidelines from the Minister in consultation with the Auditor General.

It is very clear that the technical job of accounting and reporting on Government financial transactions is the responsibility of the office of the Comptroller-General. Regulation 257 makes this clear. To help the Comptroller-General to execute his tasks Section 3 of the Public Finance Management Act 2009 requires that every Government Agency and every constitutional institution shall have an accounting officer who shall be the Head of Agency or Head of Spending Unit.

Regulation 65 charges accounting officers with the following responsibilities:

1. A Head of Agency or Spending Unit shall be personally and pecuniary responsible to the Legislature for the use of funds under their control.

2. A Head of Agency or Spending Unit shall have overall responsibility and accountability for the collection and receipt of all revenue or the financial administration of the monies voted by the Legislature for, or applied by statute to, the services under the control of his or her Ministry, Agency or Institution.
3. Without limiting the generality of sub regulation (1) and (2), of Regulation 65 a Head of Agency or Spending Unit shall:
  - a) ensure that the Agency's accounting system has been approved by the Comptroller-General in consultation with the Auditor- General
  - b) manage and operate the Agency's accounting systems, so as to ensure the accountability of all officers transacting such business and facilitate the efficient discharge of such business;
  - c) secure the efficient and effective use of appropriations under Agency control in compliance with any enactment, regulations or instructions issued under the authority of any enactment;
  - d) secure the due and proper collection of government revenue collectable by the Agency within the terms of any enactment or of instructions issued or approved by the Comptroller-General;
  - e) bring promptly to account as revenue any cash found in his charge in excess of the balances in the cash book
  - f) make good any deficiency in cash for which he is responsible
  - g) ensure that all books of accounts under his or her control are correctly posted and kept up-to-date
  - h) produce, when required by the Minister of Finance, the Comptroller-General, Head of Internal Audit or Auditor-General or by such officers as may be authorised by any of the above, all cash, books, records, vouchers or other items of value in his or her charge
  - i) establish an effective internal audit and the operation of an audit committee
  - j) shall ensure the disciplining of staff who contrive the law
4. A Head of Agency or Spending Unit shall:
  - a) manage and reconcile the bank accounts authorised for the Agency by the Comptroller-General;
  - b) preserve in good order and secure the economical use of all equipment and inventories used by the Agency;
  - c) answer questions raised by the Auditor General in respect of the financial transactions and accounts of the Agency ;
  - d) appear before the Ways, Means and Finance Committee to give any explanations required by the Committee in respect of the annual Agency accounts; and
  - e) in collaboration with the General Services Agency compile and maintain assets register of the Government Agency as determined by the Comptroller-General.
5. A Head of Agency or Spending Unit shall have custodial responsibility from the time when:

- a) moneys are paid to a collector to the time when the moneys are lodged into the Consolidated Fund;
- b) appropriations are lodged into the bank accounts of departments until the time when the funds have been fully utilised for the purposes for which they were appropriated; and
- c) an imprest or advance has been issued to a Government Agency officer until the time it has been duly retired in accordance with the relevant part of these regulations.

### **2.3.5 Accounting for Donor Funding**

Donor funding comprises loans, grants, donations and other forms of assistance from development partners. Accounting for donor funding is often met with a number of constraints and therefore, provisions have made in the Regulations to prescribe the manner in which donor funding should be accounted for. The relevant provision in the PFM Regulations is Section 221. This section provides as follows:

1. All moneys received by way of loans, grants, and donations shall constitute public moneys and shall be paid into the Consolidated Fund.
2. The Minister shall make provision in the budget estimates for loans, grants and donations receivable in cash.
3. Where the quantum of the loan, grant or donation referred to in sub regulation (2) is not known a provision shall be included in the estimates and when the quantum becomes known a supplementary estimate shall be raised for the amount involved.
4. Where loans, grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimates and reflected as expenditure in the financial year.
5. Moneys received for specified projects which have been paid into the Consolidated Fund shall be released when required to the appropriate project bank account.
6. The Comptroller General shall:
  - a) cause separate and proper books and records to be kept and maintained in respect of all projects and donors, and for appropriate audited financial statements to be included in the financial report; and
  - b) ensure that whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to Government or other appropriate authorities within the time frame provided for in the agreement.
7. Where no time frame is provided for the project, assets shall be handed over within three months from the date of the closure of the project.
8. In the absence of any instructions to the contrary any unexpended balance standing to the credit of any project account shall be paid into the Consolidated Fund.

It is important to note that Regulation 221 requires separate and proper books to be kept with respect to donor funds.

### 2.3.6 Summary and Conclusions

In this unit we reviewed the legal framework on accounting and reporting government financial transactions. We observed the constitution of the republic of Liberia requires the office of the President to submit to the Legislature, published annual financial statements.

We also observed from the PFM Act and its subsequent Regulations that:

- There is a requirement to apply internationally approved principles and standards
- The office of the Comptroller-General is responsible for the accounting and reporting function with respect to all Government financial transactions.
- Each ministry must maintain files of all financial records and documents relating to government financial transactions and keep same safe. This is the responsibility of Heads of Ministries and Agencies.
- There is a requirement for timely, comprehensive and accurate reporting of government financial transactions.
- Ministries and Agencies are to submit to the Minister of Finance:
  - ✓ Monthly revenue reports; and
  - ✓ Quarterly expenditure reports.
- Ministries and Agencies are to submit the following reports to the Minister of Finance on a quarterly basis:
  - ✓ a statement on cash flow,
  - ✓ a statement on revenue and expenditures from the Consolidated Fund,
  - ✓ a balance sheet showing assets and liabilities as at the end of the quarter; and
  - ✓ such other details as may be prescribed in regulations to be issued under this Act.
- The minister of Finance is to submit to the president and the legislature, quarterly consolidated report comparing budget with actual performance.
- Ministries and Agencies are to submit to the Minister of Finance annual financial statements
- The Minister of Finance is to submit a consolidated annual financial statement to the Auditor General four (4) months after the end of the fiscal year.
- The Auditor General is to submit an audit report to the Legislature within four (4) months after the receipt of the unaudited financial statements from the Minister of Finance.
- The Auditor General is to publish the audit report in the Official Gazette and make it available to the Legislature and the public within one month of the completion of said audit report.

We also observed from the PFM Regulations that the reporting currency for Government financial transactions by Government organisations is the Liberian Dollar, even though the United State Dollar is also legal tender in Liberia.

The PFM Regulations also requires donor funds to be separately accounted for.

## 2.4 End of Unit Review Questions

1. What are the responsibilities of the President of the Republic of Liberia with respect to the financial management of the Government of Liberia?
2. What are the responsibilities of the Minister of Finance with respect to the financial management of the Government of Liberia?
3. What are the responsibilities of the Comptroller-General with respect to the financial management of the Government of Liberia?
4. What are the responsibilities of the Heads of Line Ministries and heads of Agencies with respect to the financial management of the respective Ministry or Agency?
5. List the reports that are required to be submitted monthly to the Minister of Finance.
6. List the reports that are required to be submitted quarterly to the Minister of Finance.
7. List the reports that are required to be submitted annually to the Minister of Finance.
8. What reports are to be submitted to the Legislature by the Minister of Finance?
9. What is the role of the Auditor General in managing the financial resources of the government of Liberia?
10. Briefly explain the eight (8) Principles of Public Finance Management enshrined in the PFM Act
11. Briefly explain the following concepts in the PFM Act:
  - i. Consolidated Fund
  - ii. Contingency Fund
  - iii. Lapse of appropriation



## **Unit 3: Introduction to IPSAS**

### **Objective of unit**

At the end of this unit, trainees will have a good understanding of the nature and scope of International Public Sector Accounting Standards. Trainees will be able to:

- Brief Introduction of the International Federation of Accountants (IFAC);
- Discuss the introductory background to the International Public Sector Accounting Standards;
- Explain the scope of IPSAS;
- Explain what Government Business Enterprises are and the accounting standards that apply to them;
- Explain the forms of IPSAS Issued by IPSASB:
  - Cash Basis IPSAS
  - Accrual Basis IPSAS

### **3.0 Introduction**

In this unit, we shall discuss the introductory aspects of International Public Sector Accounting Standards. The unit will briefly introduce the International Federation of Accountants, give a brief introduction to IPSAS, explain the scope of IPSAS, and explain what constitute Government Business Enterprises and the standards that apply to such enterprises. We shall also discuss the forms of IPSAS that have been issued by the International Public Sector Accounting Standard Board.

### **3.1 Brief Introduction to International Public Sector Accounting Standards (IPSAS)**

International Federation of Accountants (IFAC) is the international organization for the accountancy profession. It works with over 160 member organizations in about 119 countries to serve the public interest by encouraging high-quality practices by the world's accountants. The member organizations of IFAC represent 2.5 million accountants who work in the public sector, industry, commerce, government, and education. Its structure and governance include the representation of a diverse membership, and interaction with external groups that rely on or influence the work of professional accountants.

The mission of IFAC is to serve the public interest by strengthening the global accountancy profession and contributing to the development of strong international economies. The establishment of, and adherence to, high-quality professional standards furthers the international convergence of such standards and invites the discussion of public sector issues where the profession's expertise is most relevant.

#### **3.1.1 Standards-setting Boards of IFAC**

IFAC is composed of the following standards-setting boards:

1. International Ethics Standards Board for Accountants
2. International Accounting Education Standards Board
3. International Auditing and Assurance Standards Board
4. International Public Sector Accounting Standards Board.

#### **3.1.1.1 International Ethics Standards Board for Accountants (IESBA):**

IESBA develops ethical standards and guidance for use by professional accountants. It encourages member bodies to adopt high standards of ethics for their membership and promotes sound ethical practices globally. The Board also fosters international debate on ethical issues faced by accountants.

#### **3.1.1.2 International Accounting Education Standards Board (IAESB):**

IAESB develops guidance to improve the standards of accountancy education around the world, focusing on the essential elements of accreditation, which are education, practical experience, tests of professional competence, and the nature and extent of continuing professional education needed by accountants. The Board also promotes examples of best practices found in education for the accounting profession.

#### **3.1.1.3 International Auditing and Assurance Standards Board (IAASB):**

Has developed the following pronouncements:

- International Standards on Auditing (ISAs)
- International Standards on Review Engagements (ISREs)
- International Standards on Assurance Engagements (ISAEs)
- International Standards on Related Services (ISRSs)
- International Standards on Quality Control (ISQCs)

#### **3.1.1.4 International Public Sector Accounting Standards Board (IPSASB):**

IPSASB develops the international standards of accounting for the public sector, including financial reporting requirements for national, regional and local governments.

The Board is an independent standards-setting body designated by IFAC. The goal of the IPSAS Board is to serve the public interest by developing high-quality accounting standards for use by public sector entities around the world for the preparation of general purpose financial statements in governmental agencies. Such standards enhance the quality and transparency of financial reporting and strengthen public confidence in public sector financial management.

In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards. The development of these standards has been financed by the World Bank, Asian Development Bank, United Nations Development Program, International Monetary Fund, and IFAC.

### **3.1.1.5 International Accounting Standards Board (IASB)**

In the private sector, the International Accounting Standards Board (IASB) is the standards-setting body for the International Financial Reporting Standards (IFRS), which is a necessary component for strengthening financial transparency and improving corporate governance worldwide.

## **3.2 Introduction to International Public Sector Accounting Standards**

The development of public sector standards was initiated as a response to a growing need for quality financial information published by many government entities, which in the past had not been considered very reliable, and at times even subservient to the success factors of government objectives. A higher level of reliable information was required by external users. It was important to improve the financial management and reporting practices of government agencies in order to deal with the deficiencies of economic decision-making and to create an atmosphere of financial discipline, transparency, and non-corruptive behavior.

The relationships among good governance, fiscal transparency, and successful economic results are being recognized not only as the key factors for government accountability, but also as a means to have public sector staff become more responsible for their professional work.

Therefore, the International Public Sector Accounting Standard Board (IPSASB) outlines the following components for any system of governmental accounting:

- The preparation of financial statements in accordance with generally accepted accounting standards, developed for external users in the public sector; and
- An independent audit that provides assurance that these standards have been adhered to.

The users of governmental financial information reap the benefits of public sector accounting standards, such as:

- The establishment of appropriate standards and practices for financial reporting;
- The consistency in the application of these standards and practices within each country and shared among other countries and jurisdictions; and
- The potential harmonization and convergence of financial information between the economic and accounting frameworks.

### **3.2.1 Development of International Public Sector Accounting Standards**

The IPSASB acknowledges the right of governments and national standard setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. Some sovereign governments and national standard setters have already developed accounting standards that apply to governments and public sector entities within their jurisdiction. IPSASs may assist such standard-setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. IPSASs are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities.

The IPSASB strongly encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with IPSASs. The success of the IPSASB's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction.

From an international perspective, the adoption of IPSAS will bring greater efficiency and effectiveness to the audit and analysis of similar governmental financial statements because they will be based on common accounting concepts. Such a significant change in governmental financial reporting will lead to increased comparability and trust in the economies of the developing countries, which will also lead to more dynamic and flexible financial options, and even lower the cost of funding.

### **3.2.2 Due Process in the development of International Public Sector Accounting Standards**

The IPSASB adopts a due process for the development of IPSASs that provides the opportunity for comment by interested parties including IFAC member bodies, auditors, preparers (including finance ministries), standard setters, and individuals. The IPSASB also consults with its Consultative Group on major projects, technical issues, and work program priorities.

The IPSASB's due process for projects normally, but not necessarily, includes the following steps:

- Study of national accounting requirements and practice and an exchange of views about the issues with national standard-setters;
- Consideration of pronouncements issued by:
  - ✓ The International Accounting Standards Board (IASB);
  - ✓ National standard-setters, regulatory authorities and other authoritative bodies;
  - ✓ Professional accounting bodies; and
  - ✓ Other organizations interested in financial reporting in the public sector;
- Formation of steering committees (SCs), project advisory panels (PAPs) or subcommittees to provide input to the IPSASB on a project;
- Publication of an exposure draft for public comment usually for at least 4 months. This provides an opportunity for those affected by the IPSASB's pronouncements to present their views before the pronouncements are finalized and approved by the IPSASB. The Exposure Draft will include:
  - ✓ Basis for Conclusion;
  - ✓ Consideration of all comments received within the comment period on discussion documents and Exposure Drafts, and modifications to proposed Standards as considered appropriate in the light of the IPSASB's objectives; and
- Publication of an IPSAS which includes a Basis for Conclusions that explains the steps in the IPSASB's due process and how the IPSASB reached its conclusions.

- The draft of a standard, duly revised after the exposure period, is submitted to the IPSASB for approval. If approved by the IPSASB, it is issued as an IPSAS and becomes effective from the date specified in the Standard. On occasion, where there are significant unresolved issues associated with an Exposure Draft, the IPSASB may decide to re-expose a proposed Standard. For the purposes of approving an Invitation to Comment (ITC), ED or an IPSAS, an affirmative vote of at least two-thirds of the voting rights of the IPSASB is required. Each IPSASB member represented on the IPSASB has one vote.

### **3.3 Scope and Authority of International Public Sector Accounting Standards**

The IPSASB develops IPSASs which apply to the accrual basis of accounting and IPSASs which apply to the cash basis of accounting.

The Preface to IPSAS states that the public sector standards are high-quality global financial reporting standards to be used by public sector entities other than Government Business Enterprises (GBEs), which should apply the same IFRS standards as organizations in the private sector.

#### **3.3.1 Scope of International Public Sector Accounting Standards**

The IPSASs are designed to apply to the general purpose financial statements of all public sector entities. Public sector entities include national governments, regional governments (for example, state, provincial, territorial), local governments (for example, city, town) and their component entities (for example, departments, agencies, boards, commissions), unless otherwise stated. The Standards do not apply to GBEs. GBEs apply same IFRS standards as organizations in the private sector.

#### **3.3.2 General Purpose Financial Statements**

Financial statements issued for users that are unable to demand financial information to meet their specific information needs are general purpose financial statements. Examples of such users are citizens, voters, their representatives and other members of the public. The term “financial statements” used in this context covers all statements and explanatory material which are identified as being part of the general purpose financial statements.

When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include:

- the statement of financial position,
- the statement of financial performance,
- the cash flow statement and
- the statement of changes in net assets/equity.

When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statements are:

- the statement of cash receipts and payments, and
- the statement comparing budget with actual performance.

In addition to preparing general purpose financial statements, an entity may prepare financial statements for other parties (such as governing bodies, the legislature and other parties who perform an oversight function) who can demand financial statements tailored to meet their specific information needs. Such statements are referred to as special purpose financial statements. The IPSASB encourages the use of IPSASs in the preparation of special purpose financial statements where appropriate.

### **3.3.3 Authority of International Public Sector Accounting Standards**

Within each jurisdiction, regulations may govern the issue of general purpose financial statements by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions, and/or accounting standards promulgated by governments, regulatory bodies and/or professional accounting bodies in the jurisdiction concerned. In the Republic of Liberia, the Public Finance Management Act of 2009, the Public Finance Management Regulations of 2009, Accounting Instruction Manuals issued by the Minister of Finance etc, are authorities regulating the form and content of financial statements.

The IPSASB believes that the adoption of IPSASs, together with disclosure of compliance with them will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

## **3.4 Government Business Enterprise (GBE)**

Government Business Enterprise (GBE) means an entity that has all the following characteristics:

- i. Is an entity with the power to contract in its own name;
- ii. Has been assigned the financial and operational authority to carry on a business;
- iii. Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- iv. Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- v. Is controlled by a public sector entity.

Examples of GBEs include the following: Liberia Broadcasting Corporation, Liberia Water and Sewer Corporation, National Oil Company of Liberia, Liberia Telecommunication Corporation, Liberia Petroleum Refining Company, Roberts International Airport, National Housing and Savings Bank, National Port Authority etc.

GBEs are normally required to operate commercially, that is, to make profit or to recoup, through user charges, a substantial proportion of their operating cost. In many countries, the public sector includes business enterprises that are owned or controlled by the Government. The principal activities of these Government Business Enterprises are similar to that of private sector business enterprises, that is, to sell goods and services to individuals and Non Government organisations as well as other public sector

entities.

GBEs just like private corporate business entities exist to make profit or operate at full cost recovery and should therefore apply private sector accounting standards in the presentation of their financial statements. These standards are the International Financial Reporting Standards (IFRS) and the International Accounting Standards still in use.

### 3.5 Forms of IPSAS Issued by IPSASB

The IPSASB has issued two different forms of IPSASs so far. These are Accrual Based IPSAS (based on accrual accounting) and Cash Basis IPSAS (Based on cash accounting)

The IPSASB develops accrual IPSASs that:

- Are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- Deals with public sector financial reporting issues that are either not comprehensively dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB.

As many accrual based IPSASs are based on IFRSs, the IASB's "Framework for the Preparation and Presentation of Financial Statements" is a relevant reference for users of IPSASs. To date, IPSASB has issued 26 Accrual based IPSAS, namely:

1. IPSAS 1: Presentation of Financial Statements
2. IPSAS 2: Cash Flow Statements
3. IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors
4. IPSAS 4: The Effects of Changes in Foreign Exchange Rates
5. IPSAS 5: Borrowing Costs
6. IPSAS 6: Consolidated and Separate Financial Statements
7. IPSAS 7: Investments in Associates
8. IPSAS 8: Interests in Joint Ventures
9. IPSAS 9: Revenue from Exchange Transactions
10. IPSAS 10: Financial Reporting in Hyperinflationary Economies
11. IPSAS 11: Construction Contracts
12. IPSAS 12: Inventories
13. IPSAS 13: Leases
14. IPSAS 14: Events After the Reporting Date
15. IPSAS 15: Financial Instruments: Disclosure and Presentation
16. IPSAS 16: Investment Property
17. IPSAS 17: Property, Plant and Equipment
18. IPSAS 18: Segment Reporting

19. IPSAS 19:	Provisions, Contingent Liabilities and Contingent Assets
20. IPSAS 20:	Related Party Disclosures
21. IPSAS 21:	Impairment of Non-Cash Generating Assets
22. IPSAS 22:	Disclosure of Information about the General Government Sector
23. IPSAS 23:	Revenue from Non-Exchange Transactions (Taxes and Transfers)
24. IPSAS 24:	Presentation of Budget Information in Financial Statements
25. IPSAS 25:	Employee Benefits
26. IPSAS 26:	Impairment of Cash-Generating Assets
27. IPSAS 27:	Agriculture
28. IPSAS 28:	Financial Instruments: Presentation
29. IPSAS 29:	Financial Instruments: Recognition and Measurement
30. IPSAS 30:	Financial Instruments: Disclosures
31. IPSAS 31:	Intangible Assets

The IPSASB has also issued a comprehensive Cash Basis IPSAS that includes mandatory and encouraged disclosures sections. The Cash Basis IPSAS standard was issued in January 2003:

- It requires that a government or government agency report all cash collections, payments, and balances under its control, as well as information on amounts agreed to with third parties;
- It allows for a flexible reporting format; and
- It encourages the disclosure of additional information on, for example, assets, liabilities, and transactions carried out on behalf of third parties, in addition to budgeted amounts that have been exceeded.

The cash-basis standard is supplemented by standards based on accrual accounting, such as IPSAS 24 “Presentation of Budget Information in Financial Statements”, for which a similar standard has been developed. An adjustment was also made for the cash basis for “External Assistance”, which does not have a compensating balance.

### **3.5.1 Moving from the Cash Basis to the Accrual Basis**

The Cash Basis IPSAS encourages an entity to voluntarily disclose accrual based information, although its core financial statements will nonetheless be prepared under the cash basis of accounting. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual based disclosures during this process. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.

The IPSASB also attempts to facilitate compliance with accrual based IPSASs through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual based IPSAS or provide relief from certain requirements when initially applying an IPSAS. An entity may at any time elect to adopt

the accrual basis of accounting in accordance with IPSASs. At this point, the entity shall apply all the accrual based IPSASs and could choose to apply any transitional provisions in an individual accrual based IPSAS.

Having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity shall report in full in accordance with all accrual based IPSASs.

International Public Sector Accounting Standard (IPSAS) 1, “Presentation of Financial Statements” includes the following requirement: “An entity whose financial statements comply with International Public Sector Accounting Standards should disclose that fact. Financial statements should not be described as complying with International Public Sector Accounting Standards unless they comply with all the requirements of each applicable International Public Sector Accounting Standard.” IPSAS 1 also requires disclosure of the extent to which the entity has applied any transitional provisions.

### **3.6 Summary and Conclusion**

In this unit we discussed the introduction to IPSAS. We observed that the International Federation of Accountants (IFAC) is the international organization for the accountancy profession. Its mission is to serve the public interest by strengthening the global accountancy profession and contributing to the development of strong international economies. IFAC has a number of standard setting boards; one of which is the IPSASB.

On scope, it was realized that IPSASs are designed to apply to the general purpose financial statements of all public sector entities. GBEs do apply IPSAS but rather they apply IFRS just like their private sector counterparts.

To date, the IPSASB has issued two different forms of IPSASs; namely: Accrual Based IPSAS (based on accrual accounting) and Cash Basis IPSAS (Based on cash accounting)

In conclusion, from an international perspective, the adoption of IPSAS will bring greater efficiency and effectiveness to the audit and analysis of similar governmental financial statements because they will be based on common accounting concepts. Such a significant change in governmental financial reporting will lead to increased comparability and trust in the economies of the developing countries, which will also lead to more dynamic and flexible financial options, and even lower the cost of funding.

### **3.7 End of Unit Review Questions**

1. What are the main objectives of IFAC, and how does IFAC achieve those objectives?
2. Explain the benefits to the Government of Liberia for the adoption of IPSAS
3. Explain the authority of IPSAS in different national jurisdictions.
4. Outline the due process followed by IPSASB in the development of IPSAS.
5. Compare and contrast GBEs and private commercial enterprises.

6. Discuss the reasons why GBEs do not apply IPSASs in the preparation and presentation of their financial statements.
7. What are GBEs and what standards should these apply in the preparation and presentation of their financial statements?
8. Distinguish between general purpose financial statements and special purpose financial statements.
9. Discuss the differences, if any, between accrual basis IPSASs and the cash basis IPSAS.
10. Discuss the approach that you will recommend to the Government of Liberia for migrating from Cash Basis IPSAS to Accrual Basis IPSAS.

## **Unit 4:Public Sector Accounting Concepts:**

### **Objective of Unit**

At the end of this unit, trainees will have a good understanding of the different bases of accounting in the public sector. Trainees will be able to:

- Explain the following bases of accounting in public sector:
  - ✓ Cash Basis Accounting,
  - ✓ Modified Cash Basis Accounting,
  - ✓ Accrual Basis Accounting,
  - ✓ Modified Accrual Basis Accounting
  
- Describe Financial Accounting Techniques in Public Sector Accounting:
  - ✓ Commitment Accounting,
  - ✓ Fund Accounting
  
- Explain the basis of recognition and measurement of assets and liabilities in public sector accounting.

### **4.0 Introduction**

In this unit, we shall discuss the various basis of accounting in the public sector including the following: Cash Basis Accounting, Modified Cash Basis Accounting, Accrual Basis Accounting and Modified Accrual Basis Accounting. The unit will examine the features, merits and weaknesses of each of the above accounting bases. We shall also discuss the techniques of accounting in the public sector; such as: Commitment Accounting and Fund Accounting. The unit will also treat the basis of recognition and measurement of assets and liabilities in public sector accounting.

### **4.1 Cash Basis Accounting**

The cash basis of accounting recognizes transactions and events when cash is received or paid. It measures the overall financial result for a period as the difference between cash received and cash paid. It provides readers with information about the sources of cash raised during the period, the uses to which those funds were applied and the cash balance at the reporting date. The measurement focus is cash balances and changes therein. The cash basis accounting concept recognizes the movement of cash as the basis of recognizing income and expenses. Once money is received for the rendering of some services, income is recognized whether the service has been rendered or not. In the same way, expense is recognized as having been made once payment is made for it, whether benefit has been received or not. In other words, income is recognized as soon as cash is received and expenditure is recognized when cash is paid. The transfer of benefit or consumption of the resource may be before or after the cash is received or paid.

#### **4.1.1 Main characteristics of the Cash Basis Accounting**

1. No difference is shown in the treatment of capital and revenue items; they are all treated in the same way and in the period of either the receipt or payment.

2. By definition, cash accounting recognizes cash transactions only. Other transactions or events are not generally recognized. Non-cash transactions or events include:
  - unrealized gains or losses (e.g., increases or decreases in the value of assets due to interest rate movements);
  - the purchase of goods and services or long-term assets on credit or where the method of payment includes a non-cash exchange;
  - the consumption of goods or services which have been paid for in previous accounting periods;
  - the consumption of service potential of long-term assets; and
  - the incurrence of liabilities (e.g., increases in superannuation/pension obligations).
3. Although unrealized gains and losses on cash balances held in foreign currencies are non-cash transactions, they affect the closing cash balances. They are therefore necessary to reconcile opening and closing cash balances.
4. The financial statement reporting model associated with the cash basis of accounting is a Statement of Receipts and Payments or Cash Flow Statement which reconciles opening and closing cash balances.

#### **4.1.2 Strengths of the Cash Basis Accounting**

1. Cash-based financial reports show the sources, allocation and use of cash resources. They show the cash required to finance the activities of government, the cash raised to meet those requirements, including the level of taxes extracted during a period, and the cash position of the government. This information is useful to a range of internal and external users as follows:

##### Internal users:

- legislative bodies such as Parliament in assessing compliance with amounts appropriated;
- Ministers and senior government managers reviewing the total amount and nature of government spending;

##### External users:

- potential lenders and suppliers evaluating the government's management of cash balances; and
  - financial analysts/economists assessing the impact of the government's fiscal requirements on the economy.
2. Resulting financial statements using this technique are not complicated, they are very understandable and the accounting does not need the making of estimates for depreciation or doubtful debt, or adjustments for accruals and prepayments.
  3. One of the advantages of cash accounting over other bases of accounting is that there is no need for preparers to exercise any judgment when determining the amount of cash flows for the period. To that extent it is less subjective than other bases of accounting. However, preparers

still have the ability to manage the timing of cash flows by delaying receipts or payments until the next reporting period.

4. Traditionally, government budgets and appropriations have been cash based. This was one of the factors which led to the predominance of the cash basis in government accounting. The popularity of the cash basis in government accounting arose from the need for Parliament, or other representatives of the electorate, to monitor the collection of taxation receipts and the subsequent spending of those receipts by the government each year. The cash basis focuses on the flow of cash within an accounting period and thereby provides a basis for comparison with appropriations, as discussed below. It therefore enhances stewardship in the public sector where the concept of cash limit is used in the allocation of resources, compliance can be determined easily.
5. To the extent that budgets and other requirements are themselves cash based, cash-based financial reports are able to demonstrate compliance with legally adopted budgets and with legal and contractual requirements. Governments reporting on a cash basis typically budget on a cash basis. The inclusion of a budget column in the financial statements allows a direct comparison to be made between budgeted and actual amounts. This information is useful to the legislature and external users interested in holding a government accountable, and internal users monitoring actual spending against appropriations.
6. It is very simple to develop an accounting system based on the recording of cash receipts and payments because the principles underlying the cash basis are easy to understand and easy to explain.
7. In principle, information provided under the cash basis of accounting scores highly on the qualitative characteristic of understandability. To the extent that cash flows are uniform over time, it may also have high levels of reliability and comparability. Because it is relatively easy to compile cash-based information, reports may be more timely than under other bases of accounting.
8. It is possible to operate a cash-based accounting system and to prepare cash-based financial statements with fewer trained staff than under other bases. Generally, the cost of providing cash information is thought to be lower than under alternative bases.
9. The fact that cash accounting does not require any detailed accounting knowledge has made it easy for a wide range of users to access and understand information prepared on this basis. In comparison to other bases of accounting, politicians and other general users require less assistance or training to understand cash-based information.

#### **4.1.3 Weaknesses of the Cash Basis Accounting**

1. The concept does not make for proper measurement of performance. It is not easy to measure physical work produced and the assets consumed in doing that work within a period of time. The technique does not recognize the time when resources are used. Performance under this approach is poorly measured since recognition is given to the use of

limited cash in any service delivery. Hence economy is very much stressed as against efficiency and effectiveness in service delivery.

2. Cash accounting limits the ability of the electorate to hold the government accountable for its use of resources. The provision of information only on cash flows means that governments can be held accountable for their use of cash, but there is no corresponding information available with which to hold the government accountable for its management of assets and liabilities.
3. Users of governmental financial statements expect governments to provide information on assets and liabilities, and the impact of current consumption on the stock of net assets held by a government. Cash accounting is not designed to meet these information needs.
4. Cash accounting focuses solely on cash flows within the current reporting period. It ignores other resource flows which may also impact upon the ability of a government to provide goods and services now, and in the future. Cash basis accounting does not record the benefits obtained from assets over a number of accounting periods. For these reasons cash-based information may be less relevant for decision makers.
5. One of the main limitations of cash accounting is the lack of information it provides on capital (assets).
6. Where a government prepares its financial statements on a cash basis it may collect and report supplementary information such as information on its assets. Such information may be collected as a preliminary step on a transitional path to the adoption of a different basis of accounting. This information may be disclosed in the published financial statements or it may be used solely for internal management purposes. The full benefits of collecting such information are able to be realized when the information is made available for legislative or public scrutiny.
7. Despite the apparent simplicity of cash accounting, in practice, financial statements prepared under cash accounting may not be easy for users to understand. This is largely due to the practice of reporting receipts and payments in great detail.

## **4.2 Modified Cash Basis Accounting**

In a modified cash basis accounting, the books are held open for a specified period after year end (e.g., around one to three months). The intention behind this modification is to overcome some of the perceived timing difficulties experienced under the cash basis whereby cash flows which relate to current year spending may not occur until after the end of the year.

As well as adopting modifications to the cash basis, governments may also provide additional disclosure of certain items normally recognized under accrual accounting. The disclosure of particular items will vary from jurisdiction to jurisdiction. In addition to the items disclosed under the cash basis, there may be separate disclosure of the near-cash balances represented by

receivables and payables subsequently received or paid during the specified period and various financial assets and liabilities. The Government may prepare memorandum accounts which disclose the following items:

#### Assets

- recoverable loans
- investments
- subscriptions to international organizations
- statutory deposits;

#### Liabilities

- public debt
- guarantees
- notes payable

### **4.2.1 Main Characteristics of the Modified Cash Basis Accounting**

1. Receipts and payments which occur during the specified period after the reporting period but which originated in the previous reporting period are recognized as receipts and payments of the previous fiscal year
2. Cash flows at the beginning of the reporting period which have already been accounted for in the previous reporting period are deducted from the current period's cash flows.
3. The modification to the cash basis refers only to the holding open of the books to recognize certain amounts received and paid during the specified period. In addition to amounts normally recognized under the cash basis, they include the net balance of amounts received and paid during the specified period which originated in the previous reporting period.
4. In addition to the inflows generally recognized as receipts under the cash basis of accounting, amounts received during the specified period which originated in the previous reporting period are recognized as receipts of the previous reporting period. The main recognition criterion for receipts during the specified period is that the receipt must have originated in the preceding period.
5. In addition to the outflows generally recognized as payments under the cash basis of accounting, payments made during the specified period which originated in the previous reporting period are recognized as payments of the previous reporting period. The overriding criterion may be that an amount must have been appropriated in the preceding financial year in order to be recognized as a payment of that year.
6. The measurement focus under this method of accounting is on current financial resources and changes in those resources.

#### **4.2.2 Strengths of the Modified Cash Basis Accounting**

1. It has a broader measurement focus. Instead of being on cash balances, the focus is on current financial resources (cash plus near cash balances, with near cash being amounts recognized in the specified period).
2. The recognition of certain receipts and payments during the specified period means that there is some information on receivables and payables. Although these are not recognized as assets and liabilities, the collection of information on the amounts and types of near-cash equivalents will allow the reporting entity to better control these amounts.
3. One reason why a government may adopt this modification is that it allows amounts appropriated for a particular financial year to be recognized as a payment of that year, despite the fact that payment is delayed until the specified period. However, it does not recognize payments which occur beyond the specified period.

#### **4.2.3 Weaknesses of the Modified Cash Basis Accounting**

1. Performance under this approach is poorly measured since recognition is given to the use of limited cash in any service delivery. Hence economy is very much stressed as against efficiency and effectiveness in service delivery.
2. The provision of information only on cash flows means that governments can be held accountable for their use of cash, but there is no corresponding information available with which to hold the government accountable for its management of assets and liabilities.
3. It does not provide information on assets and liabilities, (other than receivables and payables) and the impact of current consumption on the stock of net assets held by a government.
4. Financial statements prepared under the modified cash accounting basis may not be easy for users to understand. This is largely due to the practice of reporting receipts and payments in great detail.

#### **4.3 Accrual Basis Accounting**

Accrual accounting uses the notion of legal obligation to record financial transactions. Once there is an enforceable contract for the receipt of revenue or payment for services rendered the income or expenditure arising out of the contract will be recognised. The recognition of revenue or expenditure under this basis does not depend on the point in time when cash moves as either receipt or payment.

The accrual basis provides users with information about such matters as the resources controlled by the entity, the cost of its operations (or the cost of providing services) and other information useful in assessing financial position and changes in it, and in assessing whether the reporting entity is operating economically and efficiently. The measurement focus under accrual accounting is on economic resources and changes therein.

As regards revenue, it is recognized when earned, or when a valid claim for such revenue comes into existence. With expenditure, it is recognized as being incurred at the time goods or services are received or when the right to receive the benefit is established regardless of when cash payment is made. In both cases, the documentary evidence that normally establishes the legal obligation or contract is the invoice.

#### **4.3.1 Main characteristics of the Accrual Basis Accounting**

1. The accrual basis requires recognition of all assets which meet the generally accepted definition of an asset and the recognition criteria. Assets include cash, accounts receivable, accrued revenues, physical assets and other long-term assets.
2. The accrual basis recognizes liabilities relating to goods and services acquired up to the end of the reporting period, including accrued salaries and wages, accrued vested vacation pay and other accrued compensated absences. In addition, all borrowings and debt are recognized, as are transfer payments due, even where no value is received directly in return. Therefore, the financial statements would report accounts payable, accrued liabilities, transfer payments payable, debt and other borrowings.
3. Revenues reflect the amounts due or earned during the year, whether collected or not. Revenues which have been recognized but not received are accounted for as an asset: revenue receivable.
4. By comparison with the cash basis of accounting revenues do not include financing inflows, or gross proceeds from sales of assets. Nor do revenues include custodial flows where the government is merely acting as an agent of another party or where the government is acting as trustee.
5. Expenses are the costs incurred during the period related to the acquisition of goods and services, whether or not payment has been made. They include amounts transferred or payable to eligible beneficiaries consistent with government policies (transfer payments). Expenses may also include the payment of grants, contributions and donations which are non-repayable. Expenses do not include repayment of debt.
6. Expenses include the costs associated with:
  - the purchase of goods and services;
  - the depreciation of physical assets
  - the net loss on sale of assets;
  - non-reciprocal government transfers; and
  - non-repayable grants, contributions and donations.
7. In contrast with the cash basis of accounting expenses do not include payments associated with the acquisition or construction of physical assets, the repayment of debt or investments in other entities (both loans and capital injections). Nor do expenses include custodial flows where the government is merely acting as an agent of another party or where the government is acting as trustee.

8. The cost of physical assets is recognized as an asset at the time of purchase. This cost is then allocated as depreciation over the life of the asset, with the exception of most land.
9. The financial statement reporting model frequently associated with accrual accounting is based on the preparation of a Statement of Financial Position (also known as a Balance Sheet or Statement of Assets and Liabilities), a Statement of Financial Performance (also known as a Statement of Revenues and Expenses or an Income Statement), and a Statement of Cash Flows. The Statement of Cash Flows provides a summary of cash receipts and cash payments during the year, classified under various subheadings. Notes to these statements or supplementary schedules may also report summary information about such matters as compliance with spending mandates and relevant performance indicators.

#### **4.3.2 Strengths of the Accrual Basis Accounting**

1. Governmental financial reports have both an accountability role and an informative role. In an accrual context they provide information which enables users to:
  - assess the performance, financial position and cash flows of the entity;
  - assess the entity's compliance with accrual budgets; and
  - make decisions about providing resources to, or doing business with, the entity.
2. Accrual accounting provides users with information which:
  - allows the government to demonstrate accountability for its use of all resources;
  - allows the government to demonstrate accountability for its management of all assets and liabilities recognized in the financial statements;
  - shows how the government financed its activities and met its cash requirements;
  - allows users to evaluate the government's ongoing ability to finance its activities and to meet its liabilities and commitments;
  - shows the financial position of the government and changes in financial position; and
  - is useful in evaluating the government's performance in terms of its service costs, efficiency and accomplishments.
3. Governments require information on the overall financial position and detailed information on the current stock of assets and liabilities to:
  - make decisions about the feasibility of the services they wish to provide;
  - demonstrate accountability to the public for their management of assets and liabilities;
  - plan for future funding requirements of asset maintenance and replacement;
  - plan for the repayment of, or satisfaction of, existing liabilities; and
  - manage their cash position and financing requirements.
4. Governments need to be able to assess both the impact of past decisions on the current financial position, and the impact of current decisions on the future financial position. This information is only available when details of all assets and liabilities are recognized.

5. Accrual accounting requires organizations to maintain complete records of assets and liabilities. The discipline of collecting this information can be as useful as the final figures. In the absence of accrual accounting many organizations do not have complete asset registers, or complete details of liabilities. For example, when governments first start to compile asset registers there may be insufficient information to determine ownership of some assets. Complete information on assets and liabilities, including that relating to ownership and control, is a precursor to proper management of assets and liabilities.
6. It allows for better matching of programme activity or outputs with costs incurred an essential element for true performance measurement.
7. It provides for the full disclosure of activity and resources, showing all resources on hand and the actual use of such resources as well as outstanding liabilities. Thus, it provides better and more complete information for management and decision making.
8. Accrual accounting allows an organization to record the total costs, including depreciation of physical assets, of carrying out specific activities. The recognition of all costs, regardless of whether a cash transaction has taken place, generally provides more accurate measures of operating costs than other accounting bases. By accruing accounts receivable and accounts payable it spreads the impact of the actual timing of cash flows on reported results. By recognizing depreciation as an expense it removes the large cash flow impact of asset purchases by allowing the cost of the asset to be recognized each year that it is in use. It is the only basis of accounting which recognizes as an expense the cost of allowing the current stock or value of physical assets to decline.
9. The main benefit of information on all liabilities is that it forces governments to acknowledge and plan for the payment of liabilities which may have accumulated over time, not just borrowings. Historically, governments have tended to focus on their outstanding debt as a primary measure of the government's liabilities or indebtedness, particularly in formulating or assessing economic policy. Liabilities can also arise as a result of the acquisition of assets or services. All liabilities, regardless of their nature, must be paid for by the government at some point in the future. Liabilities can be substantial, and just as real as market borrowing. Information that reports the extent of the financial obligations and exposure to potential liabilities is useful because it bears directly on future revenue requirements and on a government's ability to pay its obligations and finance its operations. Liabilities other than borrowings include accounts payable, accrued expenses and other long-term liabilities such as pension liabilities.

#### **4.3.3 Weaknesses of the Accrual Basis Accounting**

1. Accruals accounting financial statements are more technical and relatively more difficult to understand by users. Users require some technical knowledge to understand such statements.
2. A lot of subjective judgments can go into the determination of some estimates or the making of provisions. Relevant accounts are therefore difficult to prepare and can also be manipulated easily to suit the preparer's desires.

3. It requires significant investment in time and human capacity to produce accrual basis financial statements.
4. To the extent that budgets and other requirements are cash based; accrual basis accounting fails to demonstrate compliance with budgetary estimates.
5. Users of accrual basis financial statements such as legislators, tax payers, etc may require a lot more technical guidance than financial statements based on other basis of accounting.

#### **4.4 Modified Accrual Basis Accounting**

The basic feature of the modified accrual accounting is that it combines the cash and accrual bases of recognizing revenue. The basis recognizes revenues only when they are available and can be measured. Revenues are recognized when received as cash or when they can be collectible in some future time with some element of certainty because some estimation of such revenue has been made. In other words where their measurability and availability can be determined with some element of certainty, they are recognized and recorded.

For instance while revenue from property tax can be recognized on the accrual basis because the properties on which the tax assessment is made is easily identifiable, revenue from fines and court charges, or from sales tax is recognized on the cash basis since the identification or measurability is not easy. Predicting future sales tax, or valued added tax, for purposes of accruing the revenue from this is not easy.

Expenditure on the other hand is recognized for most items on the normal accrual basis however physical assets are expensed at the time of purchase and not considered for depreciation over the assets useful life. Again income from the sale of physical assets is recognized as revenues but under the accrual basis, only the gain or loss on the sale of assets is treated as revenue.

Examples of the variations on accrual accounting which may be found in practice include:

- recognition of all assets apart from infrastructure, defense and cultural/heritage assets which are expensed at time of acquisition or construction;
- recognition of most assets and liabilities in accordance with the accrual basis, but with the recognition of revenues being on a cash basis or some modification to the cash basis;
- recognition of short-term financial assets and liabilities only; and
- recognition of all liabilities with the exception of certain liabilities such as pension liabilities.

The non-recognition of certain classes of assets or liabilities is one of the most common variations to accrual accounting. One variation which has been adopted by some governments involves the expensing of all non-financial assets at the time of purchase.

#### 4.4.1 Main characteristics of the Modified Accrual Basis Accounting

1. In relation to assets, the main modification to the accrual basis of accounting is that certain classes of assets are not recognized in the statement of financial position. Instead the class of assets is expensed at the time of acquisition. Sometimes this treatment is adopted because of the practical difficulties of, and cost associated with, identifying or valuing such assets. Heritage assets and infrastructure assets may not be recognized for this reason. Sometimes only financial assets are recognized.

IAS 32, Financial Instruments- Disclosure and Presentation: defines financial assets as follows: “A financial asset is any asset that is:

- i. cash;
- ii. a contractual right to receive cash or another financial asset from another enterprise;
- iii. a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favorable; or
- iv. an equity instrument of another enterprise.

- 2 Some jurisdictions choose not to recognize certain liabilities, such as pension liabilities, which meet the definition and recognition criteria under accrual accounting. This may be for pragmatic reasons such as the time and expense involved in measuring the liability, or it may be the result of a policy decision to specifically exclude this liability from the published financial statements. It should be noted that where a class of liability has not been recognized because it is not able to be reliably measured, this is not a departure from accrual accounting — it is only where a liability could be reliably measured, but the jurisdiction has chosen not to, that a departure occurs.
- 3 The recognition of revenues will depend on the modification which has been adopted by the jurisdiction. The most common difference arises when a class of assets has been expensed at the time of acquisition or construction. In that case revenues will include the total proceeds from sale of physical assets. Such revenues are usually separately disclosed to highlight their non-recurring nature. Another difference is that where a class of assets or liabilities is not recognized, receipts of donated assets or payment by a third party of a liability would not be recognized as revenue.
- 4 Under the accrual method, the cost of all non-current physical assets is capitalized in the Statement of Financial Position, and recognized in the Statement of Financial Performance as depreciation or amortization over the life of the assets. Under certain modifications to accrual accounting, expenses would include the cost of acquisition or construction of any asset which has not been recognized in the statement of financial position. Expenses under such modified forms of accrual accounting are sometimes referred to as expenditures, and the cost of assets which have been expensed may be referred to as capital expenditures.
- 5 If certain classes of physical or intangible assets are expensed, depreciation and amortization of those assets no longer occurs. In addition, losses may only be recognized in relation to assets and liabilities which have been recognized on the Statement of Financial Position

#### **4.4.2 Strengths of the Modified Accrual Basis Accounting**

1. Modified accrual accounting basis blends the cash and accrual basis and thus strikes a balance between the two bases. Subjectivity is reduced by avoiding estimates such as depreciation.
2. The modified accrual basis maintains detail records of financial assets. This makes it possible for the Government to demonstrate responsibility of management of financial assets.
3. The main benefit of information on all liabilities is that it forces governments to acknowledge and plan for the payment of all liabilities which may have accumulated over time.
4. The modified accrual basis adopts a more pragmatic approach to revenue recognition by recognizing all revenue on the accrual basis where possible and additionally this basis of accounting includes as revenue the total proceeds from sale of physical assets where those class of assets has been expensed at the time of acquisition or construction.
5. It provides for better disclosure of activity and resources, showing most resources on hand except physical assets and the actual use of such resources as well as outstanding liabilities. Thus, it provides better and more complete information for management and decision making.

#### **4.4.3 Weaknesses of the Modified Accrual Basis Accounting**

1. What constitutes a modified accrual basis of accounting varies from jurisdiction to jurisdiction. Modified accrual basis accounting is nebulous; it is thus not a settled concept.
2. Modified accruals accounting financial statements are more technical and relatively more difficult to understand by users. Users require some technical knowledge to understand such statements.
3. Users of modified accrual basis financial statements such as legislators, tax payers, etc may require a lot more technical guidance than financial statements based on cash basis or modified cash basis of accounting.
4. The statement of financial statement from a modified accrual basis does not show non financial assets. Long term non financial assets are expensed in the statement of financial performance at acquisition. This basis of accounting thus fails to maintain detail records on long term non financial assets to demonstrate their effective use.

#### **4.5 Techniques of Accounting in the Public Sector**

These are the various techniques applied in keeping or processing financial statements. These techniques include: vote accounting, commitment accounting, and fund accounting.

### 4.5.1 Vote Accounting

This is a form of accounting system for the Public Sector in which the financial records are based on budgetary estimates. The vote accounting system reports based on the concept of appropriation where funds are voted or appropriated by the legislature for various organisations. Under this system records are kept for receipts and payments in accordance with the votes. Where a unit spends less than has been voted for it in the budget for a year, the balance is surrendered (i.e. paid back to chest). But if the Unit spends more than has been voted for it in the budget, generally the estimate for the next period is reduced by the amount. However, if an item of expense within a given line estimate is under spent; the surplus can be transferred to supplement an overspent item within the same line estimate. The process of transferring funds within a line item is termed virement.

Some features of vote accounting include the following:

1. Receipts and payments are kept based on amounts appropriated by the legislature. All payments are often expensed in the same period. No systematic accounting principles are maintained for assets.
2. As a result of the above, depreciation as a concept is not generally applicable in vote accounting system.
3. Accounts are kept on receipts and payments format.

An Appropriation Bill covers the combined Estimates of the spending organizations and this Bill is passed into **Appropriation Act** after all the Estimates have been examined and debated upon by the legislature.

The functions of an Appropriation Act are to:

- Authorise the estimates of the organizations;
- Give agreement to the Ambit of the Vote;
- Become reference point for any misunderstandings and disagreements;
- Denote by implication ultra-vires acts of any organizations.

The Parliamentary examination and debate of the estimates take some time before the final approval and subsequent passing of the Appropriation Act to enable such organizations to get finances for their activities for any budget year. To ensure that the business of Government does not grind to a halt, appropriation in advance is often approved by the legislature pending the passing of the Appropriation Act.

### 4.5.2 Commitment Accounting

This is the accounting basis which recognizes expenses once an expenditure decision is made. In other words as soon as a decision is made for the acquisition of a service or an item, cash is set aside to meet such cost. As soon as a commitment is made or an obligation is established or entered into, relevant entries are made in the books of accounts.

Financial transactions are therefore recorded as soon as commitments are made. A transaction is not recognized when there is movement of cash for the transaction, or when documentary evidence in the form of invoice passes, but rather, once the policy decision is made for the acquisition of the service.

A practical situation is when orders are made for some acquisitions. Once the purchase order is made, entries are expected to be made to reserve finances for the items. Though no legal obligation has arisen at this stage, hence no liability, an encumbrance entry is made, reserving the necessary amount of money for the order. When the order is met, reversal entries are made and actual entries are made for the receipt of the goods or services, with payment made immediately or later subject to raising the necessary documentation.

A major feature, which is an advantage, is that it enables budgetary control since with this approach uncommitted budget funds are clearly highlighted therefore enabling budget managers or vote controllers to plan other commitments and disbursements better. Commitment basically is a charge on the budgetary funds, charge being made for instance for stationery supplies once the order has been raised or the decision to purchase taken. The purpose therefore is to aid financial control.

A major problem is that it can often encourage end-of-year rash spending as uncommitted resources are often expected to lapse or lost back into the government's general fund. Rush orders for inappropriate services can be made for purposes of committing unused cash balances, just to make sure that funds are used.

#### **4.5.3 Fund Accounting**

Fund accounting is the method of accounting which reports in terms of funds rather than in terms of organization. The Constitutions of most countries require that all revenue or moneys raised or received for the purpose of or on behalf of government and any other moneys raised or received in trust for or on behalf of the government be paid into a Consolidated Fund. And that no money shall be withdrawn from the consolidated fund except to meet expenditure that is charged in the fund by the constitution or an act of the legislature (Appropriation Act or Supplementary Appropriation Act). A report may be prepared to cover receipts into and payments from the consolidated fund for example.

Section 4 of the Public Finance Act 2009 established the Consolidated Fund. The provision in section 4 of the PFM Act is stated below:

##### **1. Public Funds/Money.**

In this Law, *public money /funds* means:

- (a) money or financial assets in the custody or under the control of the *State*, including money that is held for the benefit of a person other than the *State* but does not include money held in trust or custody on behalf of non-governmental organizations or money received by State-Owned Enterprises ; and
  - (b) money or financial assets in the custody or under the control of any person acting for or on behalf of the *State* in respect of the custody or control of the money,
2. Resources that become *public money* upon receipt include, but are not limited to:
- (a) taxes imposed by the *State*;
  - (b) user fees imposed by the State or any of its *Ministries*, agencies or instrumentalities;

- (c) interest received by the *State*;
  - (d) dividends or other payments from companies owned by the *State*;
  - (e) proceeds received by the *State* from the sale or leasing of any property owned by the *State*;
  - (f) proceeds received by the *State* from licensing or selling any rights controlled by the *State*, including radio spectrum rights, natural resource exploration or exploitation rights, and intellectual property rights;
  - (g) royalties received by the *State*;
  - (h) fines, regulatory charges, damages from civil actions, and insurance proceeds paid to the *State*;
  - (i) grants and gifts received by the *State*;
  - (j) debts due of the *State*;
  - (k) money transfers corresponding to credits taken by the *State* in accordance with legal provisions regarding the formation of *State Debt*; and
  - (l) receipts from the issuance of national and international documents of credit by the *State*.
3. For the effective and efficient management, accounting and control of the public financial transactions and operations of the Republic of Liberia, a Consolidated Fund is hereby established.
4. Composition of the Consolidated Fund
- Pursuant to Section 4(1) of the Public Finance Management Act 2009, receipts into the Consolidated Fund or other public funds shall be classified as follows:
- (a) Tax Revenue, including taxes on income and profits, goods and services, and taxes on international trade and other transactions
  - (b) Non-tax revenues and internally generated funds
  - (c) Repayment of loans
  - (d) Domestic and external grants;
  - (e) Other revenues received under an enactment;
  - (f) Other receipts including the product of borrowing, repayment of government loans and advances, sale of government securities, sale of government equity investments, sale of other government assets and special funds
5. The balances of all the public funds of the Republic of Liberia are to be included in the Consolidated Fund under the oversight of the Legislature and managed and executed by the Minister, save for exceptions granted under Section 28.5 of this Act. The Minister has the authority to manage the Consolidated Fund to allow for an effective and efficient cash management.

Section 28.5 provides as follows:

All central government loan agreements are to be approved by the Debt Management Committee and the Minister, and signed by the Minister on behalf of the government, with the exception of government securities which are handled by the Central Bank of Liberia under the authority of, and in consultation with, the Minister.

#### **4.6 Basis of Recognition and Measurement of Assets and Liabilities in Public Sector Accounting.**

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition. It involves the depiction of the item in words and by a monetary amount and the inclusion of that amount in the balance sheet or income statement totals. Items that satisfy the recognition criteria should be recognised in the balance sheet or income statement. The failure to recognise such items is not rectified by disclosure of the accounting policies used, nor by notes or explanatory material. An item that meets the definition of an element should be recognised if:

- a. it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and
- b. the item has a cost or value that can be measured with reliability.

These criteria have also been adopted in a number of conceptual frameworks internationally. “Probable” means that the chance of an event occurring is more likely than less likely and “measurable” means reasonably estimable.

It is important to consider the interrelationship between elements. An item which meets the definition and the criteria for recognition of a particular element will automatically result in both the recognition of one element, and a change in another element. For example, the purchase of an asset may result in the reduction of another asset, or the recognition of a revenue or liability.

A number of different measurement bases may be used in recording transactions and events. The measurement base is influenced by the basis of accounting. Choosing a measurement system for use in preparing financial reports has two aspects:

- selecting the measurement base, that is, the dimension(s) or attribute(s) of elements that are to be measured; and
- selecting the monetary unit in which the measurements are to be expressed.

Initial recognition of a financial element most commonly occurs as a result of a transaction (e.g., the purchase of an asset). The measurement method for the first recognition, therefore, will often be a cost-based method. Elements related to the purchase of an asset are normally recorded initially at the transaction cost (assuming that cost records have been kept). There may be a further recognition stage which is referred to as remeasurement. Remeasurement involves changing the monetary amount at

which an asset or liability is recorded when the recognition criteria for a change are met. Such a change will usually be attributable to events other than transactions, for example, the passing of time giving rise to the need for depreciation, the diminution in value of an amount owed by a debtor to allow for the possibility of a bad debt, or a change in value of a marketable security from that used in the initial transaction. Remeasurement is generally only applied to assets and liabilities, although under conditions of hyperinflation it may also be applied to other elements.

The issues concerning choice of measurement base, acceptability of remeasurement and accounting for changes in the purchasing power of the monetary unit are not unique to the public sector. These issues are also relevant for the private sector, and generally accepted accounting principles have evolved to deal with them.

#### **4.6.1 Cash Basis and Modifications to the Cash Basis**

The elements that are recognized under the cash basis of accounting are cash receipts, cash payments and cash balances. These elements are normally recognized at historical cost. Historical cost is the amount of cash paid or the amount of cash received at the time the payment or receipt occurred. This usually provides an accurate view of the significance of items recognized. Only under hyperinflationary conditions will the historical cost basis of measurement affect users' understanding of the reported transactions and balances.

Historical cost is also the measurement system used in conjunction with modifications to the cash basis of accounting.

#### **4.6.2 Accrual Basis and Modifications to the Accrual Basis**

Measurement is the process of determining the monetary amounts at which elements of the financial statements are to be recognized and carried in the balance sheet and income statement. This involves the selection of the particular basis of measurement. A number of different measurement bases are employed to different degrees and in varying combinations in financial statements. They include the following:

##### **a. Historical cost**

Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

##### **b. Current cost**

Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

##### **c. Realizable (settlement) value**

Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

**d. Present value**

Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

**e. Deprival value**

Concept of deprival value is sometimes used to justify the selection of a particular measurement base when an entity is deprived of an asset.

**4.6.3 Monetary Unit**

The elements in financial statements are usually expressed in the domestic currency of the reporting entity. Provisions in the PFM Regulations require the use of the Liberian Dollar as the monetary unit for reporting Government transactions. Because of the dual currency regime of Liberia, financial statements will be reported in both Liberian dollar and United States dollar. However, the Liberian dollar will be the primary monetary unit for reporting Government financial transactions.

**4.6.4 Historical Cost and Changing Prices**

Financial statements prepared under the historical cost basis of accounting do not take account of changes in the general level of prices or of changes in the specific prices of assets held, except to the extent that property, plant and equipment may have been revalued, or inventories or other current assets reduced to net realizable value. Entities wishing to show the impact of changing prices on their operations may adopt either a general purchasing power approach, a current cost approach or a mixture of these two approaches. Where hyperinflation is present, IPSAS 10—Financial Reporting in Hyperinflationary Economies requires the restatement of the primary financial statements in terms of the measuring unit current at period end.

It is unlikely that any single measurement basis can cater for every need or would be sufficiently reliable for financial reporting in all circumstances. Hence it is desirable to choose the measurement base most appropriate to the circumstances.

**4.7 Summary and Conclusion**

In this unit, we discussed the different bases and techniques of accounting in the public sector. The Cash Basis accounting recognizes transactions and events when cash is received or paid whilst Accrual Basis accounting recognizes transactions when they are incurred and not when cash is received or paid. In between these two bases of accounting are the Modified Cash Basis and the Modified Accrual Basis. The features merits and weaknesses of each of these bases were discussed. The techniques of accounting in the public sector discussed in this unit were: Vote Accounting, Commitment Accounting and Fund Accounting.

The unit concluded with a discussion on the bases of recognition and measurement of assets and liabilities in the public sector. Some of the methods of recognition are: historical cost, current cost, realizable value, present value and deprival value.

The government of Liberia has adopted the Cash Basis IPSAS and will apply the historical measurement basis in measuring assets and liabilities.

#### **4.8 End of Unit Review Questions**

1. Explain the main features of the Cash Basis Accounting system
2. State and explain five (5) merits of the cash basis accounting system over the other bases of accounting.
3. Explain five (5) weaknesses of the cash basis accounting system compared to the accrual basis of accounting.
4. What are the features of a modified cash basis accounting system?
5. Explain the principal advantages of a modified cash basis accounting over the cash basis accounting system.
6. State three (3) main weaknesses of the modified cash basis accounting system.
7. Compare and contrast the accrual basis of accounting and the modified accrual basis system of accounting.
8. Why will a government prefer the accrual basis of accounting to the modified accrual basis of accounting?
9. What is the difference between a modified cash basis accounting and a modified accrual basis accounting system?
10. Explain five (5) main limitations of the accrual basis accounting system.
11. Of all the basis of accounting, which will you recommend to the Government of Liberia and why?
12. Explain the following techniques of accounting as used in public sector accounting:
  - a. Vote Accounting
  - b. Commitment Accounting
  - c. Fund Accounting
13. Explain the concept of the “consolidated fund” as provided for in section 4 of the PFM Act of 2009.
14. Assets and liabilities are ‘recognized’ and ‘measured’ in the financial statements. Explain the difference between the two concepts:

- i. Recognition of assets and liabilities
- ii. Measurement of assets and liabilities

15. Explain the basis of measurement applied in a cash basis accounting system.

16. List and explain five (5) basis of measurement for assets and liabilities in an accrual basis accounting system.

## Unit 5: Cash Basis IPSAS as Adopted by the Government of Liberia

### Objective of Unit

At the end of this unit, trainees will be able to explain the main features of the Cash Basis IPSAS as Adopted by the Government of Liberia. Specifically, trainees will be able to:

- Explain the processes leading to adoption of the Cash Basis IPSAS;
- Outline the mandatory requirements of the standard;
  - ✓ Presentation of and disclosure requirements in financial statements,
  - ✓ General considerations in financial reporting,
  - ✓ Consolidated financial statements,
  - ✓ Foreign currency,
  - ✓ Presentation of budget information in financial statements,
  - ✓ Receipts of external assistance
- Outline the encouraged additional disclosures

### 5.0 Introduction

Unit 5 is intended to give an introduction to the Cash Basis IPSAS as adopted by the Government of Liberia. The unit will start by briefly discussing the processes leading to the adoption of the standard. We will then present an outline of the mandatory requirements of the standard and the encouraged additional disclosure requirements.

### 5.1 Processes Leading to Adoption of the Cash Basis IPSAS

The Government of Liberia began to implement wide-ranging Public Financial Management reforms in 2006, and is committed to continuing to improve the effectiveness of the budget through better preparation, execution, reporting and auditing. A key element of this program of reform is the development of internationally accepted public sector accounting standards to prescribe and guide the accounting treatment of all government financial transactions.

Given the interest of the Government as stated above, the Government, with the support of the African Development Bank engaged a consultant to lead the process of developing Government Accounting and Reporting Standards. A working Group was immediately constituted to review the existing legal, regulatory and accounting environment of the Republic of Liberia. After the review, the working group came up with three options, namely:

- i. The **adoption** of the International Public Sector Accounting Standards (IPSAS) that have been issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC)
- ii. The **adaptation** of the International Public Sector Accounting Standards (IPSAS) that have been issued by the International Public Sector Accounting Standards Board (IPSASB) of the

International Federation of Accountants (IFAC) and other accounting standards into a set of standards for the Republic of Liberia.

- iii. The development of Government Accounting and Reporting Standards from scratch without regard to any existing Government Accounting Standards.

The implications, merits and demerits for each of these three options were discussed at a number of fora of stakeholders drawn from; the Ministry of Finance, the General Auditing Commission, Ministry of State, Central Bank of Liberia, Liberia Chamber of Commerce, Liberia Institute of Certified Public Accountants.

### **5.1.1 Justification for Recommending the Option to Adopt IPSAS**

These options were considered against a range of criteria, including the human and financial resource capacity of the Republic of Liberia and the commitment to continuing improvement in public financial management in the future. Against these criteria, it was decided that the Government of Liberia should adopt the Cash Basis International Public Sector Accounting Standards (IPSAS) that have been issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).

The option to adopt International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board was recommended for the following reasons:

1. The Government of Liberia will have readily available to it at greatly reduced cost; a set of high quality standards developed and issued by the International Public Sector Accounting Standards Board, a board comprising of very experienced and globally acclaimed Accounting Standards setters.
2. The Government Accounting and Reporting Standards that will be used in reporting government financial transactions by the Government of Liberia will converge with best international accounting practices.
3. The adoption of the IPSAS will facilitate the smooth implementation of the Integrated Financial Management Information System (IFMIS) that is currently under way. IFMIS software solutions are built on the premise of application of international best practices such as IPSAS; and as a result, the adoption of IPSAS would greatly minimise the degree of customisation of government's IFMIS package. The maintenance of such software is less costly. On the contrary, the use of different accounting standards may require some degree of customisation of software for the implementation of IFMIS. This will not only be expensive, it could result in less quality software and maintenance difficulties.
4. Furthermore, the new government of Liberia chart of accounts which are based on **Government Financial Statistics (GFS) (2001) manual** will facilitate the production of IPSAS based financial statements without so much customisation.

5. A review of the evolving financial reforms currently on going; for example, the Public Finance Management Act 2009 requires the application of International Standards. **Section 35 of the Public Financial Management Draft Bill for example provides as follows:**
  1. Accounting Rules and Standards for central government should adhere to internationally accepted principles, and are to be applied consistently to all government agencies, including autonomous agencies, as well as local governments or any other subdivisions of Government at the local level, whether in existence or to be established in the future.
6. The Government will save some cost. Any of the other two options will require the setting up of administrative and research machinery - Government Accounting Standards Board (GASB) to adapt IPSAS or develop new standards from scratch. It should be noted however, that in the long term, there is a need for a regulatory body to ensure compliance with the standards even in the case of the option to adopt. This function is complementary to that of the General Auditing Commission. In the short term the monitoring responsibility could be vested in the General Auditing Commission. Such cost savings are quite significant as the Government Accounting Standards Board (GASB) will require very high profile and qualified staff and a whole secretariat with huge personnel emoluments and overhead costs. Human capacity to man the GASB could be a serious challenge itself.
7. The use of IPSAS will be consistent with some decisions already taken by some autonomous state institutions such as the Central Bank of Liberia. The bank has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) Price Waterhouse Coopers issued an unqualified audit report on the Central Bank of Liberia to the effect that its financial statements for the year 2008 were IFRS compliant.
8. The adoption of IPSAS eliminates the time lag between the period when an IPSAS is issued by IPSASB and the period that it could be adapted by the local authority as a standard for Liberia. There have been experiences in other countries where International practice has changed but national standard setters are slow in following with the changes resulting in the use of outdated standards that lag behind international practice.
9. The adoption of IPSAS simplifies accounting theory and practice and further simplifies the training of accountants for Liberia. This is because Accountants trained in the application of International Accounting Standards will not need retraining in Liberian Accounting standards.
10. There is flexibility in the adoption of IPSAS. There is no need to obtain permission from the International Public Sector Accounting Standards Board and there is no cost implication. Some IPSAS's disclosure requirements could be deferred if non compliance with those disclosure requirements can be justified. Some IPSAS could be modified where necessary, a decision to develop own national standards could be taken at any time without much hindrance.

11. The Forum of Accountants–General and Auditors-General in West Africa (FAAGWA) encourage member countries to adopt IPSAS. FAAGWA has offered training to member countries on the IPSAS. In fact, a number of officers from the Ministry of Finance and The General Auditing Commission have already undergone some training on the IPSAS. Further, FAAGWA has drafted proposed Public Financial Management Laws that reflect the application of IPSAS in the preparation and presentation of government accounts.
12. The International Public Sector Accounting Standards do not have the force of Law so where there is a conflict between an IPSAS and any Law of the Republic, the Law will take precedence.
13. The adoption of IPSAS lends international credence to the reporting standards of the Government of Liberia as the international community has confidence in the IPSAS. Almost all developing countries as well as many developed countries have either adopted or are in the process of adopting IPSAS.

This Cash Basis IPSAS as adopted by the Government of Liberia recreates in full, the standards set out in the Cash Basis IPSAS issued by the IPSASB. Context is provided in commentary paragraphs drawn from the Cash Basis IPSAS that have, where appropriate, been adapted to the needs of government financial reporting in Liberia. The adopted Standard has been numbered differently from the original Cash Basis Standard issued by IPSASB for simplicity of reference. Each numbered paragraph has been cross referenced to the original standard.

### **5.1.2 Objective of the Standard**

The purpose of this Standard is to prescribe the manner in which general purpose financial statements should be presented under the cash basis of accounting, in order to enhance transparency and facilitate scrutiny thereby facilitating the process by which government is held accountable for public financial management.

Information about the cash receipts, cash payments and cash balances of Ministries and Agencies are necessary for accountability purposes. It provides essential input for assessing the ability of Ministries and Agencies to generate adequate cash in the future, and the likely sources and uses of cash. In making and evaluating decisions about the allocation of cash resources and the sustainability of Government activities, users require an understanding of the timing and certainty of cash receipts and cash payments.

Compliance with the requirements and encouragements of this Standard will enhance comprehensive and transparent financial reporting of the cash receipts, cash payments and cash balances of each government entity. It will also enhance comparability with the entity's own financial statements of previous periods and with the financial statements of other entities that adopt internationally-agreed public sector accounting standards.

### **5.1.3 Scope and Applicability of the Standard**

This Standard applies to all public sector entities other than Government Business Enterprises. Specifically, the Standard applies to the financial statements of the Government of Liberia, the Ministries and Agencies of the central government, and those of local government institutions.

As set out by the IPSASB, an entity whose financial statements comply with the requirements of this Standard should disclose that fact. Financial statements should not be described as complying with this Standard unless they comply with all the requirements of the Standard.

Government Business Enterprises shall apply International Financial Reporting Standards (IFRS) in the preparation and presentation of their financial statements.

### **5.1.4 Structure of the Standard**

This Standard comprises two parts: Part 1 is mandatory. It sets out the requirements that are applicable to all Ministries and Agencies preparing general purpose financial statements under the cash basis of accounting. It defines the cash basis of accounting, establishes requirements for the disclosure of information in the financial statements and supporting notes, and deals with a number of specific reporting issues. The requirements in this part of the Standard must be complied with by Ministries and Agencies which claim to be reporting in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting issued by the IPSASB.

Part 2 is not mandatory. It identifies additional accounting policies and disclosures that a Ministry or Agency is encouraged to adopt to enhance its financial accountability and the transparency of its financial statements. It includes explanations of alternative methods of presenting certain information.

## **5.2 Outline of the Mandatory Requirements of the Standard**

The mandatory part of the standard covers the following issues:

- Presentation of and disclosure requirements in financial statements
- General considerations in financial reporting
- Consolidated financial statements
- Foreign currency
- Presentation of budget information in financial statements
- Receipts of external assistance

### **5.2.1 Presentation of and Disclosure Requirements in Financial Statements**

An entity should prepare and present general purpose financial statements which include the following components:

- (a) A statement of cash receipts and payments which:
  - i. Recognizes all cash receipts, cash payments and cash balances controlled by the entity; and

- ii. Separately identifies payments made by third parties on behalf of the entity;
- (b) Accounting policies and explanatory notes; and
- (c) A comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

General purpose financial statements should present information that is:

- (a) Understandable;
- (b) Relevant to the decision-making and accountability needs of users; and
- (c) Reliable in that it:
  - (i) Represents faithfully the cash receipts, cash payments and cash balances of the entity and the other information disclosed;
  - (ii) Is neutral, that is, free from bias; and
  - (iii) Is complete in all material respects.

### **5.2.2 General Considerations in Financial Reporting**

Financial statements should be prepared having regard to the following general considerations:

- General purpose financial statements should be presented at least annually;
- A Ministry or Agency should be in a position to issue its financial statements within six months of the reporting date, although a timeframe of no more than three months is strongly encouraged;
- Each Ministry or Agency should disclose the date when the financial statements were authorized for issue and who gave that authorization;
- A Ministry or Agency should disclose general information about the Ministry or Agency to enable users to identify the nature of the entity's operations and gain an understanding of the legislative and institutional environment within which it operates;
- The presentation and classification of items in the financial statements should be retained from one period to the next unless:
  - (a) A significant change in the nature of the operations of the entity or a review of its financial statements presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or
  - (b) A change in presentation is required by a future amendment to this Standard.

- Unless a provision of this Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information required by this Standard to be disclosed in the financial statements, except in respect of the financial statements for the reporting period to which this Standard is first applied.
- Each component of the financial statements should be clearly identified. In addition, the following information should be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:
  - (a) The name of the reporting entity or other means of identification;
  - (b) Whether the financial statements cover the individual entity or the economic entity;
  - (c) The reporting date or the period covered by the financial statements, whichever is appropriate to the related component of the financial statements;
  - (d) The reporting currency; and
  - (e) The level of precision used in the presentation of figures in the financial statements.
- When an error arises in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods should be reported by adjusting the cash at the beginning of the period. Comparative information should be restated, unless it is impracticable to do so.

An entity should disclose in the notes to the financial statements the following:

- (a) The nature of the error;
- (b) The amount of the correction; and
- (c) The fact that comparative information has been restated or that it is impracticable to do so.

### **5.2.3 Consolidated Financial Statements**

The Ministry of Finance should prepare consolidated financial statements for the whole of the Government of Liberia which consolidates all controlled entities, foreign and domestic. Ministries or Agencies which qualify as controlling entities unless exempted, should issue consolidated financial statements which consolidates all controlled entities, foreign and domestic, except those controlled entities excluded.

In presenting consolidated financial statements, the following consolidation procedures apply:

- (a) Cash balances and cash transactions between entities within the economic entity should

be eliminated in full;

- (b) When the financial statements used in a consolidation are drawn up to different reporting dates, adjustments should be made for the effects of significant cash transactions that have occurred between those dates and the date of the controlling entity's financial statements. In any case, the difference between the reporting dates should be no more than three months; and
- (c) Consolidated financial statements should be prepared using uniform accounting policies for like cash transactions. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

#### **5.2.4 Foreign Currency**

Cash receipts and payments arising from transactions in a foreign currency should be recorded in an entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts and payments.

Cash balances held in a foreign currency should be reported using the closing rate.

The cash receipts and cash payments of a foreign controlled entity should be translated at the exchange rates between the reporting currency and the foreign currency at the dates of the receipts and payments.

An entity should disclose the amount of exchange differences included as reconciling items between opening and closing cash balances for the period.

When the reporting currency is different from the currency of the country in which the entity is domiciled, the reason for using a different currency should be disclosed. The reason for any change in the reporting currency should also be disclosed.

#### **5.2.5 Presentation of Budget Information in Financial Statements**

An entity that makes publicly available its approved budget(s) shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the statement of cash receipts and payments. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- a) The original and final budget amounts;
- b) The actual amounts on a comparable basis; and
- c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the

financial statements, and a cross reference to those documents is made in the notes.

All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

### **5.2.6 Receipts of External Assistance**

1. The entity should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period.
2. The entity should disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:
  - a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and
  - b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.
3. These disclosures should only be made when, during the reporting period, the entity has been formally advised by the third party or the recipient that such payment has been made, or has otherwise verified the payment.
4. Where external assistance is received from more than one provider, the significant classes of providers of assistance should be disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.
5. Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants should be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.
6. The entity should disclose in the notes to the financial statements the balance of undrawn external assistance loans and grants available at reporting date to fund future operations when, and only when, the amount of the loans or grants available to the recipient is specified in a binding agreement and the satisfaction of any substantial terms and conditions that determine, or affect access to, that amount is highly likely, showing separately in the reporting currency:
  - a) Total external assistance loans; and
  - b) Total external assistance grants.
7. Significant terms and conditions that determine, or affect access to, the amount of the undrawn assistance should also be disclosed.

8. Where an entity elects to disclose the value of external assistance received in the form of goods or services, it should also disclose in the notes to the financial statements the basis on which that value is determined.
9. An entity should disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.
10. An entity should disclose, in notes to the financial statements, significant terms and conditions of external assistance loan or grant agreements or guarantees that have not been complied with during the period when non compliance resulted in cancellation of the assistance or has given rise to an obligation to return assistance previously provided. The amount of external assistance cancelled or to be returned should also be disclosed.

### **5.3 Outline of the Encouraged Additional Disclosures**

1. Statement of Financial Performance [Based on classification of expenditures by nature]
2. Statement of Financial Position
3. Statement of Cash Receipts by Fund Classification
4. Proceeds of Borrowing
5. Statement of Payments by Programs/Activities/Function of Government
6. Statement of Appropriation Account [Based on services voted by Legislature]
7. Statement of Appropriation Account [Based on nature of expenditure for services voted]
8. Statement of Revenues collected during the year [Based on source of revenue] (Memorandum Statement)
9. Statement of Arrears of Revenues [Based on source of revenue] (Memorandum Statement)
10. Statement of Outstanding Commitments
11. Statement of stores and other assets (physical assets) acquired during the year
12. Statement of disposal of physical assets during the year

### **5.4 Summary and Conclusion**

In this unit, we walked through the features of the Cash Basis IPSAS as Adopted by the Government of Liberia. We reviewed the processes leading to the adoption of the standard as well as the justification for the adoption of the IPSAS. The objective, scope and applicability and structure of the standard were also discussed. The key features of the mandatory requirements of the standard were explained. These included the following: Presentation of and disclosure requirements in financial statements, general considerations in financial reporting, consolidated financial statements, foreign currency, presentation of budget information in financial statements and receipts of external assistance. The unit ended by listing the additional encouraged statements or disclosures.

## 5.5 End of Unit Review Questions

1. Discuss the advantages the Government of Liberia will derive from the adoption of the Cash Basis IPSAS as opposed to developing its own standards from scratch.
2. Discuss the merits of the developing own standards as opposed to the adoption of IPSAS.
3. What are the objectives of the cash Basis IPSAS as Adopted by the government of Liberia?
4. List and explain the key components of financial statements prescribed by the Cash Basis IPSAS.
5. Explain five (5) general considerations in financial statements?
6. What are consolidated financial statements? Which institutions are required to present consolidated financial statements?
7. Discuss the rules relating to foreign currency as per the Cash Basis IPSAS.
8. Explain why it is desirable to have budget information disclosed in financial statements.
9. Outline the disclosure requirements with respect to receipts of external assistance.
10. List and explain the objectives of any six (6) of the encouraged additional disclosures recommended by the Cash Basis IPSAS as adopted by the Government of Liberia.

## Unit 6: Foreign Currency

### Objective of unit

At the end of this unit, trainees will have a good understanding of the treatment of foreign currency, especially in the light of the dual currency regime of Liberia. The unit will treat the following issues:

- Definition of terms related to foreign currency;
- Treatment of foreign currency cash receipts and payments;
- Treatment of foreign currency cash balances;
- Accounting implications of the dual currency regime

### 6.0 Introduction

In this unit, we shall discuss the issues relating to foreign currency. Understanding this unit is important especially in Liberia since the country officially operates a dual currency regime. We will begin by defining some important terms, and proceed to discuss the accounting treatment of foreign cash receipts and payments, the treatment of foreign cash balances and the implications of the dual currency regime for accounting purposes.

#### 6.1 Definition of terms

*The following terms are used in this Standard with the meanings specified:*

- a) *Closing rate is the spot exchange rate at the reporting date.*
- b) *Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.*
- c) *Exchange rate is the ratio for exchange of two currencies.*
- d) *Foreign currency is a currency other than the reporting currency of an entity.*
- e) *Reporting currency is the currency used in presenting the financial statements.*

#### 6.2 Treatment of Foreign Currency Cash Receipts and Payments

*Cash receipts and payments arising from transactions in a foreign currency should be recorded in an entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts and payments.*

*The cash receipts and cash payments of a foreign controlled entity should be translated at the exchange rates between the reporting currency and the foreign currency at the dates of the receipts and payments.*

Governments and government entities may have transactions in foreign currencies such as borrowing an amount of foreign currency or purchasing goods and services where the purchase price is designated as a foreign currency amount. They may also have foreign operations and

transfer cash to and receive cash from those foreign operations. In order to include foreign currency transactions and foreign operations in financial statements the entity must express cash receipts, payments and balances in reporting currency terms.

### **6.3 Treatment of Foreign Currency Cash Balance**

*Cash balances held in a foreign currency should be reported using the closing rate.*

*An entity should disclose the amount of exchange differences included as reconciling items between opening and closing cash balances for the period.*

Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash receipts and payments. However, the effect of exchange rate changes on cash held in a foreign currency is reported in the statement of cash receipts and payments in order to reconcile cash at the beginning and the end of the period. This amount is presented separately from cash receipts and payments and includes the differences, if any, had those cash receipts payments and balances been reported at end-of-period exchange rates.

#### **Disclosure requirements**

*When the reporting currency is different from the currency of the country in which the entity is domiciled, the reason for using a different currency should be disclosed. The reason for any change in the reporting currency should also be disclosed.*

### **6.4 Accounting implications of the dual currency regime**

Liberia is unusual in having two currencies that have legal tender status, but is not at all unusual in having two currencies that are widely used. Many countries, and thus many governments, have to carry out transactions in local currency and hard currency. It is the use of different currencies, not their legal status that is pertinent to accounting standards.

The dual currency system operated in the Republic of Liberia means that government entities will typically carry out transactions in Liberian and US dollars during any reporting period. It is recommended that transactions are converted into the reporting currency using the daily exchange rate, as published by the Central Bank of Liberia, for the date of the cash transaction, unless the transaction otherwise specifies the rate of exchange.

Section 2 of the PFM Regulations clarifies the issues relating to reporting currency for Government financial reporting. The section provides as follows:

“Subject to the provisions of the Central Bank Act 1999 and any other enactment:

1. The monetary unit of Liberia for all government agency official business, accounting, and financial reporting shall be the Liberian Dollar.
2. The Liberian dollar shall be the currency of Liberia and legal tender.
3. The United States of America currency shall also be legal tender in Liberia.

4. Currencies issued by the monetary authorities of other countries can freely circulate in Liberia, and such currencies can be freely exchanged with the Liberian Dollar at prevailing market rates”.

It is clear from the above provision that the reporting currency for Government financial transactions is the *Liberian Dollar*. This is consistent with section 6 of the revenue code which requires books of accounts on Government revenue to be kept in Liberian Dollars. The provision is also consistent with the requirements of the Central Bank Act of 1999.

## 6.5 Illustration

### 6.5.1 Question 1

The following information was released by the office of the Accountant General of the Ministry of Education, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual receipts and payments for the period:

Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the GOL	48,000,000	
Liberian Primary Education Recovery Program Fund	15,350,000	
Infrastructure Fund-World Bank loan	9,300,000	
Grant from DANIDA	3,500,000	
Loan- German Government	2,000,000	
Grants form International NGO's and Other local donations	1,600,000	15,765,000
Income from sale of books	500,000	1,000,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	3,500,000	4,000,000
Goods & Services	14,550,000	3,600,000
Transfers & Subsidies	13,800,000	4,532,000
Capital Expenditure	47,500,000	3,912,000
Interest on Loans	750,000	

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	3,000	53,000
Cash Balance-1/7/09	6,000	174,000
Bank Account Balances-1/7/08	20,000	100,000
Bank Account Balances-1/7/09	166,000	700,000

**Additional Notes:**

- a) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- b) Assume that all payments were made in equal monthly installments in advance. The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly.
- c) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are: Extracts of the rates for the year under consideration are:

Date	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	6600	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00
1/11/08	74.00	1.00
1/12/08	75.00	1.00
1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00
1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

You are required to translate transactions in United States dollars into Liberian dollars and those denominated in Liberian dollars into United States dollars.

**6.5.2 Solution to Question 1**

In this question the items have already been classified and so we distribute the receipts quarterly and the payments monthly for translation.

The appropriate rates for translation for the various quarters and months are stated below:

Quarter	Rate	Months	Rate
		January	65
		February	66
		March	70
		April	72
		May	74
Q1	66	June	75
Q2	72	July	75
Q3	75	August	77
Q4	75	September	78
		October	75
		November	74
		December	70

Because the total receipts were received quarterly, we distribute each line of receipt in to four equal installments. This is done by dividing the total by four.

<b>QUARTERLY DISTRIBUTION OF US DOLLARS RECEIPTS</b>	Q1	Q2	Q3	Q4	Total
Transfer from GOL Liberia Primary Education Recovery Program Fund	12,000,000	12,000,000	12,000,000	12,000,000	48,000,000
Income from sale of books	3,837,500	3,837,500	3,837,500	3,837,500	15,350,000
Grant from DANIDA	125,000	125,000	125,000	125,000	500,000
Grants from International NGO'S and other local donation	875,000	875,000	875,000	875,000	3,500,000
Infrastructure Fund- World Bank Loan	400,000	400,000	400,000	400,000	1,600,000
Loan - German Government	2,325,000	2,325,000	2,325,000	2,325,000	9,300,000
	500,000	500,000	500,000	500,000	2,000,000

**US DOLLARS RECEIPTS TRANSLATED INTO LIBERIAN DOLLAR**

The translation is done by multiplying each quarter receipt by the appropriate quarter rate.

<b>US DOLLARS RECEIPTS TRANSLATED INTO LIBERIAN DOLLAR</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTAL</b>
Transfer from GOL	792,000,000	864,000,000	900,000,000	900,000,000	3,456,000,000
Liberia Primary Education Recovery Program Fund	253,275,000	276,300,000	287,812,500	287,812,500	1,105,200,000
Income from sale of books	8,250,000	9,000,000	9,375,000	9,375,000	36,000,000
Grant from DANIDA	57,750,000	63,000,000	65,625,000	65,625,000	252,000,000
Grants from International NGO'S and others local donation	26,400,000	28,800,000	30,000,000	30,000,000	115,200,000
Infrastructure Fund- World Bank Loan	153,450,000	167,400,000	174,375,000	174,375,000	669,600,000
Loan - German Government	33,000,000	36,000,000	37,500,000	37,500,000	144,000,000

The payments are made monthly and so will be distributed monthly into twelve, M1 to M12 and then translated by multiplying each month's payment by the appropriate monthly exchange rate.

**MONTHLY  
DISTRIBUTION OF US  
DOLLARS  
TRANSACTIONS**

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	3,500,000
Goods and Services Transfers and Subsidies	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	14,550,000
Capital Expenditure	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	47,500,000
Interest on Loans	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	750,000
Japanese Gov't. Grant	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	2,500,000
UNICEF Grant	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	800,000
Ministry of Finance	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	31,500,000

**US DOLLARS  
PAYMENTS  
TRANSLATED INTO  
LIBERIAN DOLLAR**

Personnel Expenses	18,958,333	19,250,000	20,416,667	21,000,000	21,583,333	21,875,000	21,875,000	22,458,333	22,750,000	21,875,000	21,583,333	20,416,667	254,041,667
Goods and Services Transfers and Subsidies	78,812,500	80,025,000	84,875,000	87,300,000	89,725,000	90,937,500	90,937,500	93,362,500	94,575,000	90,937,500	89,725,000	84,875,000	1,056,087,500
Capital Expenditure	257,291,667	261,250,000	277,083,333	285,000,000	292,916,667	296,875,000	296,875,000	304,791,667	308,750,000	296,875,000	292,916,667	277,083,333	3,447,708,333
Interest on Loans	4,062,500	4,125,000	4,375,000	4,500,000	4,625,000	4,687,500	4,687,500	4,812,500	4,875,000	4,687,500	4,625,000	4,375,000	54,437,500
Japanese Gov't. Grant	13,541,667	13,750,000	14,583,333	15,000,000	15,416,667	15,625,000	15,625,000	16,041,667	16,250,000	15,625,000	15,416,667	14,583,333	181,458,333
UNICEF Grant	4,333,333	4,400,000	4,666,667	4,800,000	4,933,333	5,000,000	5,000,000	5,133,333	5,200,000	5,000,000	4,933,333	4,666,667	58,066,667
Ministry of Finance	170,625,000	173,250,000	183,750,000	189,000,000	194,250,000	196,875,000	196,875,000	202,125,000	204,750,000	196,875,000	194,250,000	183,750,000	2,286,375,000

**MONTHLY  
DISTRIBUTION OF  
LIBERIAN DOLLARS  
PAYMENTS**

Personnel Expenses	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	4,000,000
Goods and Services	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,600,000
Transfers and Subsidies	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	4,532,000
Capital Expenditure	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	3,912,000
Ministry of Finance	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	35,000,000

**LIBERIAN DOLLARS  
TRANSACTIONS  
TRANSLATED INTO US  
DOLLAR**

	Q1	Q2	Q3	Q4	TOTAL								
Grants from International NGO'S and others local donation	59,716	54,740	52,550	52,550	219,555								
Income from sale of books	3,788	3,472	3,333	3,333	13,927								
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	5,128	5,051	4,762	4,630	4,505	4,444.44	4,444.44	4,329.00	4,273.50	4,444.44	4,505	4,761.90	55,277
Goods and Services	4,615	4,545	4,286	4,167	4,054	4,000.00	4,000.00	3,896.10	3,846.15	4,000.00	4,054	4,285.71	49,749
Transfers and Subsidies	5,810	5,722	5,395	5,245	5,104	5,035.56	5,035.56	4,904.76	4,841.88	5,035.56	5,104	5,395.24	62,629
Capital Expenditure	5,015	4,939	4,657	4,528	4,405	4,346.67	4,346.67	4,233.77	4,179.49	4,346.67	4,405	4,657.14	54,061
Ministry of Finance	44,872	44,192	41,667	40,509	39,414	38,888.89	38,888.89	37,878.79	37,393.16	38,888.89	39,414	41,666.67	483,674

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total			Cash	Bank	Total	
Beginning balance	3,000	20,000	23,000	1,495,000	53,000	100,000	153,000	2,353.85	
Ending Balance	6,000	166,000	172,000	12,040,000	174,000	700,000	874,000	12,485.71	

**Summary of Translated Transactions**

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Beginning balance	23,000	2,354	<b>25,353.85</b>	153,000.00	1,495,000	<b>1,648,000.00</b>
Ending Balance	172,000	12,486	<b>184,485.71</b>	874,000.00	12,040,000	<b>12,914,000.00</b>

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Transfer from GOL Liberia Primary Education Recovery Program Fund	48,000,000		48,000,000		3,456,000,000	3,456,000,000
	15,350,000		15,350,000		1,105,200,000	1,105,200,000
Income from sale of books	500,000	13,927	513,927	1,000,000	36,000,000	37,000,000
Grant from DANIDA	3,500,000		3,500,000		252,000,000	252,000,000
Grants from International NGO'S and other local donation	1,600,000	219,555	1,819,555	15,765,000	115,200,000	130,965,000

Infrastructure Fund- World Bank Loan	9,300,000		9,300,000		669,600,000	669,600,000
Loan - German Government	2,000,000		2,000,000		144,000,000	144,000,000
Personnel Expenses	3,500,000	55,277	3,555,277	4,000,000	254,041,667	258,041,667
Goods and Services	14,550,000	49,749	14,599,749	3,600,000	1,056,087,500	1,059,687,500
Transfers and Subsidies	13,800,000	62,629	13,862,629	4,532,000	1,001,650,000	1,006,182,000
Capital Expenditure	47,500,000	54,061	47,554,061	3,912,000	3,447,708,333	3,451,620,333
Interest on Loans	750,000		750,000		54,437,500	54,437,500
Japanese Gov't. Grant	2,500,000		2,500,000		181,458,333	181,458,333
UNICEF Grant	800,000		800,000		58,066,667	58,066,667
Ministry of Finance	31,500,000	483,674	31,983,674	35,000,000	2,286,375,000	2,321,375,000

### 6.5.3 Question 2

The following information was released by the office of the Accountant General of the Ministry of Health, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual and payments during the year:

Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the Ministry of Finance	36,000,000	
Pool Fund-DFID	4,765,000	
Health System Reconstruction Project- World Bank	14,367,000	
Project Fund-World Bank Grant	6,500,000	
Grants from the Government of United Kingdom	9,000,000	
Grants from International NGO's and Other local donations	3,300,000	25,875,000
Sale of health products		11,543,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	7,500,000	16,000,000
Goods & Services	17,500,000	16,098,000
Transfers & Subsidies	14,000,000	21,000,000
Capital Expenditure	34,800,000	22,056,000

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	6,000	1,000,000
Cash Balance-1/7/09	5,000	704,000
Bank Account Balances-1/7/08	14,000	1,500,000
Bank Account Balances-1/7/09	147,000	1,060,000

Additional Notes:

- d) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- e) Assume that all payments were made in equal monthly installments in advance. The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly.
- f) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are: Extracts of the rates for the year under consideration are:

Date	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	66.00	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00
1/11/08	74.00	1.00
1/12/08	75.00	1.00
1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00
1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

You are required to translate transactions in United States dollars into Liberian dollars and those denominated in Liberian dollars into United States dollars.

**6.5.4 Solution to Question 2**

The appropriate rates for translation for the various quarters and months are stated below:

	January	65
	February	66
	March	70
	April	72
	May	74
Q1	66 June	75
Q2	72 July	75
Q3	75 August	77
Q4	75 September	78
	October	75
	November	74
	December	70

<b>QUARTERLY DISTRIBUTION OF US DOLLAR RECEIPTS</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	9,000,000	9,000,000	9,000,000	9,000,000	36,000,000
Pool Fund - DFID	1,191,250	1,191,250	1,191,250	1,191,250	4,765,000
Health System Reconstruction Project - World Bank	3,591,750	3,591,750	3,591,750	3,591,750	14,367,000
Project Fund - World Bank	1,625,000	1,625,000	1,625,000	1,625,000	6,500,000
Grants from the Gov't of UK	2,250,000	2,250,000	2,250,000	2,250,000	9,000,000
Grants from International NGO's and other local donation	825,000	825,000	825,000	825,000	3,300,000

**US DOLLARS RECEIPTS TRANSLATED INTO LIBERIAN DOLLAR**

The translation is done by multiplying each quarter receipt by the appropriate quarter rate.

<b>US DOLLARS RECEIPTS TRANSLATED INTO LIBERIAN DOLLAR</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	594,000,000	648,000,000	675,000,000	675,000,000	2,592,000,000
Pool Fund - DFID	78,622,500	85,770,000	89,343,750	89,343,750	343,080,000
Health System Reconstruction Project - World Bank	237,055,500	258,606,000	269,381,250	269,381,250	1,034,424,000
Project Fund - World Bank	107,250,000	117,000,000	121,875,000	121,875,000	468,000,000
Grants from the Gov't of UK	148,500,000	162,000,000	168,750,000	168,750,000	648,000,000
Grants from International NGO's and other local donation	54,450,000	59,400,000	61,875,000	61,875,000	237,600,000

The payments are made monthly and so will be distributed monthly into twelve, M1 to M12 and then translated by multiplying each month's payment by the appropriate monthly exchange rate.

**MONTHLY  
DISTRIBUTION OF US  
DOLLARS PAYMENTS**

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	7,500,000
Goods and Services	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	17,500,000
Transfers and Subsidies	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	14,000,000
Capital Expenditure	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	34,800,000
Indian Gov't Grant	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	4,000,000
WHO Grant	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Ministry of Finance	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	25,876,000

**US DOLLARS PAYMENTS TRANSLATED INTO LIBERIAN DOLLARS**

**US DOLLARS  
PAYMENTS  
TRANSLATED INTO  
LIBERIAN DOLLARS**

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	40,625,000	41,250,000	43,750,000	45,000,000	46,250,000	46,875,000	46,875,000	48,125,000	48,750,000	46,875,000	46,250,000	43,750,000	544,375,000
Goods and Services	94,791,667	96,250,000	102,083,333	105,000,000	107,916,667	109,375,000	109,375,000	112,291,667	113,750,000	109,375,000	107,916,667	102,083,333	1,270,208,333
Transfers and Subsidies	75,833,333	77,000,000	81,666,667	84,000,000	86,333,333	87,500,000	87,500,000	89,833,333	91,000,000	87,500,000	86,333,333	81,666,667	1,016,166,667
Capital Expenditure	188,500,000	191,400,000	203,000,000	208,800,000	214,600,000	217,500,000	217,500,000	223,300,000	226,200,000	217,500,000	214,600,000	203,000,000	2,525,900,000
Indian Gov't Grant	21,666,667	22,000,000	23,333,333	24,000,000	24,666,667	25,000,000	25,000,000	25,666,667	26,000,000	25,000,000	24,666,667	23,333,333	290,333,333
WHO Grant	2,708,333	2,750,000	2,916,667	3,000,000	3,083,333	3,125,000	3,125,000	3,208,333	3,250,000	3,125,000	3,083,333	2,916,667	36,291,667
Ministry of Finance	140,161,667	142,318,000	150,943,333	155,256,000	159,568,667	161,725,000	161,725,000	166,037,667	168,194,000	161,725,000	159,568,667	150,943,333	1,878,166,333

## Translating LD transactions into USD

### QUARTERLY DISTRIBUTION OF LIBERIAN DOLLARS RECEIPTS

	Q1	Q2	Q3	Q4	TOTAL
Grants from International NGO'S and others local donation	6,468,750	6,468,750	6,468,750	6,468,750	25,875,000
Sale of Health products	2,885,750	2,885,750	2,885,750	2,885,750	11,543,000

### MONTHLY DISTRIBUTION OF US DOLLARS PAYMENTS

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	16,000,000
Goods and Services	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	16,098,000
Transfers and Subsidies	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	21,000,000
Capital Expenditure	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	22,056,000
Ministry of Finance	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	20,000,000

### LIBERIAN DOLLARS TRANSACTIONS TRANSLATED INTO US DOLLAR

	Q1	Q2	Q3	Q4	TOTAL
Grants from International NGO'S and others local donation	98,011	89,844	86,250	86,250	360,355
Sale of Health products	43,723	40,080	38,477	38,477	160,757

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Personnel Expenses	20,513	20,202	19,048	18,519	18,018	17,777.78	17,777.78	17,316.02	17,094.02	17,777.78	18,018	19,047.62	221,108
Goods and Services	20,638	20,326	19,164	18,632	18,128	17,886.67	17,886.67	17,422.08	17,198.72	17,886.67	18,128	19,164.29	222,462
Transfers and Subsidies	26,923	26,515	25,000	24,306	23,649	23,333.33	23,333.33	22,727.27	22,435.90	23,333.33	23,649	25,000.00	290,204
Capital Expenditure	28,277	27,848	26,257	25,528	24,838	24,506.67	24,506.67	23,870.13	23,564.10	24,506.67	24,838	26,257.14	304,797
Ministry of Finance	25,641	25,253	23,810	23,148	22,523	22,222.22	22,222.22	21,645.02	21,367.52	22,222.22	22,523	23,809.52	276,385

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD	Cash	LD		Translation into USD
	Cash	Bank	Total			Cash	Bank	Total
Beginning balance	6,000	14,000	20,000	1,300,000	1,000,000	1,500,000	2,500,000	38,461.54
Ending Balance	5,000	147,000	152,000	10,640,000	704,000	1,060,000	1,764,000	25,200.00

**Summary of Translations**

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Beginning balance	20,000	38,462	58,461.54	2,500,000.00	1,300,000	3,800,000.00
Ending Balance	152,000	25,200	177,200.00	1,764,000.00	10,640,000	12,404,000.00

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Transfer from GOL	36,000,000		36,000,000		2,592,000,000	2,592,000,000
Pool Fund - DFID Health System Reconstruction Project - World Bank	4,765,000		4,765,000		343,080,000	343,080,000
Project Fund - World Bank	14,367,000		14,367,000		1,034,424,000	1,034,424,000
World Bank Grants from the Gov't of UK	6,500,000		6,500,000		468,000,000	468,000,000
	9,000,000		9,000,000		648,000,000	648,000,000

Grants from International NGO's and other local donation	3,300,000	360,355	3,660,355	25,875,000	237,600,000	263,475,000
Sale of Health products		160,757	160,757	11,543,000		11,543,000
Personnel Expenses	7,500,000	221,108	7,721,108	16,000,000	544,375,000	560,375,000
Goods and Services	17,500,000	222,462	17,722,462	16,098,000	1,270,208,333	1,286,306,333
Transfers and Subsidies	14,000,000	290,204	14,290,204	21,000,000	1,016,166,667	1,037,166,667
Capital Expenditure	34,800,000	304,797	35,104,797	22,056,000	2,525,900,000	2,547,956,000
Indian Gov't Grant	4,000,000		4,000,000		290,333,333	290,333,333
WHO Grant	500,000		500,000		36,291,667	36,291,667
Ministry of Finance	25,876,000	276,385	26,152,385	20,000,000	1,878,166,333	1,898,166,333

## **6.6 Summary and Conclusion**

We started by defining key terms used in the unit such as: foreign currency, exchange rate, closing rate, reporting currency and exchange difference. We discovered that foreign cash receipts and payments are translated into the reporting currency using the spot rate. We also learnt that cash balances in foreign currency should be translated into the reporting currency using the closing rate. Differences resulting from foreign currency translation are reconciliation items and do not represent the movement of cash. These should be adjusted against the opening cash balance to arrive at the closing cash balance. We also realized that the dual currency regime does not have any peculiar accounting challenges as there must be a base reporting currency by reference to which all the other currencies will be translated.

## **6.7 End of Unit Review Questions**

1. Explain each of the following terms:
  - a) Foreign currency
  - b) Reporting currency
  - c) Exchange rate
  - d) Exchange difference
  - e) Spot rate
  - f) Closing rate
2. Explain the recommended treatment of cash receipts and payments in foreign currency.
3. Explain the recommended treatment of cash balances held in foreign currency.
4. What are the accounting implications of the dual currency regime operated by the Government of Liberia?
5. Foreign exchange differences are not cash flow items, but must appear in the statement of receipt and payment of cash. Explain why this is so.
6. The following information was released by the office of the Comptroller of the Ministry of Finance, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual receipts and payments for the period:

Income Received is made up as follows:

	USD	Liberian Dollar
Import Duties on food and food products	20,500,000	200,000,000
Export Taxes on rubber	7,500,000	20,000,000
Excise Taxes	5,000,000	10,580,000
Corporate Income Tax	11,200,000	15,750,000
Rubber Sales Tax Income	500,000	33,300,000
Maritime Registration Charges	11,600,000	12,000,000
Maritime Tonnage Tax	950,000	5,000,000
Import Duty on Petroleum products	200,000	3,450,000
Import Duty on Machinery and Equipment	8,740,000	2,560,000
Petroleum Sales Tax	7,650,000	1,570,000
Social Security Contributions	12,740,000	20,890,000
Court Fees	1,935,000	5,400,000
Court Fines	1,745,000	8,980,000
Other Fees and Charges	2,845,000	11,650,000
Business Registration Fees	4,225,000	9,760,000
Domestic Sales Tax on food and food products	8,300,000	5,560,000
Airport Service Fees and Charges	14,400,000	8,985,000
Vehicle License Plate Fees	2,150,000	12,700,000
Rent of Government Property	5,689,000	10,875,000
Interest on Investments	1,910,000	2,450,000
Dividends on shares of public enterprises	950,000	4,980,000
Interest on GOL balances at CBL	1,215,000	7,680,000
Withholding on Wages and Salary	2,300,000	10,920,000
Withholding on Rental Income	3,250,000	6,950,000
Current Grants from Foreign Governments	18,000,000	
Capital Grants from Foreign Governments	25,500,000	
Current Grants from Multilateral Organizations	13,000,000	
Capital Grants from multilateral Organizations	26,800,000	
Loans from Foreign countries	30,500,000	
Loans from Multilateral Organizations	23,500,000	

The expenses of the Ministry were also summarized as follows:

Item	US Dollars	Liberian Dollars
Personnel Expenses- Ministry of Health	25,876,000	20,000,000
Personnel Expenses- Ministry of Education	31,500,000	35,000,000
Personnel Expenses-Ministry of Finance	38,423,000	40,000,000
General Allowances	12,200,000	14,564,000
Special Allowances	11,300,000	17,643,000
Professional Fees	9,750,000	5,000,000
Audit Fees	11,345,000	17,000,000
Foreign Travel Expenses	24,350,000	
Foreign Daily Subsistence Allowance	13,450,000	
Domestic Travel Expenses		32,000,000
Domestic Daily Subsistence Allowance		45,000,000
Electricity Charges	3,350,000	19,875,000
Water Bills	1,561,000	8,735,000
Telephone Internet and Postage Expenses	2,720,000	8,793,000
Transport Maintenance and Fuel Expenses	14,280,000	25,000,000
Routine Repairs and Maintenance	13,100,000	24,876,000
General Office Materials and Services	2,150,000	14,678,000
Public Celebrations and Conferences	4,652,000	18,721,000
Purchase of Vehicles	23,500,000	
Purchase of computers and Office Equipment	12,550,000	
Purchase of Office Furniture	21,200,000	80,000,000
Roads and Bridges	70,879,000	205,874,000
Interest on Foreign Loans	5,500,000	
Interest on Multilateral Loans	3,200,000	
Transfer to Ministry of Health	36,000,000	
Transfer to Ministry of Education	48,000,000	
Other transfer payments	12,243,000	25,476,000

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	2,000	500,0000
Cash Balance-1/7/09	6,000	62,000
Bank Account Balances-1/7/08	125,000	1,200,000
Bank Account Balances-1/7/09	30,000	600,000

Additional Notes:

- a) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- b) Assume that all payments were made in equal monthly installments in advance. The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly.
- c) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are: Extracts of the rates for the year under consideration are:

Date	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	6600	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00
1/11/08	74.00	1.00
1/12/08	75.00	1.00
1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00
1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

- a) You are required to translate transactions in United States dollars into Liberian dollars and those denominated in Liberian dollars into United States dollars.
- b) Explain why there is need to translate transactions in Liberian dollars into United States dollars

## Unit 7: Receipts of External Assistance

### Objective of Unit

In this unit, we shall discuss the accounting treatments required by the Cash Basis IPSAS when financial assistance is received. At the end of the unit, trainees should be able to:

- Explain technical terms relating to the receipt of external assistance;
- Explain the accounting treatment of external assistance received;
- Explain the accounting treatment of undrawn external assistance
- Explain the treatment of receipt of goods or services
- Explain the disclosure requirements with respect to external assistance and debt rescheduled or cancelled.

### 7.0 Introduction

This unit explains the treatment of external assistance. The unit begins by defining some selected technical terms relating to the receipt of external assistance. The accounting treatment of external assistance received is discussed. The unit also explains how undrawn balances of external assistance are to be treated in the financial statements as well as the treatment of the receipt of goods and services. The unit concludes with a discussion on the disclosure requirements of external assistance and debt rescheduled or cancelled.

### 7.1 Definition of terms

*The following terms are used in this Standard with the meaning specified:*

- a) *Assigned External Assistance means any external assistance, including external assistance grants, technical assistance, guarantees or other assistance, received by an entity that is assigned by the recipient to another entity.*
- b) *Bilateral External Assistance Agencies are agencies established under national law, regulation or other authority of a nation for the purpose of, or including the purpose of, providing some or all of that nation's external assistance.*
- c) *External Assistance means all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives.*

- d) *Multilateral External Assistance Agencies are all agencies established under international agreement or treaty for the purpose of, or including the purpose of, providing external assistance.*
- e) *Non-Governmental Organizations (NGOs) are all foreign or national agencies established independent of control by any government for the purpose of providing assistance to government(s), government agencies, and other organizations or to individuals.*
- f) *Official Resources means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral or bilateral external assistance agencies or by a government, or agencies of a government, other than to a recipient of the same nation as the government or government agency providing, or committing to provide, the assistance.*
- g) *Re-Lent External Assistance Loans means external assistance loans received by an entity that are lent by the recipient to another entity.*

Different organizations may use different terminology for external assistance or classes of external assistance. For example, some organizations may use the term external aid or aid, rather than external assistance. In these cases, the different terminology is unlikely to cause confusion. However, in other cases, the terminology may be substantially different. In these cases, preparers, auditors and users of general purpose financial statements will need to consider the substance of the definitions rather than just the terminology in determining whether the requirements of this Standard apply.

### **External Assistance**

External assistance is defined in paragraph 6.1.0 of the standard as all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives. Official resources as defined in paragraph 6.1.0 does not encompass assistance provided by non-governmental organizations (NGOs), even if such assistance is provided under a binding agreement. Assistance received from NGOs, whether in the form of cash donations or third party settlements, will be presented in the financial statements and disclosed in explanatory notes in accordance with the requirements of Sections 1.0 to 5.0 of the Standard.

NGOs as defined in paragraph 6.1.0 of the standard are foreign or national agencies established independent of control by any government. In some rare cases, it may not be clear whether the donor organization is a bilateral or multilateral external assistance agency or a NGO, and therefore independent of control by any government. Where such a donor organization provides, or commits to provide, assistance under the terms of a binding agreement, the distinction between official resources as defined in the Standard and resources provided by a NGO may become blurred. In these cases, professional judgment will need to be exercised to determine whether the assistance received satisfies

the definition of external assistance and, therefore, is subject to the disclosure requirements specified in this section.

### **Official Resources**

Official resources are defined in paragraph 6.1.0 of the standard to be resources committed under a binding agreement by multilateral or bilateral external assistance agencies or governments or government agencies, other than to a recipient of the same nation as the provider of the assistance. Governments as referred to in the definition of official resources may include national, provincial or local governments in the nation. Therefore, assistance provided by, for example, a national government or state government agency of one nation to the central or local government of Liberia is external assistance as defined in the Standard. However, assistance provided by the central government of Liberia to another level of government within Liberia does not satisfy the definition of official resources, and therefore is not external assistance.

### **External Assistance Agreements**

Governments seeking particular forms of external assistance may participate in formal meetings or rounds of meetings with donor organizations. These may include meetings to discuss the government's macroeconomic plans and its development assistance needs, or bilateral discussions at governmental level regarding trade finance, military assistance, balance of payments and other forms of assistance. They may also include separate meetings to consider the country's emergency assistance needs as those needs arise. Initial discussions may result in statements of intent or pledges which are not binding on the government or the external assistance agency. However, subsequently binding agreements may be set in place to make available assistance loans or grants provided restrictions on access to the funds, if any, are met and agreed conditions or covenants are adhered to by the recipient entity.

External assistance agreements may provide for the entity to:

- a) Draw down in cash the full proceeds of the loan or grant or a tranche of the loan or grant;
- b) Seek reimbursement(s) for qualifying payments made by the entity to a third party settling in cash an obligation(s) of the entity, as defined by the loan or grant agreement; or
- c) Request the external assistance agency to make payments directly to a third party settling in cash an obligation(s) of the recipient entity as defined by the loan or grant agreement, including an obligation of the recipient entity for goods or services provided or to be provided by a NGO.

External assistance agreements may also include the provision of goods or services in-kind to the recipient.

## 7.2 External Assistance Received

*The entity should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period.*

*The entity should disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:*

- a) *Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and*
- b) *Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.*

*These disclosures should only be made when, during the reporting period, the entity has been formally advised by the third party or the recipient that such payment has been made, or has otherwise verified the payment.*

*Where external assistance is received from more than one provider, the significant classes of providers of assistance should be disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.*

*Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants should be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.*

External assistance may be provided directly to the reporting entity in the form of cash. Alternatively, a third party may provide external assistance by settling an obligation of the reporting entity or purchasing goods and services for the benefit of the reporting entity. In some cases:

- a) The third party may be part of the economic entity to which the reporting entity belongs – this will occur where, for example, external assistance in the form of cash is provided for the benefit of a program run by a particular department where the government manages the expenditure of its individual departments and other entities through a centralized treasury function or a “single account” arrangement. In these cases, the treasury or other central agency receives the external assistance and makes payments of amounts provided by way of external assistance on behalf of the department, after appropriate authorization and documentation from the department; or
- b) The third party may not be part of the economic entity to which the reporting entity belongs - this will occur where, for example, an aid agency makes a debt repayment to a regional development bank on behalf of a government agency,

pays a construction company directly for building a road for a particular government agency rather than providing the funds directly to the government agency itself, or funds the operation of a health or education program of an independent provincial or municipal government by directly paying service providers and acquiring on behalf of the government the necessary supplies during the period.

Disclosure of the amount of external assistance received in the form of cash and in the form of third party payments made on behalf of the entity will indicate the extent to which the operations of the reporting entity are funded from taxes and/or internal sources, or are dependent upon external assistance. Consistent with the requirements of paragraph 1.4.0 of the Standard, external assistance paid by third parties should only be disclosed in the statement of Cash Receipts and Payments when the reporting entity has been formally advised that such payments have been made during the reporting period or otherwise verifies their occurrence.

Disclosure of the significant classes of providers of assistance such as, for example, multilateral donors, bilateral donors, international assistance organizations, national assistance organizations or other major classes as appropriate for the reporting entity will identify the extent of the entity's dependence on particular classes of providers and will be relevant to an assessment of the sustainability of the assistance. The Cash Basis IPSAS does not require the disclosure of the identity of each provider of assistance or the amount of assistance each provides. However, disclosure of the amount provided by each provider in the currency provided is encouraged

External assistance is often denominated in a currency other than the reporting currency of the entity. Cash receipts, or payments made by third parties on behalf of the entity arising from transactions in a foreign currency, will be recorded or reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts or payments in accordance with paragraph 4.1.1 of the Standard.

National governments usually retain the exclusive right to enter into external assistance agreements with multilateral or bilateral external assistance agencies. In many of these cases, the project or activity is implemented by another entity. The national government may re-lend or assign the funds received to the other entity. The terms and conditions of the re-lent or assigned funds may be the same as received from the external assistance agency or may be different than initially received. In some cases, a small fee or interest spread is charged to cover the national government's administrative costs. An entity which enters into an external assistance agreement and passes the benefits as well as the terms and conditions of the agreement through to another entity by way of a subsidiary agreement will recognize or report the external assistance as it is received. It will also record payments to the second entity in accordance with its normal classification of payments adopted in the financial statements.

Where the initial recipients of a loan or grant passes the proceeds and the terms and

conditions of the loan or grant through to another entity, the initial entity may simply be administering the loan or grant on behalf of the end user.

**Presentation of external assistance received**

<b>Loan Funds</b>	<b><u>200X</u></b>	<b><u>200X-1</u></b>
	<b>Total</b>	<b>Total</b>
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<b><u>X</u></b>	<b><u>X</u></b>
<b>Grant Funds</b>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<b><u>X</u></b>	<b><u>X</u></b>
<b>Total External Assistance</b>	<b><u>X</u></b>	<b><u>X</u></b>

**7.3 Undrawn External Assistance**

*The entity should disclose in the notes to the financial statements the balance of undrawn external assistance loans and grants available at reporting date to fund future operations when, and only when, the amount of the loans or grants available to the recipient is specified in a binding agreement and the satisfaction of any substantial terms and conditions that determine, or affect access to, that amount is highly likely, showing separately in the reporting currency:*

- a) *Total external assistance loans; and*
- b) *Total external assistance grants.*

*Significant terms and conditions that determine, or affect access to, the amount of the undrawn assistance should also be disclosed.*

The amount of external assistance currently committed under a binding agreement(s) but not yet drawn may be significant. In some cases, the amount of the assistance loan(s) or grant(s) is specified in a binding agreement and the satisfaction of any substantial conditions that need to be satisfied to access that amount is highly likely. This may occur in respect of undrawn balances of project funding for projects currently under development where conditions have been, and continue to be, satisfied and the project is anticipated to continue under the terms of the agreement. Where such undrawn balances are provided in a foreign currency, opening and closing balances will be determined by applying to the foreign currency amount the exchange rate on the reporting dates in accordance with the provisions of paragraph 4.1.2 of the Standard.

In some cases, a donor entity may express an intention to provide ongoing assistance to

the reporting entity, but not specify in a binding agreement the amount of the assistance loan(s) or grant(s) to be provided in future periods

– for example, this may occur where the amount of assistance to be provided is dependent on the annual budget of the donor nation or other sources of funding that may be secured by the recipient. In other cases, the amount of assistance may be specified but be subject to terms and conditions, the satisfaction of which cannot be assessed as being highly likely at the reporting date – for example, this may occur in respect of balance of payment assistance to be provided on achievement of specified performance criteria, or emergency assistance to be provided subject to the amount of assistance provided by other agencies. In these cases, disclosure of the undrawn amounts is not made. In some cases, professional judgment may need to be exercised in assessing whether the satisfaction of the substantial terms and conditions that determine, or effect access to, the external assistance is highly likely.

### **Presentation of Undrawn Borrowing Facilities Other than Undrawn External Assistance**

<i>(See note 10 for undrawn external assistance)</i>		
(in thousands of currency units)	<b>200X</b>	<b>200X-1</b>
<b>Movement in Undrawn Borrowing Facilities</b>		
Undrawn borrowing facilities at 30/06/X-1	X	X
Additional loan facility	X	X
Total available	X	X
Amount drawn	(X)	(X)
Facility closure/cancellations	(X)	(X)
Undrawn borrowing facilities at 30.06.0X.	<u>X</u>	<u>X</u>
<b>Undrawn Borrowing Facilities</b>		
Commercial Financial Institutions	X	X
Total undrawn borrowing facilities	<u>X</u>	<u>X</u>

### **Summary of closing balances of external assistance**

<b>Loans</b>	<b>Loans</b>	<b>Grants</b>	<b>Loans</b>	<b>Grants</b>
<b>200X</b>	<b>200X</b>	<b>200X</b>	<b>200X-1</b>	<b>200X-1</b>
Closing balance in reporting currency	X	X	X	X

#### **7.4 Receipt of Goods or Services**

*Where an entity elects to disclose the value of external assistance received in the form of goods or services, it should also disclose in the notes to the financial statements the basis on which that value is determined.*

Paragraph 7.1.90 of the Cash Basis IPSAS as adopted by the Government of Liberia d encourages an entity to disclose separately in the notes to the financial statements the value of external assistance received in the form of goods or services. Paragraph 1.5.8 of the standard explains that where encouraged disclosures are included in notes to the financial statements, they will need to be understandable and to satisfy the other qualitative characteristics of financial information. Where an entity elects to make such disclosures, it is required to disclose in the notes to the financial statements the basis on which that value is determined. Such disclosures will enable users to assess whether, for example, the value is determined by reference to donor valuation, fair value determined by reference to prices in the world markets, by management assessment or on another basis.

#### **7.5.0 Disclosure of Debt Rescheduled or Cancelled**

*An entity should disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.*

An entity experiencing difficulty in servicing its external assistance debt may seek renegotiation of the terms and conditions of the debt or cancellation of the debt. Disclosure of the amount of external assistance debt rescheduled or cancelled, together with any related terms and conditions will alert users of the financial statements that such renegotiation or cancellation has occurred. This will provide useful input to assessments of financial condition of the entity and changes therein.

#### **7.5.1 Disclosure of Non Compliance with Significant Terms and Conditions**

*An entity should disclose, in notes to the financial statements, significant terms and conditions of external assistance loan or grant agreements or guarantees that have not been complied with during the period when non compliance resulted in cancellation of the assistance or has given rise to an obligation to return assistance previously provided. The amount of external assistance cancelled or to be returned should also be disclosed.*

External assistance agreements will usually include terms and conditions that must be complied with for ongoing access to assistance funds, as well as some procedural terms and conditions.

The disclosures required by the above paragraph will enable readers to identify the instances of non compliance that have adversely affected the funds that are available to support the entity's future operations. It will also provide input to assessments of whether re-establishment of compliance with the agreement may occur in the future.

## **7.6 Summary and Conclusion**

We started by defining key terms used in the unit such as: Assigned External Assistance, Bilateral External Assistance, External Assistance, Multilateral External Assistance, Non-Governmental Organizations, Official Resources, Re-Lent External Assistance Loans.

We learnt that an entity should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period. The entity should disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity. We further learnt that an entity should disclose in the notes to the financial statements the balance of undrawn external assistance loans and grants available at reporting date to fund future operations when, and only when, the amount of the loans or grants available to the recipient is specified in a binding agreement and the satisfaction of any substantial terms and conditions that determine, or affect access to, that amount is highly likely. We also discovered that where an entity elects to disclose the value of external assistance received in the form of goods or services, it should also disclose in the notes to the financial statements the basis on which that value is determined.

On disclosure requirements, it was discovered that an entity should disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions. Finally, an entity should disclose, in notes to the financial statements, significant terms and conditions of external assistance loan or grant agreements or guarantees that have not been complied with during the period when non compliance resulted in cancellation of the assistance or has given rise to an obligation to return assistance previously provided. The amount of external assistance cancelled or to be returned should also be disclosed.

## **7.7 End of Unit Review Questions**

1. Explain each of the following terms:
  - a) Assigned External Assistance,
  - b) Bilateral External Assistance,
  - c) External Assistance,
  - d) Multilateral External Assistance,
  - e) Non-Governmental Organizations,
  - f) Official Resources,
  - g) Re-Lent External Assistance Loans.
2. Explain how external assistance received should be accounted for in accordance with the Cash Basis IPSAS.

3. What is undrawn external assistance? Explain how undrawn external assistance should be treated in the financial statements.
4. Sometimes, external assistance is received in the form of goods and or services, explain how the receipt of goods or services as external assistance should be accounted for in the financial statements.
5. Explain the disclosure requirements with respect to external assistance in accordance with the Cash Basis IPSAS.
6. Explain how each of the following transactions will be disclosed in the financial statements of the Government of Liberia:
  - a) The American Government paid US \$ 5,500,000.00 to consultants as consultancy fees for the development of a strategy for the implementation of the Public Finance Management Reform. There was a budget shortfall in this program as result of extension of the program implementation period. The World Bank co financed the project by paying US\$4,500,000.00 direct to the consultants engaged in the implementation of the reform.
  - b) The African Development Bank paid the professional fees of consultants that were seconded to the Ministry of Finance to provide training on the Internal audit and tax audit programme of the Ministry amounting to US\$3,500,000.00
  - c) The Ministry signed a grant agreement for US\$6,500,000.00 with the Chinese government. The grant will only be paid upon the HIPC completion point. The completion criteria are almost about to be met.
  - d) The Ministry of Finance signed a loan agreement with the IMF for an amount of US\$10, 000,000.00 for the construction of the road from Monrovia to Lofa County. The disbursement of the loan is conditioned on the withdrawal of subsidies on local farm produce. The government is taking steps to withdraw the subsidies.
  - e) The Indian Government paid US \$ 4,000,000.00 to suppliers and consultants to facilitate TB immunization and HIV/AIDS sensitization on behalf of the Ministry of Health of the Government of Liberia
  - f) The World Health Organization paid the professional fees of consultants that were seconded to the Ministry of Health amounting to US\$500,000.00 The consultants are to develop a strategy for restructuring the Ministry of Health in line with modern developments so as to deliver quality health to the people of Liberia.

- g) The Japanese Government paid US \$ 2,500,000.00 to suppliers of primary school text books for supplying the Ministry of Education with essential text books for distribution to primary schools in the country.
- h) UNICEF paid the consultancy fees of consultants that were seconded to the Ministry of Education to develop an educational reform strategy amounting to US\$500,000.00 and paid selected teachers US\$300,000.00 to assist in closing the low teacher to student ratio prevalent in the country.

## **Unit 8: Presentation of and Disclosure Requirements in Financial Statements**

### **Objective of unit**

In this unit, we shall discuss issues relating to the presentation and disclosure requirements in financial statements. At the end of the unit, trainees would be able to:

- Define the various terms used relating to presentation and disclosure requirements in financial statements;
- Outline and explain the components of financial statements as prescribed by the Cash Basis IPSAS;
- Explain information to be presented in the Statement of Cash Receipts and Payments;
- Explain the treatment of payments by third parties on behalf of the entity;

### **8.0 Introduction**

This unit will begin by defining all the technical terms used with respect to the presentation and disclosure requirements in financial statements. We will then discuss in detail, what constitute financial statements as far as the Cash Basis IPSAS is concerned. We shall also discuss in detail the information that need to be presented in the statement of Cash Receipts and Payments. The Cash Basis IPSAS require separate disclosure of payments made by third parties on behalf of the entity. We shall explain what is meant by payment on behalf of third parties and discuss how such payments are to be presented in the financial statements.

#### **8.1 Definition of terms**

*The following terms are used in this Standard with the meaning specified:*

- a) *Cash comprises cash on hand, demand deposits and cash equivalents.*
- b) *Cash basis means a basis of accounting that recognizes transactions and other events only when cash is received or paid.*
- c) *Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.*
- d) *Cash flows are inflows and outflows of cash.*
- e) *Cash payments are cash outflows.*
- f) *Cash receipts are cash inflows.*
- g) *Control of cash arises when the entity can use or otherwise benefit from the cash in pursuit of its objectives and can exclude or regulate the access of others to that benefit.*

- h) Government Business Enterprise (GBE) means an entity that has all the following characteristics:*
- i. Is an entity with the power to contract in its own name;*
  - ii. Has been assigned the financial and operational authority to carry on a business;*
  - iii. Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;*
  - iv. Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and*
  - v. Is controlled by a public sector entity.*
- i) General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their specific information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, civil society, donor partners, and employees. General purpose financial statements include those financial statements that are presented separately or within another public document such as an annual report.*
- j) Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.*
- k) Materiality: information is material if its omission or misstatement could influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of omission or misstatement.*
- l) Reporting date means the date of the last day of the reporting period to which financial statements relate.*
- m) Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.*

### **8.1.1 Cash Basis of Accounting**

The cash basis of accounting recognizes transactions and events only when cash (including cash

equivalents) is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statements may provide additional information about liabilities, such as payables and borrowings, and some non-cash assets, such as receivables, investments and property, plant and equipment.

### **8.1.2 Cash Equivalents**

1. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.
2. Bank borrowings are generally considered to give rise to cash inflows. However, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.
3. Cash flows exclude movements between items that constitute cash because these components are part of the cash management of an entity rather than increases or decreases in the cash it controls. Cash management includes the investment of excess cash on hand in cash equivalents

### **8.1.3 Cash Controlled by the Reporting Entity**

1. Cash is controlled by an entity when the entity can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to, an entity which the entity can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the entity.
2. Amounts deposited in the bank account of an entity are controlled by that entity. In some cases, cash which a government entity:
  - (a) Collects on behalf of the government (or another entity) is deposited in its own bank account before transfer to consolidated revenue or another general government account; and

- (b) Is to transfer to third parties on behalf of the government is initially deposited in its own bank account prior to transfer to the authorized recipient.

In these cases, the entity will control the cash for only the period during which the cash resides in its bank account prior to transfer to consolidated revenue or another government controlled bank account, or to third parties. Paragraph 2.4.2 of the Cash Basis IPSAS as Adopted by the Government of Liberia requires the disclosure of cash balances held by an entity at reporting date that are not available for use by the entity or are subject to external restrictions.

3. Where the government manages the expenditure of its individual departments and other entities through a centralized treasury function, often referred to as a “single account” basis, the individual departments and entities do not control their own bank accounts. Rather, government monies are managed by a central entity through a “single” government account or series of accounts. The central entity will make payments on behalf of individual departments and entities after appropriate authorization and documentation. Consequently, individual departments and entities do not control the cash that they have been appropriated or otherwise authorized to expend. In these cases, the expenditures made by individual departments and entities will be reported in a separate column headed “treasury account” (or a similarly described column) in the statement of cash receipts and payments in accordance with the requirements of paragraph 1.4.0(a) of the Cash Basis IPSAS as Adopted by the Government of Liberia.
4. Where the centralized treasury function is undertaken by an entity which controls the bank account(s) from which payments on behalf of the individual operating departments and other entities are made, transfers to and payments from those bank accounts reflect cash receipts and payments which the central entity administers on behalf of the individual operating departments and other entities. Paragraph 1.3.1 of the Cash Basis IPSAS as Adopted by the Government of Liberia specifies that cash receipts and payments which arise from transactions the entity administers on behalf of other entities and which are recognized in the primary financial statements may be reported on a net basis. Paragraph 2.4.2 requires the disclosure of cash balances held by an entity at reporting date that are not available for use by the entity or are subject to external restrictions.

#### **8.1.4 Materiality**

1. Financial statements result from processing large quantities of transactions that are structured by being aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of the financial statements or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of the financial statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the notes.

2. The principle of materiality provides that the specific disclosure requirements of Liberia Government Accounting & Reporting Standards need not be met if the resulting information is not material.

## 8.2 Financial Statements

### 8.2.1 *An entity should prepare and present general purpose financial statements which include the following components:*

- (a) *A statement of cash receipts and payments which:*
  - i. *Recognizes all cash receipts, cash payments and cash balances controlled by the entity; and*
  - ii. *Separately identifies payments made by third parties on behalf of the entity in accordance with paragraph 1.4.0. of the Standard;*
- (b) *Accounting policies and explanatory notes; and*
- (c) *A comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments in accordance with paragraph 5.2.0 of the Standard.*

*When an entity elects to disclose information prepared on a different basis from the cash basis of accounting as defined in the standard or otherwise required by paragraphs 1.2.1(a) or 1.2.1(c) of the standard, such information should be disclosed in the notes to the financial statements.*

- 8.2.2 The general purpose financial statements comprises the statement of cash receipts and payments and other statements that disclose additional information about the cash receipts, payments and balances controlled by the entity and accounting policies and notes.

In accordance with the requirements of paragraph 1.2.1 (a) (i) of the standard, only cash receipts, cash payments and cash balances **controlled by the reporting entity** will be recognized as such in the statement of cash receipts and payments.

In accordance with the requirements of paragraph 1.2.1 (c) of the standard, the general purpose financial statements should include a comparison of budget and actual amounts as an additional financial statement or as a budget column in the statement of cash receipts and payments.

- 8.2.3 Paragraph 1.4.0 of the Standard requires disclosure on the face of the statement of cash receipts and payments of certain payments made by third parties on behalf of the reporting entity. Payments made by third parties will not satisfy the definition of cash,

cash payments and cash receipts as defined in paragraph 1.1.0 of the Standard and will not be presented as cash receipts and payments controlled by the reporting entity in the statement of cash receipts and payments or other statements that might be prepared by the reporting entity.

- 8.2.4 Notes to the financial statements include narrative descriptions or more detailed schedules or analyses of amounts shown on the face of the financial statements, as well as additional information. They include information required and encouraged to be disclosed by this Standard and can include other disclosures considered necessary to achieve a fair presentation and enhance accountability.
- 8.2.5 This Standard does not preclude an entity from including in its general purpose financial statements, statements in addition to the statement of cash receipts and payments as specified in paragraph 1.2.1. Consequently, general purpose financial statements may also include additional statements which, for example:
- (a) Report cash receipts, cash payments and cash balances for major fund categories such as the consolidated revenue fund; or
  - (b) Provide additional information about the sources and deployment of borrowings and the nature and type of cash payments; or
  - (c) Provide a comparison of actual and budget amounts.

In accordance with the requirements of paragraph 1.2.5 of the standard, any additional statements will only report cash receipts, payments and balances which are controlled by the entity.

### **8.3 Information to be presented in the Statement of Cash Receipts and Payments**

**8.3.0** *The statement of cash receipts and payments should present the following amounts for the reporting period:*

- (a) *Total cash receipts of the entity showing separately a sub classification of total cash receipts using a classification basis appropriate to the entity's operations;*
- (b) *Total cash payments of the entity showing separately a sub classification of total cash payments using a classification basis appropriate to the entity's operations; and*
- (c) *Beginning and closing cash balances of the entity.*

**8.3.1** *Total cash receipts and total cash payments, and cash receipts and cash payments for each sub-classification of cash receipt and payment, should be reported on a gross basis, except that cash receipts and payments may be reported on a net basis when:*

- (a) *They arise from transactions which the entity administers on behalf of other parties and which are recognized in the statement of cash receipts and payments; or*
- (b) *They are for items in which the turnover is quick, the amounts are large, and the maturities are short.*

**8.3.2** *Line items, headings and sub-totals should be presented in the statement of cash receipts and payments when such presentation is necessary to present fairly the entity's cash receipts, cash payments and cash balances.*

**8.3.3** The Cash Basis IPSAS as adopted by the Government of Liberia requires all entities to present a statement of cash receipts and payments which discloses beginning and closing cash balances of the entity, total cash receipts and total cash payments over the reporting period, and major sub-classifications thereof. This will ensure that the financial statements provide comprehensive information about the cash balances of the entity and changes therein over the period in a format that is accessible and understandable to users.

**8.3.4** Disclosure of information about such matters as the cash balances of the entity, whether cash is generated from taxes, fines, fees, and/or borrowings and whether it was expended to meet operating costs, for the acquisition of capital assets or for the retirement of debt will enhance transparency and accountability of financial reporting. These disclosures will also facilitate more informed analysis and assessments of the entity's current cash resources and the likely sources and sustainability of future cash inflows.

### **8.3.5 Classification**

The sub-classifications (or classes) of total cash receipts and payments which will be disclosed in accordance with paragraphs 1.3.0 and 1.3.2 are a matter of professional judgment. That judgment will be applied in the context of the objective and qualitative characteristics of financial reporting under the cash basis of accounting. Total cash receipts may be classified to, for example, separately identify cash receipts from: taxation or appropriation; grants and donations; borrowings; proceeds from the disposal of property, plant and equipment; and other ongoing service delivery and trading activities. Total cash payments may be classified to, for example, separately identify cash payments in respect of: ongoing service delivery activities including transfers to constituents or other governments or entities; debt reduction programs; acquisitions of property, plant and equipment; and any trading activities. Alternative presentations are also possible, for example total cash receipts may be classified by reference to their source and cash payments may be sub-classified by reference to either the nature of the payments or their function or program within the entity, as appropriate.

### **8.3.6 Line items, Headings and Sub-totals**

Factors to be taken into consideration in determining which line items, headings and sub-totals should be presented within each sub-classification in accordance with the requirements of paragraph 1.3.2 of the standard include: the requirements of other sections of the Standard (for example, paragraph 6.1.7 requires that total external assistance received in cash during the period be disclosed separately on the face of the Statement of Cash Receipts and Payments); assessments of the likely materiality of the disclosures to users; and the extent to which necessary explanations and disclosures are made in the notes to the financial statements.

### **8.3.7 Reporting on a Net Basis**

8.3.7.0 The Standard requires the reporting of cash receipts, payments and balances on a gross basis except in the circumstances identified by paragraph 1.3.1. Paragraphs 1.3.7.1 to 1.3.7.4 further elaborate on those circumstances in which reporting on a net basis may be justified.

8.3.7.1 Governments and government Agencies and other government entities may administer transactions and otherwise act as agents on behalf of others. These administered and agency transactions may encompass the collection of revenues on behalf of another entity, the transfer of funds to eligible beneficiaries or the safekeeping of monies on behalf of constituents. Examples of such activities may include:

- (a) The collection of taxes by one level of government for another level of government, not including taxes collected by a government for its own use as part of a tax sharing arrangement;
- (b) The acceptance and repayment of demand deposits of a financial institution;
- (c) Funds held for customers by an investment or trust entity;
- (d) Rents collected on behalf of, and paid over to, the owners of properties;
- (e) Transfers by a government department to third parties consistent with legislation or other government authority; and
- (f) Funds administered by a central entity under the “single account” basis for management of government expenditure (as referred to in paragraph 1.1.7)

8.3.7.2 In many cases, the cash an entity receives in respect of transactions it administers as an agent for others will be deposited in trust accounts for, or directly in the bank account of,

the ultimate recipients of the cash. In these cases, the entity will not control the cash it receives in respect of the transactions it administers and these cash flows will not form part of the cash receipts, cash payments or cash balances of the entity. However, in other cases the cash received will be deposited in bank accounts controlled by the entity acting as an agent and the receipt and transfer of that cash will be reported in the statement of cash receipts and payments of the entity.

8.3.7.3 In some cases, the amounts of the cash flows arising from administered transactions which “pass-through” the bank account of the reporting entity may be large relative to the entity’s own transactions, and control may occur for only a short time before the amounts are transferred to the ultimate recipients. This may also be true for other cash flows including for example, advances made for, and the repayment of:

- (a) The purchase and sale of investments; and
- (b) Other short-term borrowings, for example, those which have a maturity period of three months or less.

8.3.7.4 The recognition of these transactions on a gross basis may undermine the ability of the financial statements of some governments and government entities to communicate information about cash receipts and cash payments resulting from the entity’s own activities. Accordingly, the Standard permits cash receipts and cash payments to be offset and reported on a net basis in the statement of cash receipts and payments in the circumstances identified in paragraph above.

#### **8.4 Payments by Third Parties on Behalf of the Entity**

**8.4.0** *Where, during a reporting period, a third party directly settles the obligations of an entity or purchases goods and services for the benefit of the entity, the entity should disclose in separate columns on the face of the statement of cash receipts and payments:*

- (a) *Total payments made by third parties which are part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity’s operations; and*
- (b) *Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity’s operation.*

*Such disclosure should only be made when during the reporting period the entity has been formally advised by the third party or the recipient that such payment has been made or has otherwise verified the payment.*

8.4.1 Where a government manages the expenditure of its individual departments and other

entities through a centralized treasury function or a “single account” arrangement, payments are made on behalf of those departments and entities by a central entity after appropriate authorization and documentation from the department. In these cases, the department or other entity does not control cash inflows, cash outflows and cash balances. However, the department or other entity benefits from the payments being made on its behalf, and knowledge of the amount of these payments is relevant to users in identifying the cash resources the government has applied to the entity’s activities during the period. Consistent with paragraph 1.4.0 (a), the department or other entity reports in a separate column on the face of the statement of cash receipts and payments, the amount of payments made by the central entity on its behalf, and the sources and uses of the amount expended sub-classified on a basis appropriate for the department or other entity. These disclosures will enable users to identify the total amount of payments made, the purposes for which they were made and whether, for example, the payments were made from amounts allocated or appropriated from general revenue or from special purpose funds or other sources.

- 8.4.2 Where, government departments or other entities are established with their own bank accounts and control certain cash inflows, cash outflows and cash balances. Government directions or instructions may require one department or other government entity to settle certain obligations of another department or entity, or to purchase certain goods or services on behalf of another department or entity. Consistent with paragraph 1.4.0 (a) the reporting entity reports in a separate column on the face of the statement of cash receipts and payments the amount, sources and uses of such expenditures made on its behalf during the reporting period. This will assist users in identifying the total cash resources of the economic entity which have been applied to the entity’s activities during the reporting period, and the sources and uses of those cash resources.
- 8.4.3 In some cases, third parties which are not part of the economic entity to which the reporting entity belongs purchase goods or services on behalf of the entity or settle obligations of the entity. For example, the central government may fund the operation of a health or education program of one of the counties by directly paying service providers and acquiring and transferring to the other government the necessary supplies during the period. Similarly, an independent aid agency may pay a construction company directly for building a road for the government rather than providing the funds directly to the government itself. These payments may be made by way of a grant or other aid, or as a loan which is to be repaid. In these cases, the county does not receive cash (including cash equivalents) directly from, or gain control of a bank account or similar facility established for its benefit by, the other entity. Therefore, the amount settled or paid on its behalf does not constitute “cash” as defined in the Standard. However, the government benefits from the cash payments being made on its behalf.
- 8.4.4 Paragraph 1.4.0 (b) requires that an entity report in a separate column on the face of its statement of cash receipts and payments, the amount, sources and uses of expenditures made by third parties which are not part of the economic entity to which it belongs. This will enable users to identify the total cash resources being applied to the entity’s activities during the reporting period, and the extent to which those resources are provided from

parties which are, and which are not, part of the government to which the reporting entity belongs. In some cases, as at reporting date an entity may not be aware that payments have been made on their behalf by third parties during the reporting period. This may occur where the entity has not been formally advised of the third party payment or cannot otherwise verify that an expected payment has occurred. Paragraph 1.4.0 requires that third party payments only be disclosed on the face of the statement of cash receipts and payments when during the reporting period the entity has been formally advised that such payments have been made or otherwise verifies their occurrence.

8.4.5 The sub-classifications (or classes) of sources and uses of third party payments which will be disclosed in accordance with paragraphs 1.4.0 (a) and 1.4.0 (b) are a matter of professional judgment. The factors that will be considered in exercising that judgment are outlined in paragraph 1.3.5 of the Standard.

**8.5.0 Template of Financial Statements for Ministries and Agencies**

**8.5.1 Statement of Responsibilities of the Head of Ministry or Agency**

The Financial statements set out from page ... to page ... have been prepared in accordance with the provisions of the Public Financial Management Act, 2009 and in compliance with the Cash Basis International Public Sector Accounting Standard (Cash Basis IPSAS)

In accordance with the provisions of the Public Financial Management Act, 2009, I am responsible for the control of and accounting for funds controlled by (name of the reporting entity).

Under the provisions of the same Act, I am required to cause to be prepared, financial statements which are submitted to the Auditor General, four months after the end of the financial year to which the financial statements relate. Accordingly, I am pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide all the information and explanations as may be required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the Public Financial Management Act, 2009.

.....  
Head of Ministry or Agency [Name & Signature

.....

Date

**Management Discussion and Analysis on the Financial Statements by the Head of Ministry or Agency**

*[Give a specific one page commentary on financial performance and financial position of the entity. As a minimum, the commentary should include: performance against budget and the objectives of the entity, analysis of performance during the year, and reasons there from, accounting issues arising during the year, plus any comments that are relevant to understanding the financial performance and position of the particular entity].*

.....  
Head of Ministry or Agency [Name & Signature]

.....  
Date:

**Report of the Auditor General**

*[Space reserved for the Report of the Auditor General]*

## 8.5.2 Statement of Cash Receipts and Payments of a Ministry or Agency

(Where the Ministry or Agency controls its own accounts)

### MINISTRY OF HEALTH OF THE REPUBLIC OF LIBERIA

(THIS ENTITY CONTROLS ITS OWN BANK ACCOUNT AND ALSO BENEFITS FROM PAYMENTS MADE BY THIRD PARTIES.)

#### STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR ENDED JUNE 30<sup>TH</sup> 200X

	Note	200X			200X-1		
(in thousands of currency units)		Receipts/ (Payments) controlled by entity	Payments by other government entities	Payments by external third parties	Receipts/ (Payments) controlled by entity	Payments by other government entities	Payments by external third parties
<b>RECEIPTS</b>							
Authorized allocations/Appropriations		X	X	-	X	X	-
Other receipts		X	-	-	X	-	-
<i>External Assistance:</i>							
Grants from Multilateral Agencies		X		X	X		X
Grants from Bilateral Agencies		X		X	X		X
Borrowings from Multilateral Agencies		X					
Borrowings from Bilateral Agencies :		X			X		
Other Grants and Aid		X		X	X		X
Other Borrowings		X		X	X		X
<b>Total receipts</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>PAYMENTS</b>							
<i>Operations:</i>							
Wages, salaries and employee benefits		(X)	-	-	(X)	-	-
Supplies and consumables		(X)	(X)	-	(X)	(X)	-
<i>Transfers:</i>							

Grants				(X)			(X)
Other transfer Payments			(X)			(X)	
<b>Capital Expenditures :</b>							
Purchase/construction of property, plant and equipment		(X)		(X)	(X)		(X)
Purchase of financial instruments		(X)			(X)		
<b>Loan and Interest Repayments :</b>							
Repayment of borrowings		(X)			(X)		
Interest payments		(X)			(X)		
<b>Other payments</b>		<u>(X)</u>			<u>(X)</u>		
<b>Total payments</b>		<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
<b>Increase/(Decrease) in Cash</b>		X			X		
<b>Cash at beginning of year</b>		X			X		
<b>Foreign Currency translation Difference*</b>		X			X		
<b>Cash at end of year</b>		<u>X</u>			<u>X</u>		

\* Foreign currency difference is here only for reconciliation purposes.

### 8.5.3 Statement of Cash Receipts and Payments of a Ministry or Agency

#### DEPARTMENT (MINISTRY OF HEALTH) OF THE REPUBLIC OF LIBERIA

(The government operates a centralized single account system– the entity does not control amounts appropriated for its use.)

#### STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR ENDED 30TH JUNE, 200X

		200X	200X	200X-1	200X-1
	NOTE	Treasury Account/ Single control Account	Payments by external third parties	Treasury Account/ Single control Account	Payments by external third parties

(in thousands of currency units)					
<b>RECEIPTS</b>					
Authorized allocations/Appropriations		X	-	X	-
Other receipts		X	-	X	-
<b>External Assistance:</b>					
Grants from Multilateral Agencies		X	X	X	X
Grants from Bilateral Agencies		X	X	X	X
Borrowings from Multilateral Agencies		X			
Borrowings from Bilateral Agencies :		X		X	
Other Grants and Aid		X	X	X	X
Other Borrowings		X	X	X	X
<b>Total receipts</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>PAYMENTS</b>					
<b>Operations:</b>					
Wages, salaries and employee benefits		(X)	-	(X)	-
Supplies and consumables		(X)	-	(X)	-
<b>Transfers:</b>					
Grants			(X)		(X)
Other transfer Payments					
<b>Capital Expenditures :</b>					
Purchase/construction of property, plant and equipment		(X)	(X)	(X)	(X)
Purchase of financial instruments		(X)		(X)	

<b><i>Loan and Interest Repayments :</i></b>					
Repayment of borrowings		(X)		(X)	
Interest payments		(X)		(X)	
<b><i>Other payments</i></b>		<u>(X)</u>		<u>(X)</u>	
<b>Total payments</b>		<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
<b>Increase/(Decrease) in Cash</b>		X		X	
<b>Cash at beginning of year</b>		X		X	
<b>Foreign Currency translation Difference*</b>		X		X	
<b>Cash at end of year</b>		<u>X</u>		<u>X</u>	

## 8.6.0 Accounting Policies and Explanatory Notes

### 8.6.1 Structure of the Notes

The notes to the financial statements of an entity should:

- (a) Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and
- (b) Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances.

Notes to the financial statements should be presented in a systematic manner. Each item on the face of the statement of cash receipts and payments and other financial statements should be cross referenced to any related information in the notes.

### Selection and Disclosure of Accounting Policies

8.6.2 General purpose financial statements should present information that is:

- (a) *Understandable;*
- (b) *Relevant to the decision-making and accountability needs of users; and*
- (c) *Reliable in that it:*
  - (i) *Represents faithfully the cash receipts, cash payments and cash balances of the entity and the other information disclosed;*

(ii) *Is neutral, that is, free from bias; and*

(iii) *Is complete in all material respects.*

8.6.3 The quality of information provided in general purpose financial statements determines the usefulness of that statement to users. Paragraph 1.5.2 of the standard requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. Appendix 4 of the Standard summarizes the qualitative characteristics of financial reporting. The appendix also notes that the timeliness of information may impact upon both the relevance and reliability of the financial information. The maintenance of complete and accurate accounting records during the reporting period is essential for timely production of the general purpose financial statements and for effective management of public finances.

***8.6.4 The accounting policies section of the notes to the financial statements should describe each specific accounting policy that is necessary for a proper understanding of the financial statements, including the extent to which the entity has applied any transitional provisions in the Standard.***

***8.6.5 Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.***

8.6.6 In deciding whether a specific accounting policy should be disclosed, management considers whether disclosure would assist users in understanding the way in which transactions and events are reflected in the reported cash receipts, payments and balances. An accounting policy may be significant even if amounts shown for current and prior periods are not material. Paragraph 1.2.0 of this Standard specifies that general purpose financial statements include accounting policies and explanatory notes. Consequently, the requirements of paragraph 1.5.4 above also apply to notes to the financial statements.

8.6.7 Where an entity elects to include in its financial statements any disclosures encouraged in part 2 of this standard, those disclosures should comply with the requirements of paragraph 1.5.2 above.

8.6.8 Part 2 of this Standard encourages the disclosure of additional information in notes to the financial statements. Where such disclosures are made, they will need to be understandable and to satisfy the other qualitative characteristics of financial information.

## **8.6.9 Template of Notes to the Financial Statements**

### **1. General Information and Accounting Policies**

The principal address of the reporting entity is:

Ministry of Health  
Capital Bypass  
Monrovia  
Liberia

### **Accounting Policies**

These are the specific principles, bases, conventions, rules and practices adopted by the Government of the Republic of Liberia in preparing and presenting the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**(a) Basis of preparation**

These financial statements have been prepared in accordance with the requirements of the Public Financial Management Act, 2009 and comply with the Cash Basis International Public Sector Accounting Standard (Cash Basis IPSAS): Financial Reporting under the Cash Basis of Accounting.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The accounting policies adopted have been consistently used throughout.

**(b) Reporting entity**

The financial statements are for the (state the name of the Ministry or Agency)

**(c) Reporting currency and translation of foreign currencies**

**(i) Functional and presentation currency**

The functional currency is (state the reporting currency) and the reporting currency is the (state the reporting currency), which is the legal tender of the Republic of Liberia. Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates.

**(ii) Translation of transactions in foreign currency**

Foreign currency transactions are translated into (state the reporting currency) using the exchange rates prevailing at the dates of the transactions. Closing monetary balances are translated into the reporting currency using the closing rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

**(d) Reporting Period**

The reporting period for these financial statements is the financial year of the Government, which runs from 1 July 200X to the 30 June 200X.

**(e) Payments by Third Parties**

The Ministry or Agency also benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the period by way of loans and contributions. The payments made by the third parties do not constitute cash receipts or payments by the Ministry or Agency but do benefit it. They are disclosed in the *Payments by third parties* column in the Statement of Cash Receipts and Payments and other financial statements.

**(f) Receipts**

Receipts represent cash received by the entity during the financial year and comprise Authorised allocation/appropriations, Grants, Borrowings and Other receipts.

Receipts are recognized as follows:

**(i) Authorised allocations**

Authorised allocations are recognized when they are received and under the control of the Ministry or Agency.

**(ii) Grants and Borrowings**

Grants and Borrowings are recognized when received. Similarly, grants/transfers to other entities of government are recognized when disbursement is made.

**(iii) Other Receipts**

Other receipts are recognised when received and under the control of the Ministry or Agency.

**(g) Expenses**

In general, all expenses are recognised in the statement of Cash Receipts and Payments when paid for. However in the Statement of Financial Performance, expenses are recognised when incurred. Expenses incurred but not paid for are recognised in the Statement of Financial Position as a liability.

**(h) Property, Plant and Equipments (physical assets or fixed assets)**

Property, plant and equipment principally comprises land, buildings, plant, vehicles, equipments, and any other capital assets controlled by the Ministry or Agency..

Under government's cash basis of accounting, purchases of property, plant and equipments are expensed fully in the year of purchase. However, a memorandum record is maintained in the Fixed Asset Registers at historical cost for all non-current assets of the Ministry or Agency.

Unrealized gains or losses arising from changes in the values of property, plant and equipments are not recognized in the financial statements. Proceeds from disposal of property, plant and equipment are recognized as non-tax receipt in the period in which it is received.

**(i) Other policy notes**

Other policy notes relating to encouraged disclosures may be included. Examples can be found in part 2 of this Standard (The encouraged disclosures)

**2. Cash**

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks and investments in short-term money market instruments.

Cash included in the statement of cash receipts and payments comprise the following amounts: (in thousands of currency units)

	<b>200X</b>	<b>200X-1</b>
Cash on hand and balances with banks	X	X
Short-term investments	<u>X</u>	<u>X</u>
	<u><b>X</b></u>	<u><b>X</b></u>

Included in the amount stated above is X currency units provided by the International Agency (name of agency) that is restricted to the construction of road infrastructure.

State the composition of cash held in other currencies.

**3. Borrowings**

Borrowings comprise cash inflows from banks, similar lending agencies and commercial institutions and amounts owing in respect of non-cash assistance provided by third parties.

Borrowings are initially recorded in the Statement of Financial Position at cost net of any transaction costs paid.

Interest expense or income on borrowings is recognized in the Statement of Cash Receipts and Payments as well as the Statement of Financial Performance only when paid or received.

**4. Other Receipts**

Included in other receipts are fees, fines, penalties and miscellaneous receipts.

**5. Other Payments/Expenditure**

Included in other payments are dividends, distributions paid, legal settlements of lawsuits and miscellaneous payments.

**6. Undrawn Borrowing Facilities Other than Undrawn External Assistance**

<i>(See note 10 for undrawn external assistance)</i>		
(in thousands of currency units)	<b>200X</b>	<b>200X-1</b>
<b>Movement in Undrawn Borrowing Facilities</b>		
Undrawn borrowing facilities at 30/06/X-1	X	X
Additional loan facility	X	X
Total available	X	X
Amount drawn	(X)	(X)
Facility closure/cancellations	(X)	(X)
Undrawn borrowing facilities at 30.06.0X.	<u>X</u>	<u>X</u>
<b>Undrawn Borrowing Facilities</b>		
Commercial Financial Institutions	X	X
Total undrawn borrowing facilities	<u>X</u>	<u>X</u>

**7. Significant Controlled Entities**

Entity	Jurisdiction
Entity A	X
Entity B	X
Entity C	X
Entity D	X

**8. Authorization Date**

The financial statement was authorized for publication on 30<sup>TH</sup> September 200X by Hon (name of the Head of Ministry or Agency), The (title of the Head of Ministry or Agency).

**9. Original and Final Approved Budget and Comparison of Actual and Budget Amounts**

The approved budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period (from 1 July 200X-1 to 30 June 200X) as for the financial statements. It encompasses the same entities as the consolidated financial statement – these are identified in Note 7 above.

The original budget was approved by legislative action on (date) and a supplemental appropriation of XXX for disaster relief support was approved by legislative action on (date) due to the earthquake in the ABC County on (date). The original budget objectives and policies, and subsequent revisions are explained more fully in the Operational Review and Budget Out-turn Report issued in conjunction with the financial statements.

The excess of actual expenditure over the final budget of 15% (25% over original budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences.

**10. External Assistance**

**Payment by Third Parties**

All payments made by third parties are made by third parties which are not part of the economic entity.

**External Assistance**

External assistance was received in the form of loans and grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance will be utilized. The following amounts are presented in the reporting currency of the entity.

<b>Loan Funds</b>	<b><u>200X</u></b>	<b><u>200X-1</u></b>
	<b>Total</b>	<b>Total</b>
Multilateral Agencies	X	X
Bilateral Agencies	X	X

Total	<u>X</u>	<u>X</u>
<b>Grant Funds</b>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
<b>Total External Assistance</b>	<u>X</u>	<u>X</u>

### **Non Compliance with significant terms and conditions and rescheduled and cancelled debt**

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of external assistance loans.

External assistance grants of X domestic currency units were cancelled during the reporting period. The cancellation resulted from over estimation of the cost of specified development projects and consequentially expenditure of an amount less than that committed for the period by the donor entity.

### **Undrawn External Assistance**

Undrawn external assistance loans and grants at reporting date are amounts specified in a binding agreement which relate to funding for projects currently under development, where conditions have been satisfied, and their ongoing satisfaction is highly likely, and the project is anticipated to continue to completion.

<b>Loans</b>	<b>Loans</b>	<b>Grants</b>	<b>Loans</b>	<b>Grants</b>
<b>200X</b>	<b>200X</b>	<b>200X</b>	<b>200X-1</b>	<b>200X-1</b>
Closing balance in reporting currency	X	X	X	X

The significant terms and conditions that determine or affect access to the amount of undrawn assistance relate to the achievement of the following specified construction targets for development of medical and education infrastructure: (Entity to identify significant construction targets).

## 8.7 Illustrations

### 8.7.1 Question 1

The following information was released by the office of the Accountant General of the Ministry of Finance, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual:

Income Received is made up as follows:

	USD	Liberian Dollar
Import Duties on food and food products	6,200,000	
Export Taxes on rubber	2,550,000	
Excise Taxes	1,710,000	
Corporate Income Tax	200,000	12,000,000
Rubber Sales Tax Income	40,000	
Maritime Registration Charges	1,800,000	
Maritime Tonnage Tax	700,000	
Import Duty on Petroleum products	200,000	
Import Duty on Machinery and Equipment	80,000	15,000,000
Petroleum Sales Tax	50,000	13,000,000
Social Security Contributions	40,000	10,000,000
Court Fees	35,000	
Court Fines	45,000	

Other Fees and Charges	45,000	
Business Registration Fees	22,500	5,000,000
Domestic Sales Tax on food and food products	1,300,000	
Airport Service Fees and Charges	1,400,000	
Vehicle License Plate Fees	150,000	
Rent of Government Property	130,000	
Interest on Investments	210,000	
Dividends on shares of public enterprises	311,000	
Interest on GOL balances at CBL	215,000	
Withholding on Wages and Salary	300,000	
Withholding on Rental Income	250,000	
Current Grants from Foreign Governments	4,500,000	
Capital Grants from Foreign Governments	8,000,000	
Current Grants from Multilateral Organizations	6,000,000	
Capital Grants from multilateral Organizations	6,800,000	

Loans from Foreign countries	8,500,000	
Loans from Multilateral Organizations	3,500,000	

The expenses of the Ministry were also summarized as follows:

Item	US Dollars	Liberian Dollars
Personnel Expenses- Ministry of Health	3,000,000	4,000,000
Personnel Expenses- Ministry of Education	5,500,000	15,000,000
Personnel Expenses- Ministry of Finance	8,423,500	20,000,000
General Allowances	200,000	
Special Allowances	300,000	
Professional Fees	750,000	
Foreign Travel Expenses	350,000	
Foreign Daily Subsistence Allowance	450,000	
Domestic Travel Expenses		12,000,000
Domestic Daily Subsistence Allowance		15,000,000
Electricity Charges	350,000	
Water Bills	10,000	
Telephone Internet and Postage Expenses	20,000	

Transport Maintenance and Fuel Expenses	280,000	
Routine Repairs and Maintenance	100,000	
General Office Materials and Services	150,000	
Public Celebrations and Conferences	308,500	
Purchase of Vehicles	2,200,000	
Purchase of computers and Office Equipment	1,550,000	
Purchase of Office Furniture	1,200,000	
Roads and Bridges	29,883,500	
Interest on Foreign Loans	500,000	
Interest on Multilateral Loans	200,000	
Transfer to Ministry of Health	12,000,000	
Transfer to Ministry of Education	8,000,000	

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	150,000	1,350,000
Cash Balance-1/7/09	200,000	850,000

Bank Account Balances- 1/7/08	800,000	12,500,000
Bank Account Balances- 1/7/09	500,000	2,000,000

Other Notes:

- d) The Swedish Government paid US \$ 1,500,000 to consultants as consultancy fees for the development of the Integrated Financial Management Information System. This was a supplement to the US\$5,000,000 Paid to the consultants by the World Bank.
- e) The African Development Bank paid the professional fees of consultants that were seconded to the Ministry of Finance to provide training on the Public Finance Management Reforms, amounting to US\$1, 500,000
- f) Assume that all receipts and payments were made in four equal installments quarterly.
- g) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/10/08	67.00	1.00
1/01/09	70.00	1.00
1/04/09	75.00	1.00
1/07/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Finance in accordance with the Cash Basis IPSAS as adopted by the Government of Liberia.

**8.7.2 Solution to Q1**

We first classify the transactions into the appropriate headings as done below:

	US\$	L\$
11 Tax Revenue		
Import Duties on food and food products	6,200,000.00	
Export Taxes on rubber	2,550,000.00	
Excise Taxes		

		1,710,000.00	
	Corporate Income Taxes	200,000.00	
	Rubber Sales tax income	40,000.00	
	Maritime Registration Charges	1,800,000.00	
	Maritime Tonnage Tax	700,000.00	
	Import Duties on Petroleum products	200,000.00	
	Import Duties on Machinery and Equipment	80,000.00	
	Petroleum Sales Tax	50,000.00	
	Business Registration Fees	22,500.00	6,000,000.00
	Domestic Sales Tax on Food and Food Products	1,300,000.00	10,000,000.00
	Airport Service fees and charges	1,400,000.00	
	Vehicle License Plates fees	150,000.00	
	Withholding on wages and salary	300,000.00	40,000,000.00
	Withholding on rental Income	250,000.00	5,000,000.00
		<b>16,952,500.00</b>	<b>61,000,000.00</b>
12	Social Contribution	<b>40,000.00</b>	<b>100,000,000.00</b>
14	Other Receipts		
	Court Fees	35,000.00	4,000,000.00
	Court Fines	45,000.00	
	Other Fees and Charges	45,000.00	
	Rent of Government Property	130,000.00	
	Interest on Investment	210,000.00	
	Dividends on Shares of Public Enterprises	311,000.00	
	Interest on GOL Balances at CBL	215,000.00	

		<b>991,000.00</b>	4,000,000.00
	External Assistance:		
13	Grants from Multilateral Agencies		
	Current Grants from Multilateral Organizations	6,000,000.00	
	Capital Grants from Multilateral Organizations	6,800,000.00	
		<b>12,800,000.00</b>	
13	Grants from Bilateral Agencies		
	Current Grants from Foreign Governments	4,500,000.00	
	Capital Grants from Foreign Governments	8,000,000.00	
		<b>12,500,000.00</b>	
	Borrowings from Multilateral Agencies	3,500,000.00	
	Borrowings from Bilateral Agencies	8,500,000.00	
	Total Receipts	55,283,500.00	165,000,000.00
	Expenses		
21	Compensation of Employees		
	Personnel Expenses - Ministry of Health	3,000,000.00	4,000,000.00
	Personnel Expenses - Ministry of Education	5,500,000.00	15,000,000.00
	Personnel Expenses - Ministry of Finance	8,423,500.00	20,000,000.00
	General Allowances	200,000.00	
	Special Allowances	300,000.00	
	Professional Fees	750,000.00	
		<b>18,173,500.00</b>	<b>39,000,000.00</b>
22	Goods and Services		
	Foreign Travel Expenses	350,000.00	
	Foreign Daily Subsistence Allowance	450,000.00	

	Domestic Travel Expenses		12,000,000.00
	Domestic Daily Subsistence Allowance		15,000,000.00
	Electricity Charges	350,000.00	
	Water Bills	10,000.00	
	Telephone, Internet and Postage Expenses	20,000.00	
	Transport, Maintenance and fuel Expenses	280,000.00	12,000,000.00
	Routine Repairs and maintenance	100,000.00	
	General Office Materials and Services	150,000.00	
	Public Celebrations and Conferences	308,500.00	15,000,000.00
		<b>2,018,500.00</b>	<b>54,000,000.00</b>
23	Consumption on Fixed Assets		
	Purchase of Vehicles	2,200,000.00	
	Purchase of computer and Office Equipment	1,550,000.00	
	Purchase of Office Furniture	1,200,000.00	
	Roads and Bridges	10,000,000.00	
		<b>14,950,000.00</b>	-
24	Interest on Foreign Loans	500,000.00	
24	Interest on Multilateral Loans	200,000.00	
25	Transfers		
	Transfers to Ministry of Health	12,000,000.00	
	Transfers to Ministry of Education	8,000,000.00	
		<b>20,000,000.00</b>	
	Total Payments	55,842,000.00	93,000,000.00

The total receipts are distributed in four equal quarterly installments and each quarters receipt multiplied by the appropriate exchange rate to obtain the LD equivalent.

<b>QUARTERLY DISTRIBUTION OF US DOLLARS TRANSACTIONS</b>					
	Q1	Q2	Q3	Q4	Total
Tax Revenue	4,238,125	4,238,125	4,238,125	4,238,125	16,952,500
Social Contribution	10,000	10,000	10,000	10,000	40,000
Other receipts	247,750	247,750	247,750	247,750	991,000
Grants From Multilateral Agency	3,200,000	3,200,000	3,200,000	3,200,000	12,800,000
Grants From Bilateral Agency	3,125,000	3,125,000	3,125,000	3,125,000	12,500,000
Borrows From Multilateral Agency	875,000	875,000	875,000	875,000	3,500,000
Borrows From Bilateral Agency	2,125,000	2,125,000	2,125,000	2,125,000	8,500,000
Swedish Government Grant	375,000	375,000	375,000	375,000	1,500,000
ADB Grants	375,000	375,000	375,000	375,000	1,500,000
World Bank Grant	1,250,000	1,250,000	1,250,000	1,250,000	5,000,000
Compensation of Employees	4,543,375	4,543,375	4,543,375	4,543,375	18,173,500
Goods and Services	504,625	504,625	504,625	504,625	2,018,500
Consumption on Fixed Assets	8,708,375	8,708,375	8,708,375	8,708,375	34,833,500
Interest on Foreign Loans	125,000	125,000	125,000	125,000	500,000
Interest on Multilateral Loans	50,000	50,000	50,000	50,000	200,000
Transfers	5,000,000	5,000,000	5,000,000	5,000,000	20,000,000

Quarter	Rate
Q1	67
Q2	70
Q3	75
Q4	70

US DOLLARS TRANSACTIONS	Q1	Q2	Q3	Q4	Total
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**TRANSLATED INTO LIBERIAN DOLLAR**

Tax Revenue	283,954,375	296,668,750	317,859,375	296,668,750	1,195,151,250
Social Contribution	670,000	700,000	750,000	700,000	2,820,000
Other receipts	16,599,250	17,342,500	18,581,250	17,342,500	69,865,500
Grants From Multilateral Agency	214,400,000	224,000,000	240,000,000	224,000,000	902,400,000
Grants From Bilateral Agency	209,375,000	218,750,000	234,375,000	218,750,000	881,250,000
Borrows From Multilateral Agency	58,625,000	61,250,000	65,625,000	61,250,000	246,750,000
Borrows From Bilateral Agency	142,375,000	148,750,000	159,375,000	148,750,000	599,250,000
Swedish Government Grant	25,125,000	26,250,000	28,125,000	26,250,000	105,750,000
ADB Grants	25,125,000	26,250,000	28,125,000	26,250,000	105,750,000
World Bank Grant	83,750,000	87,500,000	93,750,000	87,500,000	352,500,000
Compensation of Employees	304,406,125	318,036,250	340,753,125	318,036,250	1,281,231,750
Goods and Services	33,809,875	35,323,750	37,846,875	35,323,750	142,304,250
Consumption on Fixed Assets	583,461,125	609,586,250	653,128,125	609,586,250	2,455,761,750
Interest on Foreign Loans	8,375,000	8,750,000	9,375,000	8,750,000	35,250,000
Interest on Multilateral Loans	3,350,000	3,500,000	3,750,000	3,500,000	14,100,000
Transfers	335,000,000	350,000,000	375,000,000	350,000,000	1,410,000,000

**TRANSLATION OF LD TRANSACTIONS INTO USD**

**QUARTERLY DISTRIBUTION OF LIBERIAN DOLLARS TRANSACTIONS**

	Q1	Q2	Q3	Q4	Total
Tax Revenue	11,250,000	11,250,000	11,250,000	11,250,000	45,000,000
Social Contribution	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
Compensation of Employees	9,750,000	9,750,000	9,750,000	9,750,000	39,000,000

Goods and Services	6,750,000	6,750,000	6,750,000	6,750,000	27,000,000
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**LIBERIAN DOLLARS TRANSACTIONS  
TRANSLATED INTO US DOLLAR**

	Q1	Q2	Q3	Q4	Total
Tax Revenue	167,910	160,714	150,000	160,714	639,339
Social Contribution	37,313	35,714	33,333	35,714	142,075
Compensation of Employees	145,522	139,286	130,000	139,286	554,094
Goods and Services	100,746	96,429	90,000	96,429	383,603

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total			Cash	Bank	Total	
Beginning balance	150,000	800,000	950,000	61,750,000		1,350,000	12,500,000	13,850,000	213,076.92
Ending Balance	200,000	500,000	700,000	49,000,000		850,000	2,000,000	2,850,000	40,714.29

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Beginning balance	950,000	213,077	1,163,076.92	13,850,000.00	61,750,000	75,600,000.00
Ending Balance	700,000	40,714	740,714.29	2,850,000.00	49,000,000	51,850,000.00

**Summary of Translated Transactions**

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Tax Revenue	16,952,500	639,339	17,591,839	45,000,000	1,195,151,250	1,240,151,250
Social Contribution	40,000	142,075	182,075	10,000,000	2,820,000	12,820,000
Other receipts	991,000		991,000		69,865,500	69,865,500
Grants From Multilateral Agency	12,800,000		12,800,000		902,400,000	902,400,000
Grants From Bilateral Agency	12,500,000		12,500,000		881,250,000	881,250,000
Borrows From Multilateral Agency	3,500,000		3,500,000		246,750,000	246,750,000

Borrows From Bilateral Agency Swedish Government Grant	8,500,000		8,500,000		599,250,000	599,250,000
ADB Grants	1,500,000		1,500,000		105,750,000	105,750,000
World Bank Grant	5,000,000		5,000,000		352,500,000	352,500,000
Compensation of Employees	18,173,500	554,094	18,727,594	39,000,000	1,281,231,750	1,320,231,750
Goods and Services Consumption on Fixed Assets	2,018,500	383,603	2,402,103	27,000,000	142,304,250	169,304,250
Interest on Foreign Loans	34,833,500		34,833,500		2,455,761,750	2,455,761,750
Interest on Multilateral Loans	500,000		500,000		35,250,000	35,250,000
Transfers	200,000		200,000		14,100,000	14,100,000
	20,000,000		20,000,000		1,410,000,000	1,410,000,000

The next step is to prepare the cash book. This step will help us establish any exchange difference that arises from the translations. We debit the cash book with all receipts and credit it with all payments. We also bring into the cash book the opening and closing cash balances. Any resulting difference is an exchange gain or loss. It is an exchange gain when the difference is at the debit side of the cash book and a loss when the difference is at the credit side of the cash book.

The figures to be used for the cash book are the summarized translated figures.

<b>MINISTRY OF FINANCE</b>				
<b>CASH BOOK</b>				
<b>FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009</b>				
	<b>DEB IT</b>		<b>CREDIT</b>	
	US \$	LD \$	US \$	LD \$
Bal b/d	1,163,077	75,600,000		
Tax Revenue	17,591,839	1,240,151,250		
Social Contribution	182,075	12,820,000		
Other receipts	991,000	69,865,500		
Grants From Multilateral Agency	12,800,000	902,400,000		
Grants From Bilateral Agency	12,500,000	881,250,000		
Borrows From Multilateral Agency	3,500,000	246,750,000		
Borrows From Bilateral Agency	8,500,000	599,250,000		

Compensation of Employees			18,727,594	1,320,231,750
Goods and Services			2,402,103	169,304,250
Consumption on Fixed Assets			34,833,500	2,455,761,750
Interest on Foreign Loans			500,000	35,250,000
Interest on Multilateral Loans			200,000	14,100,000
Transfers			20,000,000	1,410,000,000
Bal c/d			740,714	51,850,000
Foreign Translation Gain	<u>20,175,920</u>	<u>1,428,411,000</u>		
	<u>77,403,912</u>	<u>5,456,497,750</u>	<u>77,403,912</u>	<u>5,456,497,750</u>

**MINISTRY OF FINANCE**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

NOTES	FY 2009					
	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Tax Revenue	17,591,839	1,240,151,250				
Social Contribution	182,075	12,820,000				
Other receipts	991,000	69,865,500	-	-	-	-
<b>External Assistance:</b>	-	-	-	-	-	-
Grants From Multilateral Agency	12,800,000	902,400,000	-	-	6,500,000	458,250,000
Grants From Bilateral Agency	12,500,000	881,250,000	-	-	1,500,000	105,750,000
Borrows From Multilateral Agency	3,500,000	246,750,000				
Borrows From Bilateral Agency	8,500,000	599,250,000				
<b>Total Receipt</b>	<b>56,064,914</b>	<b>3,952,486,750</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>564,000,000</b>
	-	-	-	-	-	-
<b>PAYMENTS</b>	-	-	-	-	-	-
Operations:	-	-	-	-	-	-

Wages, Salaries and Employees Benefits	18,727,594	1,320,231,750	-	-	-	-
Supplies and Consumables	2,402,103	169,304,250	-	-	8,000,000	564,000,000
	-	-	-	-	-	-
<b>TRANSFERS</b>	-	-	-	-	-	-
Other Transfers payments	20,000,000	1,410,000,000	-	-	-	-
	-	-	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>	-	-	-	-	-	-
Purchase/ Construction of property, plant & Equipment	34,833,500	2,455,761,750	-	-	-	-
	-	-	-	-	-	-
<b>LOANS AND INTEREST REPAYMENTS:</b>	-	-	-	-	-	-
Repayments of borrowings	-	-	-	-	-	-
Interest payments	700,000	49,350,000	-	-	-	-
<b>OTHER PAYMENTS</b>	-	-	-	-	-	-
<b>Total Payments</b>	<b>76,663,197</b>	<b>5,404,647,750</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>564,000,000</b>
<b>Increase/ (decrease) in Cash</b>	<b>(20,598,283)</b>	<b>(1,452,161,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	-	-	-	-	-	-
<b>Cash at the beginning of the year</b>	1,163,077	75,600,000	-	-	-	-
<b>Foreign currency translation gain</b>	20,175,920	1,428,411,000	-	-	-	-

**Cash at the End of the year**

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740,714	51,850,000	-	-	-	-
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#### 8.6.4 Q2

The following information was released by the office of the Accountant General of the Ministry of Health, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual:

Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the GOL	10,000,000	
Pool Fund-DFID	3,000,000	
Project Fund-World Bank Grant	3,500,000	
Grants from the Government of China	2,000,000	
Grants form International NGO's and Others	1,500,000	14,800,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	4,500,000	6,000,000
Goods & Services	7,500,000	10,000,000
Transfers & Subsidies	4,100,000	
Capital Expenditure	3,700,000	

The following Balances were outstanding:

Item	USD	Liberian

		Dollar
Cash Balance-1/7/08	100,000	100,000
Cash Balance-1/7/09	400,000	150,000
Bank Account Balances- 1/7/08	1,300,000	2,000,000
Bank Account Balances- 1/7/09	800,000	750,000

Other Notes:

- a) The Us Government paid US \$ 2,000,000 to suppliers and consultants to facilitate HIV /AIDS sensitization on behalf of the Ministry of Health of the Government of Liberia
- b) WHO paid the professional fees of consultants that were seconded to the Ministry of Health amounting to US\$500,000
- c) Two thirds of the Personnel Expenses were paid by the Ministry of Finance on behalf of the Ministry of Health.
- d) Assume that all receipts and payments were made in four equal installments quarterly in advance.
- e) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/10/08	67.00	1.00
1/01/09	70.00	1.00
1/04/09	75.00	1.00
1/07/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Health in accordance with the Cash BASIS IPSAS as adopted by the Government of Liberia.

## 8.6.5 Solution to Q2

### Quarterly distribution of receipts and payments done in USD

	Q1	Q2	Q3	Q4	Total
Transfer from GOL	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
Pool Fund (DFID)	750,000	750,000	750,000	750,000	3,000,000
Project Fund - World Bank Grant	875,000	875,000	875,000	875,000	3,500,000
Grants from the Gov't. of China	500,000	500,000	500,000	500,000	2,000,000
Grants from International NGOs and others	375,000	375,000	375,000	375,000	1,500,000
Personnel Expenses	1,125,000	1,125,000	1,125,000	1,125,000	4,500,000
Goods and Services	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000
Transfers and Subsidies	1,025,000	1,025,000	1,025,000	1,025,000	4,100,000
Capital Expenditure	925,000	925,000	925,000	925,000	3,700,000
US Grant	500,000	500,000	500,000	500,000	2,000,000
WHO Grant	125,000	125,000	125,000	125,000	500,000

Quarter	Rate
Q1	65
Q2	67
Q3	70
Q4	75
closing rate	70

### USD TRANSACTIONS TRANSLATED INTO LIBERIAN DOLLAR

	Q1	Q2	Q3	Q4	Total
Transfer from GOL	162,500,000	167,500,000	175,000,000	187,500,000	692,500,000
Pool Fund (DFID)	48,750,000	50,250,000	52,500,000	56,250,000	207,750,000
Project Fund - World Bank Grant	56,875,000	58,625,000	61,250,000	65,625,000	242,375,000
Grants from the Govt of China	32,500,000	33,500,000	35,000,000	37,500,000	138,500,000
Grants from International NGOs and others	24,375,000	25,125,000	26,250,000	28,125,000	103,875,000

Personnel Expenses	73,125,000	75,375,000	78,750,000	84,375,000	311,625,000
Goods and Services	121,875,000	125,625,000	131,250,000	140,625,000	519,375,000
Transfers and Subsidies	66,625,000	68,675,000	71,750,000	76,875,000	283,925,000
Capital Expenditure	60,125,000	61,975,000	64,750,000	69,375,000	256,225,000
US Grant	32,500,000	33,500,000	35,000,000	37,500,000	138,500,000
WHO Grant	8,125,000	8,375,000	8,750,000	9,375,000	34,625,000

**Quarterly Distribution of receipts and payments done in LD**

	Q1	Q2	Q3	Q4	Total
Personnel Expenses	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
Goods and Services	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
Grants from International NGOs and Others	3,700,000	3,700,000	3,700,000	3,700,000	14,800,000

**LD TRANSACTIONS TRANSLATED INTO US DOLLAR**

	Q1	Q2	Q3	Q4	Total
Personnel Expenses	23,077	22,388	21,429	20,000	86,894
Goods and Services	38,462	37,313	35,714	33,333	144,823
Grants from International NGOs and Others	56,923	55,224	52,857	49,333	214,337

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total	Cash		Bank	Total		
Beginning balance	100,000	1,300,000	1,400,000	91,000,000	100,000	2,000,000	2,100,000	32,308	
Ending Balance	400,000	800,000	1,200,000	84,000,000	150,000	750,000	900,000	12,857	

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Beginning balance	1,400,000	32,308	<b>1,432,308</b>	2,100,000	91,000,000	<b>93,100,000</b>
Ending Balance	1,200,000	12,857	<b>1,212,857</b>	900,000	84,000,000	<b>84,900,000</b>

### Summary of Translated Transactions

	Original USD	Translated USD	Total USD	Original LD	Translated LD	Total LD
Transfer from GOL	10,000,000		10,000,000		692,500,000	692,500,000
Pool Fund (DFID)	3,000,000		3,000,000		207,750,000	207,750,000
Project Fund - World Bank Grant	3,500,000		3,500,000		242,375,000	242,375,000
Grants from the Govt of China	2,000,000		2,000,000		138,500,000	138,500,000
Grants from International NGOs and others	1,500,000	214,337	1,714,337	14,800,000	103,875,000	118,675,000
Personnel Expenses	4,500,000	86,894	4,586,894	6,000,000	311,625,000	317,625,000
Goods and Services Transfers and Subsidies	7,500,000	144,823	7,644,823	10,000,000	519,375,000	529,375,000
Capital Expenditure	4,100,000		4,100,000		283,925,000	283,925,000
US Grant	3,700,000		3,700,000		256,225,000	256,225,000
WHO Grant	2,000,000		2,000,000		138,500,000	138,500,000
	500,000		500,000		34,625,000	34,625,000

The next step is to prepare the cash book. This step will help us establish any exchange difference that arises from the translations. We debit the cash book with all receipts and credit it with all payments. We also bring into the cash book the opening and closing cash balances. Any resulting difference is an exchange gain or loss. It is an exchange gain when the difference is at the debit side of the cash book and a loss when the difference is at the credit side of the cash book.

The figures to be used for the cash book are the summarized translated figures.

### MINISTRY OF HEALTH CASH BOOK FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009

	Debit US \$	Debit LD \$	Credit US \$	Credit LD \$
Bal b/d	1,432,308	93,100,000		
Transfer from GOL Pool Fund (DFID)	10,000,000	692,500,000		

	3,000,000	207,750,000		
Project Fund - World Bank Grant	3,500,000	242,375,000		
Grants from the Govt of China	2,000,000	138,500,000		
Grants from International NGOs and others	1,714,337	118,675,000		
Personnel Expenses			1,528,965	105,875,000
Goods and Services			7,644,823	529,375,000
Transfers and Subsidies			4,100,000	283,925,000
Capital Expenditure			3,700,000	256,225,000
Bal c/d			1,212,857	84,900,000
Exchange Loss			3,460,001	232,600,000
Total	<u>21,646,645</u>	<u>1,492,900,000</u>	<u>21,646,645</u>	<u>1,492,900,000</u>

**MINISTRY OF HEALTH**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

	NOTES	Receipts/Payment controlled by Entity		FY 2009 Payments By other Government Entities		Payments by External third partite	
		US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>							
Authorized Allocation/ Appropriations		10,000,000	692,500,000	3,057,929	211,750,000	-	-
<b>External Assistance:</b>							
Grants From Multilateral Agency		6,500,000	450,125,000	-	-	500,000	34,625,000
Grants From Bilateral Agency		2,000,000	138,500,000	-	-	2,000,000	138,500,000
Other Grants and Aids		1,714,337	118,675,000	-	-	-	-
<b>Total Receipt</b>		<u>20,214,337</u>	<u>1,399,800,000</u>	<u>3,057,929</u>	<u>211,750,000</u>	<u>2,500,000</u>	<u>173,125,000</u>
<b>PAYMENTS</b>							
Operations:							
Wages, Salaries and Employees Benefits		1,528,965	105,875,000	3,057,929	211,750,000	-	-
Supplies and Consumables		7,644,823	529,375,000	-	-	2,500,000	173,125,000
<b>TRANSFERS</b>							
Other Transfers payments		4,100,000	283,925,000	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>							
Purchase/ Construction of property, plant & Equipment		3,700,000	256,225,000	-	-	-	-
				-	-	-	-
<b>Total Payments</b>		<u>16,973,787</u>	<u>1,175,400,000</u>	<u>3,057,929</u>	<u>211,750,000</u>	<u>2,500,000</u>	<u>173,125,000</u>

<b>Increase/ (decrease) in Cash</b>	<u>3,240,550</u>	<u>224,400,000</u>	_____ -	= _____ -
<b>Cash at the beginning of the year</b>	1,432,308	93,100,000	- -	- -
<b>Foreign currency translation loss</b>	<u>(3,460,001)</u>	<u>(232,600,000)</u>	= _____ -	= _____ -
<b>Cash at the End of the year</b>	<u>1,212,857</u>	<u>84,900,000</u>	===== -	====== -

### 8.7.5 Q3

3. The following information was released by the office of the Accountant General of the Ministry of Education, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual:

Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the GOL	8,000,000	
Liberian Primary Education Recovery Program Fund	5,500,000	
Infrastructure Fund-World Bank loan	3,000,000	
Grant form the Canadian Government	3,500,000	
Grants form International NGO's and Others	1,600,000	6,000,000
Income from sale of books		8,000,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	5,500,000	15,000,000
Goods & Services	4,550,000	8,000,000
Transfers & Subsidies	3,800,000	
Capital Expenditure	7,500,000	

Interest on world bank Loan	100,000	
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The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	250,000	3,000,000
Cash Balance-1/7/09	400,000	500,000
Bank Account Balances- 1/7/08	1,200,000	8,000,000
Bank Account Balances- 1/7/09	1,200,000	1,500,000

Other Notes:

- a) The Indian Government paid US \$ 3,000,000 to suppliers of primary school text books for supplying the Ministry of Education with essential text books.
- b) UNICEF paid the consultancy fees of consultants that were seconded to the Ministry of Education to develop a strategy amounting to US\$800,000 and paid selected teachers US\$200,000 to assist in closing the low teacher to student ratio prevalent in the country.
- c) The total amounts of the Personnel Expenses were paid by the Ministry of Finance on behalf of the Ministry of Education.
- d) Assume that all receipts and payments were made in four equal installments quarterly except the loan which was taken on 1/10/08 and the interest on the loan which was paid on 30/06/09.
- e) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/10/08	67.00	1.00

1/01/09	70.00	1.00
1/04/09	75.00	1.00
1/07/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Health in accordance with the Cash BASIS IPSAS as adopted by the Government of Liberia.

**8.6.6 Solution to Q3**

The receipts and payments (with the exception of the World Bank Loan and the interest payment) were paid in four equal installments. Therefore the total amounts for receipts and payments are allotted into the time the transactions occurred. The transactions in United States Dollars including payments made on our behalf are allotted to the respective period of occurrence as shown below.

<b>US DOLLARS</b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
Transfer from GOL	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Liberia Primary Education Recovery Program Fund	1,375,000	1,375,000	1,375,000	1,375,000	5,500,000
Grant from the Canadian Government	875,000	875,000	875,000	875,000	3,500,000
Grants from International NGO'S and others	400,000	400,000	400,000	400,000	1,600,000
Personnel Expenses	1,375,000	1,375,000	1,375,000	1,375,000	5,500,000
Goods and Services	1,137,500	1,137,500	1,137,500	1,137,500	4,550,000
Transfers and Subsidies	950,000	950,000	950,000	950,000	3,800,000
Capital Expenditure	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000
Infrastructure Fund- World Bank Loan		3,000,000			3,000,000
Interest on World Bank Loan				100,000	100,000
Indian Government Grant UNICEF GRANT	750,000	750,000	750,000	750,000	3,000,000

250,000 250,000 250,000 250,000 1,000,000

Next, the periodic receipts and payments are translated into Liberian Dollars at the Spot Exchange rate for each transaction.

Q1 Rate 67LD/1USD  
 Q2 Rate 70LD/1USD  
 Q3 Rate 75LD/1USD  
 Q4 Rate 70LD/1USD

**TRANSACTIONS TRANSLATED INTO  
 LIBERIAN DOLLAR**

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>TOTAL</u>
Transfer from GOL	134,000,000	140,000,000	150,000,000	140,000,000	564,000,000
Liberia Primary Education Recovery Program Fund	92,125,000	96,250,000	103,125,000	96,250,000	387,750,000
Grant from the Canadian Government	58,625,000	61,250,000	65,625,000	61,250,000	246,750,000
Grants from International NGO'S and others	26,800,000	28,000,000	30,000,000	28,000,000	112,800,000
Personnel Expenses	92,125,000	96,250,000	103,125,000	96,250,000	387,750,000
Goods and Services	76,212,500	79,625,000	85,312,500	79,625,000	320,775,000
Transfers and Subsidies	63,650,000	66,500,000	71,250,000	66,500,000	267,900,000
Capital Expenditure	125,625,000	131,250,000	140,625,000	131,250,000	528,750,000
Infrastructure Fund- World Bank Loan		210,000,000			210,000,000
Interest on World Bank Loan				7,000,000	7,000,000
Indian Government Grant	50,250,000	52,500,000	56,250,000	52,500,000	211,500,000
UNICEF GRANT	16,750,000	17,500,000	18,750,000	17,500,000	70,500,000

Transactions denominated in Liberian Dollars are then allocated to the period of occurrence.

<u>LIBERIAN DOLLAR</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>TOTAL</u>
Personnel Expenses	3,750,000	3,750,000	3,750,000	3,750,000	15,000,000
Goods and Services					

	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Income from sale of books	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Grants from International NGOs and Other	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000

Next, the periodic receipts and payments are translated into United States Dollars at the Spot Exchange rate for each transaction.

Q1 Rate 67LD/1USD

Q2 Rate 70LD/1USD

Q3 Rate 75LD/1USD

Q4 Rate 70LD/1USD

**TRANSACTIONS TRANSLATED INTO US DOLLAR**

	Q1	Q2	Q3	Q4	TOTAL
Personnel Expenses	55,970	53,571	50,000	53,571	213,113
Goods and Services	29,851	28,571	26,667	28,571	113,660
Income from sale of books	29,851	28,571	26,667	28,571	113,660
Grants from International NGOs and Other	22,388	21,429	20,000	21,429	85,245

Next, the equivalent amounts in each currency are determined for each receipt and payment. That is the translated United States Dollars is added to the transaction denominated in United States Dollars for each corresponding receipt and payment. In the same vein, the translated Liberian Dollars is added to the transaction denominated in Liberian Dollars for each corresponding receipt and payment.

	<u>Original USD</u>	<u>Translated USD</u>	<u>TOTAL USD</u>	<u>Original LD</u>	<u>Translated LD</u>	<u>TOTAL LD</u>
Transfer from GOL	8,000,000		8,000,000		564,000,000	564,000,000
Liberia Primary Education Recovery Program Fund	5,500,000		5,500,000		387,750,000	387,750,000
Grant from the Canadian Government	3,500,000		3,500,000		246,750,000	246,750,000
Grants from International NGO'S and others	1,600,000	85,245	1,685,245	6,000,000	112,800,000	118,800,000
Personnel Expenses	5,500,000	213,113	5,713,113	15,000,000	387,750,000	402,750,000
Goods and Services	4,550,000	113,660	4,663,660	8,000,000	320,775,000	328,775,000
Transfers and Subsidies	3,800,000		3,800,000		267,900,000	267,900,000
Capital Expenditure	7,500,000		7,500,000		528,750,000	528,750,000
Infrastructure Fund- World Bank Loan	3,000,000		3,000,000		210,000,000	210,000,000
Interest on World Bank Loan	100,000		100,000		7,000,000	7,000,000
Indian Government Grant	3,000,000		3,000,000		211,500,000	211,500,000
UNICEF GRANT	1,000,000		1,000,000		70,500,000	70,500,000
Income from sale of books		113,660	113,660	8,000,000		8,000,000

Next, the cash balances (both beginning and ending cash balances) are then aggregate and translated into the two currencies. That is the bank balance is added to the cash on hand balance for both United States Dollars and Liberian Dollars. Then the total balance in United States Dollars is translated to Liberian Dollar and vice versa. Finally, the Liberian Dollars Balance is added to the translated Liberian Dollar to arrive at the Total Cash Balance in Liberian Dollars. Similarly, the United States Dollars Balance is added to the translated United States Dollars to arrive at the Total Cash Balance in United States Dollars.

	USD			Translation into LD	LD			Translation into USD
	Bank	Cash	TOTAL		Bank	Cash	TOTAL	
Opening Cash Balance	1,200,000	250,000	1,450,000	94,250,000	8,000,000	3,000,000	11,000,000	169,231
Closing Cash Balance	1,200,000	400,000	1,600,000	112,000,000	1,500,000	500,000	2,000,000	28,571
	<b>Original USD</b>	<b>Translated USD</b>	<b>TOTAL USD</b>		<b>Original LD</b>	<b>Translated LD</b>	<b>TOTAL LD</b>	
Opening Cash Balance	1,450,000	169,231	1,619,231		11,000,000	94,250,000	105,250,000	
Closing Cash Balance	1,600,000	28,571	1,628,571		2,000,000	112,000,000	114,000,000	

Having established the equivalent amount of each receipt and payment and the cash balance in both currencies, the next step is to prepare the cashbook. It is important to note that only transaction controlled by the entity will be reflected in the cashbook. Transactions carried out by other government entities and external third parties will not be reflected in the cashbook.

<b>MINISTRY OF EDUCATION</b>				
<b>CASH BOOK</b>				
	<b>Debit</b>	<b>Debit</b>	<b>Credit</b>	<b>Credit</b>
	<b>US \$</b>	<b>LD \$</b>	<b>US \$</b>	<b>LD \$</b>
Bal b/d	1,619,231	105,250,000		
Transfer from GOL	8,000,000	564,000,000		
Liberia Primary Education Recovery Program Fund	5,500,000	387,750,000		
Grant from the Canadian Government	3,500,000	246,750,000		
Grants from International NGO'S and others	1,685,245	118,800,000		
Infrastructure Fund- World Bank Loan	3,000,000.00	210,000,000		
Income from sale of books	113,660.27	8,000,000		
Goods and Services			4,663,660	328,775,000
Transfers and Subsidies			3,800,000	267,900,000
Capital Expenditure			7,500,000	528,750,000
Interest on World Bank Loan			100,000	7,000,000
Bal c/d			1,628,571	114,000,000
Exchange loss			5,725,905	385,125,000
<b>TOTAL</b>	<b>23,418,136.24</b>	<b>1,640,550,000</b>	<b>23,418,136</b>	<b>1,631,550,000</b>

As you will notice in the cashbook, there is an amount for exchange difference which was not derived above. Exchange difference is just a reconciling item to balance the two sides of the cashbook. Because the two currencies were stated in equivalent amounts at many exchange rates (that is US Dollar translated into Liberian Dollar and vice versa), the cashbook will normally not

balance. To have the total debit equal the total credit, the smaller balance is subtracted from the larger balance and then placed as exchange difference to the smaller side.

If the Exchange Difference is on the debit side, then it is called an Exchange Gain. On the other hand, if it is on the credit side, then it is an Exchange Loss. The terms Exchange and Translation can be used interchangeably.

After the cash book is prepared, the Statement of cash receipts and payments is then prepared.

**MINISTRY OF EDUCATION**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

FY 2009

	NOTES	Receipts/Payment controlled by Entity		Payments By other Gov't Entities		Payments by External Parties	
		US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>							
Authorized Allocation/Appropriation		8,000,000	564,000,000	5,713,113	402,750,000		
Other Receipts		113,660	8,000,000				
<b>External Assistance:</b>							
Grants From Multilateral Agency		5,500,000	387,750,000			1,000,000	70,500,000
Grants From Bilateral Agency		3,500,000	246,750,000			3,000,000	211,500,000
Other Grants and Aids		1,685,245	118,800,000				
Borrowing from Multilateral Agencies		3,000,000	210,000,000				
<b>Total Receipt</b>		<u>21,798,905</u>	<u>1,535,300,000</u>	<u>5,713,113</u>	<u>402,750,000</u>	<u>4,000,000</u>	<u>282,000,000</u>
<b>PAYMENTS</b>							
Operations:							
Wages, Salaries and Employees Benefits				5,713,113	402,750,000		
Supplies and Consumables		4,663,660	328,775,000			4,000,000	282,000,000
<b>TRANSFERS</b>							

Other Transfers payments	3,800,000	267,900,000				
<b>CAPITAL EXPENDITURES:</b>						
Purchase/ Plant & Equipment	7,500,000	528,750,000				
<b>LOAN &amp; INTEREST REPAYMENTS</b>						
Interest Payments	100,000	7,000,000				
<b>Total Payments</b>	<u>16,063,660</u>	<u>1,132,425,000</u>	<u>5,713,113</u>	<u>402,750,000</u>	<u>4,000,000</u>	<u>282,000,000</u>
<b>Increase/ (decrease) in Cash</b>	<u>5,735,245</u>	<u>402,875,000</u>	<u>-</u>	<u>-</u>	<u>=</u>	<u>-</u>
<b>Cash at the beginning of the year</b>	1,619,231	105,250,000	-	-	-	-
<b>Foreign currency translation difference</b>	<u>(5,725,905)</u>	<u>(394,125,000)</u>	<u>-</u>	<u>-</u>	<u>=</u>	<u>-</u>
<b>Cash at the End of the year</b>	<u><b>1,628,571</b></u>	<u><b>114,000,000</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>=</b></u>	<u><b>-</b></u>

## **8.8 Summary and Conclusion**

In this unit, we started by defining key terms used in the unit and then went on to discuss what needs to be presented and disclosed in financial statements. We found that, cash receipts, cash payments by the entity during the reporting period as well as the opening and closing balances of cash controlled by the entity should be disclosed in the statement of receipts and payments of cash. In this unit, we also learnt that payments made by third parties for the benefit of the entity should be reported in a separate column in the statement of receipt and payments.

## **8.9 End of Unit Review Questions**

1. State the components of financial statements to be presented each Ministry and Agency of the Government of Liberia.
2. Explain the elements of the statement of receipts and payments.
3. Explain how payments made by third parties for the benefit of a reporting entity are to be treated.
4. Under what circumstances is reporting on a net basis permitted by the standards?
5. Explain the main difference between the statement of cash receipts and payments where the Government operates a single treasury account and where the Ministry or Agency controls its own accounts.
6. Why is it necessary to present accounting policy notes and other explanatory notes as part of the financial statements?
7. Explain five (5) accounting policy issues that require disclosure by each Ministry and Agency.
8. The following information was released by the office of the Comptroller of the Ministry of Finance, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual receipts and payments for the period:  
Income Received is made up as follows:

	USD	Liberian Dollar
Import Duties on food and food products	20,500,000	200,000,000
Export Taxes on rubber	7,500,000	20,000,000
Excise Taxes	5,000,000	10,580,000
Corporate Income Tax	11,200,000	15,750,000
Rubber Sales Tax Income	500,000	33,300,000
Maritime Registration Charges	11,600,000	12,000,000
Maritime Tonnage Tax	950,000	5,000,000
Import Duty on Petroleum products	200,000	3,450,000
Import Duty on Machinery and Equipment	8,740,000	2,560,000
Petroleum Sales Tax	7,650,000	1,570,000
Social Security Contributions	12,740,000	20,890,000
Court Fees	1,935,000	5,400,000
Court Fines	1,745,000	8,980,000
Other Fees and Charges	2,845,000	11,650,000
Business Registration Fees	4,225,000	9,760,000
Domestic Sales Tax on food and food products	8,300,000	5,560,000
Airport Service Fees and Charges	14,400,000	8,985,000
Vehicle License Plate Fees	2,150,000	12,700,000
Rent of Government Property	5,689,000	10,875,000
Interest on Investments	1,910,000	2,450,000
Dividends on shares of public enterprises	950,000	4,980,000
Interest on GOL balances at CBL	1,215,000	7,680,000
Withholding on Wages and Salary	2,300,000	10,920,000
Withholding on Rental Income	3,250,000	6,950,000
Current Grants from Foreign Governments	18,000,000	
Capital Grants from Foreign Governments	25,500,000	
Current Grants from Multilateral Organizations	13,000,000	
Capital Grants from multilateral Organizations	26,800,000	
Loans from Foreign countries	30,500,000	
Loans from Multilateral Organizations	23,500,000	

The expenses of the Ministry were also summarized as follows:

Item	US Dollars	Liberian Dollars
Personnel Expenses- Ministry of Health	25,876,000	20,000,000
Personnel Expenses- Ministry of Education	31,500,000	35,000,000
Personnel Expenses-Ministry of Finance	38,423,000	40,000,000
General Allowances	12,200,000	14,564,000
Special Allowances	11,300,000	17,643,000
Professional Fees	9,750,000	5,000,000
Audit Fees	11,345,000	17,000,000
Foreign Travel Expenses	24,350,000	
Foreign Daily Subsistence Allowance	13,450,000	
Domestic Travel Expenses		32,000,000
Domestic Daily Subsistence Allowance		45,000,000
Electricity Charges	3,350,000	19,875,000
Water Bills	1,561,000	8,735,000
Telephone Internet and Postage Expenses	2,720,000	8,793,000
Transport Maintenance and Fuel Expenses	14,280,000	25,000,000
Routine Repairs and Maintenance	13,100,000	24,876,000
General Office Materials and Services	2,150,000	14,678,000
Public Celebrations and Conferences	4,652,000	18,721,000
Purchase of Vehicles	23,500,000	
Purchase of computers and Office Equipment	12,550,000	
Purchase of Office Furniture	21,200,000	80,000,000
Roads and Bridges	70,879,000	205,874,000
Interest on Foreign Loans	5,500,000	
Interest on Multilateral Loans	3,200,000	
Transfer to Ministry of Health	36,000,000	
Transfer to Ministry of Education	48,000,000	
Other transfer payments	12,243,000	25,476,000

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	2,000	500,0000
Cash Balance-1/7/09	6,000	62,000
Bank Account Balances-1/7/08	125,000	1,200,000
Bank Account Balances-1/7/09	30,000	600,000

Other Notes:

- f) The American Government paid US \$ 5,500,000 to consultants as consultancy fees for the development of a strategy for the implementation of the Public Finance Management Reform. There was a budget shortfall in this program as result of extension of the program implementation period. The World Bank cofinanced the project by paying US\$4,500,000 direct to the consultants engaged in the implementation of the reform.
- g) The African Development Bank paid the professional fees of consultants that were seconded to the Ministry of Finance to provide training on the Internal audit and tax audit programme of the Ministry amounting to US\$3, 500,000
- h) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- i) Assume that all payments were made in equal monthly installments in advance.
- j) The Ministry signed a grant agreement for US\$6,500,000 with the Chinese government. The grant will only be paid upon the HIPC completion point. The completion criteria are almost about to be met.
- k) The Ministry of Finance signed a loan agreement with the IMF for an amount of US\$10, 000,000 for the construction of the road from Monrovia to Lofa County. The disbursement of the loan is conditioned on the withdrawal of subsidies on local farm produce. The government is taking steps to withdraw the subsidies.
- l) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	6600	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00
1/11/08	74.00	1.00
1/12/08	75.00	1.00

1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00
1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Finance in accordance with the Cash Basis IPSAS as adopted by the Government of Liberia.

9. The following information was released by the office of the Accountant General of the Ministry of Health, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual and payments during the year:

Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the Ministry of Finance	36,000,000	
Pool Fund-DFID	4,765,000	
Health System Reconstruction Project- World Bank	14,367,000	
Project Fund-World Bank Grant	6,500,000	
Grants from the Government of United Kingdom	9,000,000	
Grants from International NGO's and Other local donations	3,300,000	25,875,000
Sale of health products		11,543,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	7,500,000	16,000,000
Goods & Services	17,500,000	16,098,000
Transfers & Subsidies	14,000,000	21,000,000
Capital Expenditure	34,800,000	22,056,000

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	6,000	1,000,000
Cash Balance-1/7/09	5,000	704,000
Bank Account Balances-1/7/08	14,000	1,500,000
Bank Account Balances-1/7/09	147,000	1,060,000

Other Notes:

- a) The Indian Government paid US \$ 4,000,000 to suppliers and consultants to facilitate TB immunization and HIV/AIDS sensitization on behalf of the Ministry of Health of the Government of Liberia
- b) The World Health Organization paid the professional fees of consultants that were seconded to the Ministry of Health amounting to US\$500,000. The consultants are to develop a strategy for restructuring the Ministry of Health in line with modern developments so as to deliver quality health to the people of Liberia.
- c) Apart from the personnel expenses paid by the Ministry of Health, the Ministry of Finance also paid Personnel Expenses amounting to US\$25,876,000 and LD 20,000,000 respectively on behalf of the Ministry of Health.
- d) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- e) Assume that all payments were made in equal monthly installments in advance.
- f) The Ministry signed a grant agreement for US\$3,500,000 with the Government Israel three years ago. The grant was cancelled during the year due to strained political relations with the two countries
- g) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	6600	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00
1/11/08	74.00	1.00
1/12/08	75.00	1.00
1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00

1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Health in accordance with the Cash BASIS IPSAS as adopted by the Government of Liberia.

10. The following information was released by the office of the Accountant General of the Ministry of Education, Republic of Liberia for the year ended 30<sup>th</sup> June, 2009 as the actual receipts and payments for the period:  
Income Received is made up as follows:

Item	USD	Liberian Dollar
Transfer from the GOL	48,000,000	
Liberian Primary Education Recovery Program Fund	15,350,000	
Infrastructure Fund-World Bank loan	9,300,000	
Grant from DANIDA	3,500,000	
Loan- German Government	2,000,000	
Grants form International NGO's and Other local donations	1,600,000	15,765,000
Income from sale of books	500,000	1,000,000

The expenses of the Ministry were also summarized as follows:

Item	USD	Liberian Dollar
Personnel Expenses	3,500,000	4,000,000
Goods & Services	14,550,000	3,600,000
Transfers & Subsidies	13,800,000	4,532,000
Capital Expenditure	47,500,000	3,912,000
Interest on Loans	750,000	

The following Balances were outstanding:

Item	USD	Liberian Dollar
Cash Balance-1/7/08	3,000	53,000
Cash Balance-1/7/09	6,000	174,000
Bank Account Balances-1/7/08	20,000	100,000
Bank Account Balances-1/7/09	166,000	700,000

Other Notes:

- f) The Japanese Government paid US \$ 2,500,000 to suppliers of primary school text books for supplying the Ministry of Education with essential text books for distribution to primary schools in the country.
- g) UNICEF paid the consultancy fees of consultants that were seconded to the Ministry of Education to develop an educational reform strategy amounting to US\$500,000 and paid selected teachers US\$300,000 to assist in closing the low teacher to student ratio prevalent in the country.
- h) In addition to the amounts of the Personnel Expenses paid above, personnel expenses amounting to USD \$ 31,500,000 and LD 35,000,000 respectively were paid by the Ministry of Finance on behalf of the Ministry of Education.
- i) Assume that all receipts were made in four equal installments quarterly in advance except for the first quarter where they were received on 1<sup>st</sup> August 2008.
- j) Assume that all payments were made in equal monthly installments in advance.
- k) The Ministry signed a loan agreement for US\$6,500,000 with the IMF. The loan will only be paid to the Ministry if it submits a comprehensive educational reform strategy. Consultants are currently working to develop the educational reform strategy.
- l) The Ministry still has an undrawn balance of US\$3,500,000 loan that was signed three years ago with the World Bank.
- m) The Central Bank of Liberia publishes the exchange rates between the Liberian Dollar and US Dollar weekly. Extracts of the rates for the year under consideration are:

	Liberian Dollars	US Dollars
1/07/08	65.00	1.00
1/08/08	6600	1.00
1/09/08	70.00	1.00
1/10/08	72.00	1.00

1/11/08	74.00	1.00
1/12/08	75.00	1.00
1/01/09	75.00	1.00
1/02/09	77.00	1.00
1/03/09	78.00	1.00
1/04/09	75.00	1.00
1/05/09	74.00	1.00
1/06/09	70.00	1.00

**Required:**

You are required to present the Statement of Receipt and Payment of Cash for the fiscal year ending 30<sup>th</sup> June 2009 for the Ministry of Education in accordance with the Cash BASIS IPSAS as adopted by the Government of Liberia.

## **Unit 9: General Considerations in Financial Reporting**

### **Objective of unit**

In this unit, we shall discuss general considerations in financial reporting. At the end of the unit, trainees would be able to:

- State and explain the major qualitative considerations in financial reporting;
- Correct accounting errors that have been discovered during the reporting period.

### **9.0 Introduction**

This unit explains the qualitative factors that one must bear in mind when preparing financial statements for presentation. These factors; such as: reporting period, timeliness, authorisation date, consistency of presentation, identification of financial statements, information about entity, comparative information etc. will be discussed. The unit will also explain how errors discovered during the accounting period will be treated in the financial statements.

### **9.1 Reporting Period**

**9.1.0** *The general purpose financial statements should be presented at least annually. When, in exceptional circumstances, an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity should disclose in addition to the period covered by the financial statements:*

- (a) *The reason(s) for a period other than one year being used; and*
- (b) *The fact that comparative amounts may not be comparable.*

**9.1.1** The reporting date is the date of the last day of the reporting period to which the financial statements relate. In exceptional circumstances an entity may be required to, or decide to, change its reporting date to; for example, align the reporting cycle more closely with the budgeting cycle. When this is the case, it is important that the reason for the change in reporting date is disclosed and that users are aware that the amounts shown for the current period and the comparative amounts are not comparable.

**9.1.2** Normally, the financial statements are consistently prepared covering a one-year period. However, some entities prefer to report, for example, for a 52 week period for practical reasons. This Standard does not preclude this practice, as the resulting financial statements are unlikely to be materially different from that which would be presented for one year.

## **9.2 Timeliness**

9.2.0 The usefulness of the financial statements are impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial statements within six months of the reporting date, although a timeframe of no more than three months is strongly encouraged. Ongoing factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis. More specific deadlines are dealt with by legislation and regulations.

## **9.3 Authorization Date**

9.3.0 *An entity should disclose the date when the financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity should disclose that fact.*

9.3.1 The authorization date is the date on which the financial statements have received approval from the individual or body with the authority to finalize those statements for issue. It is important for users to know when the financial statements were authorized for issue, because the financial statements do not reflect events after this date. It is also important for users to know of the rare circumstances in which any persons or organizations have the authority to amend the financial statements after issuance. Examples of individuals or bodies that may have the power to amend the financial statements after issuance are Ministers, the government of which the entity forms part, Parliament or an elected body of representatives. If changes are made, the amended financial statements are a new set of financial statements.

## **9.4 Information about the Entity**

9.4.0 *An entity should disclose the following if not disclosed elsewhere in information published with the financial statements:*

- (a) *The domicile and legal form of the entity, and the jurisdiction within which it operates;*
- (b) *A description of the nature of the entity's operations and principal activities;*
- (c) *A reference to the relevant legislation governing the entity's operations, if any; and*
- (d) *The name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable, if any).*

9.4.1 The disclosure of the information required by paragraph 2.4.0 will enable users to identify the nature of the entity's operations and gain an understanding of the legislative and institutional environment within which it operates. This is necessary for accountability purposes and will assist users in understanding and evaluating the financial statements of the entity.

### **Restrictions on Cash Balances and Access to Borrowings**

9.4.2 *An entity should disclose in the notes to the financial statements together with a commentary, the nature and amount of:*

- (a) *Significant cash balances that are not available for use by the entity;*
- (b) *Significant cash balances that are subject to external restrictions; and*
- (c) *Undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.*

9.4.3 Cash balances held by an entity would not be available for use by the entity when, for example, a controlled entity operates in a country where exchange controls or other legal restrictions apply and the balances are not available for general use by the controlling entity or other controlled entities.

9.4.4 Cash balances controlled by an entity may be subject to restrictions which limit the purpose or timing of their use. This situation often exists when an entity receives a grant or donation which must be used for a specific purpose. It may also exist where, at reporting date, an entity holds in its own bank accounts cash it has collected for other parties in its capacity as an agent but not yet transferred to those parties. Although these balances are controlled by the entity and reported as a cash balance of the entity, separate disclosure of the amount of such items is helpful to users.

9.4.5 Undrawn borrowing facilities represent a potential source of cash for an entity. Disclosure of the amount of these facilities by significant type allows users to assess the availability of such cash, and the extent to which the entity has made use of them during the reporting period.

## **9.5 Consistency of Presentation**

9.5.0 *The presentation and classification of items in the financial statements should be retained from one period to the next unless:*

- (a) *A significant change in the nature of the operations of the entity or a review of its financial statements presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or*
- (b) *A change in presentation is required by a future amendment to this Standard.*

- 9.5.1 A major restructuring of service delivery arrangements; the creation of a new, or termination of a major existing, government entity; a significant acquisition or disposal; or a review of the overall presentation of the entity's general purpose financial statements might suggest that the statement of cash receipts and payments or other individual financial statements should be presented differently. For example, a government may dispose of a government commercial bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial statements identifying a financial institution as a principal activity of the government is unlikely to be relevant.
- 9.5.2 Only if the revised structure is likely to continue or if the benefit of an alternative presentation is clear, should an entity change the presentation of its financial statements. When such changes in presentation are made, an entity reclassifies its comparative information in accordance with paragraph 2.6.3.

## **9.6 Comparative Information**

- 9.6.0 *Unless a provision of this Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information required by this Standard to be disclosed in the financial statements, except in respect of the financial statements for the reporting period to which this Standard is first applied. Comparative information should be included in narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*
- 9.6.1 This Standard requires the presentation of a statement of cash receipts and payments and specifies certain disclosures that are required to be made in that statement and notes thereto. This Standard does not preclude the preparation of additional financial statements. Where financial statements in addition to the statement of cash receipts and payments are prepared or other disclosures are made, the disclosure of comparative information is also encouraged.
- 9.6.2 In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the last reporting date and is yet to be resolved, may be disclosed in the current period. Users benefit from knowing that the uncertainty existed at the last reporting date, and the steps that have been taken during the period to resolve the uncertainty.
- 9.6.3 *When the presentation or classification of items required to be disclosed in the financial statements is amended, comparative amounts should be reclassified, unless it is impracticable to do so, to ensure comparability with the current period, and the nature, amount of, and reason for any reclassification should be disclosed. When it is impracticable to reclassify comparative amounts, an entity should disclose the reason for not reclassifying and the nature of the changes that would have been made if amounts were reclassified.*

**9.6.4** Circumstances may exist when it is impracticable to reclassify comparative information to achieve comparability with the current period. For example, data may not have been collected in the previous period(s) in a way which allows reclassification, and it may not be practicable to recreate the information. In such circumstances, the nature of the adjustments to comparative amounts that would have been made is disclosed.

## **9.7 Identification of Financial Statements**

**9.7.0** *The financial statements should be clearly identified and distinguished from other information in the same published document.*

**9.7.1** This Standard applies only to the financial statements, and not to other information presented in an annual report or other document. Therefore, it is important that users are able to distinguish information that is prepared using this Standard from other information that may be useful to users but that is not the subject of this Standard.

**9.7.2** *Each component of the financial statements should be clearly identified. In addition, the following information should be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:*

- (a) *The name of the reporting entity or other means of identification;*
- (b) *Whether the financial statements cover the individual entity or the economic entity;*
- (c) *The reporting date or the period covered by the financial statements, whichever is appropriate to the related component of the financial statements;*
- (d) *The reporting currency; and*
- (e) *The level of precision used in the presentation of figures in the financial statements.*

**9.7.3** The requirements in paragraph 2.7.2 are normally met by presenting page headings and abbreviated column headings on each page of the financial statements. Judgment is required in determining the best way of presenting such information. For example, when the financial statements are read electronically, separate pages may not be used. In such cases, the items identified in paragraph 2.7.2 are presented frequently enough to ensure a proper understanding of the information given.

**9.7.4** Financial statements are often made more understandable by presenting information in thousands or millions of units of the reporting currency. This is acceptable as long as the level of precision in presentation is disclosed and relevant information is not lost.

## **9.8.0 Correction of Errors**

**9.8.1** *When an error arises in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods should be reported by adjusting the cash at the beginning of the period. Comparative information should be restated, unless it is impracticable to do so.*

**9.8.2** *An entity should disclose in the notes to the financial statements the following:*

- (a) The nature of the error;*
- (b) The amount of the correction; and*
- (c) The fact that comparative information has been restated or that it is impracticable to do so.*

**9.8.3** Errors in the preparation of the financial statements of one or more prior periods may be discovered in the current period. Errors may occur as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts, fraud or oversights. When an error is identified in respect of a previous period, the opening balance of cash is adjusted to correct the error and the financial statements, including the comparative information for prior periods, is presented as if the error had been corrected in the period in which it was made. An explanation of the error and its adjustment is included in the notes.

**9.8.4** The restatement of comparative information does not necessarily give rise to the amendment of financial statements which have been approved by the governing body or registered or filed with regulatory authorities. However, national laws may require the amendment of such financial statements.

**9.8.5** This Standard requires the presentation of a statement of cash receipts and payments, and does not preclude the presentation of other financial statements. Where financial statements in addition to the statement of cash receipts and payments are presented, the requirements in paragraph 2.8.1 and 2.8.2 for correction of errors will also apply to those statements.

## **9.9 Summary and Conclusion**

In this unit, we explained some qualitative factors in financial reporting. We discovered that; financial statements should be prepared and presented annually and on a timely basis, date on which the financial statements are authorized for issue should be stated, the Ministry or Agency whose financial statements are being presented should be identified, there should be consistency in the treatment of transactions, as much as practicable, comparative information should always be shown. We also learnt that prior period errors should be corrected by adjusting the opening cash balance and restating comparative prior period information. Additionally, the nature of the error, the amount of any correction should be disclosed.

## 9.10 End of Unit Review Questions

1. Why is it necessary that financial statements be presented annually and timely?
2. Why must the date on which the financial statements are authorized for be disclosed in the financial statement?
3. How can we achieve consistency in presentation of financial statements?
4. Why is consistency in presentation of financial statements necessary?
5. The Cash Basis IPSAS require that as much as practicable, comparative information should always be disclosed why is it so?
6. How are current period errors discovered during the reporting period to be treated?
7. How are prior period errors discovered in the reporting period to be treated?
8. Explain the disclosure requirements with respect prior period errors discovered in the reporting period.

## **Unit 10: Consolidated Financial Statements**

### **Objective of Unit**

In this unit, we shall treat consolidated financial statements. At the end of the unit, trainees would be able to:

- Define the terms related to consolidation of financial statements;
- Explain the scope of consolidated financial statements;
- Explain the procedures of consolidation;
- Explain the disclosure requirements in consolidation of financial statements; and
- Explain the transitional requirements in preparation and presentation of consolidated financial statements.

### **10.0 Introduction**

This unit is very important because it explains the procedures for consolidating financial statements. Remember the law requires the Ministry of Finance to prepare and present consolidated financial statements for the Government of Liberia from the separate financial statements of Ministries and Agencies. It may be necessary for a ministry or Agency to also prepare and present consolidated financial statements for entities under its control. We shall explain what constitute an economic entity and when it is to present consolidated financial statements. We shall then explain the procedures of consolidation as well as what information needs to be disclosed in consolidated financial statements. The unit will conclude with a discussion of the transitional requirements in consolidation.

### **10.1 Definition of terms**

*10.1.0 The following terms are used in this Standard with the meanings specified:*

- a) Consolidated financial statements are the financial statements of an economic entity presented as that of a single entity.*
- b) Control of an entity is the power to govern the financial and operating policies of another entity so as to benefit from its activities.*
- c) Controlled entity is an entity that is under the control of another entity (known as the controlling entity).*
- d) Controlling entity is an entity that has one or more controlled entities.*
- e) Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.*

## **Economic Entity**

- 10.1.1 The term “economic entity” is used in the Standard to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities.
- 10.1.2 Other terms sometimes used to refer to an economic entity include “administrative entity,” “financial reporting entity,” “consolidated entity” and “group.”
- 10.1.3 An economic entity may include entities with both social policy and commercial objectives. For example, a government housing department may be an economic entity which includes entities that provide housing for a nominal charge, as well as entities that provide accommodation on a commercial basis.

## **10.2 Scope of Consolidated Financial Statements**

- 10.2.0 A controlling entity, other than a controlling entity identified in paragraphs 3.2.2 and 3.2.3, should issue consolidated financial statements which consolidates all controlled entities, foreign and domestic, other than those referred to in paragraph 3.2.1***
- 10.2.1 A controlled entity should be excluded from consolidation when it operates under severe external long-term restrictions which prevent the controlling entity from benefiting from its activities.***
- 10.2.2 A controlling entity that is a wholly owned controlled entity need not present consolidated financial statements provided users of such financial statements are unlikely to exist or their information needs are met by the controlling entity’s consolidated financial statements.***
- 10.2.3 A controlling entity that is virtually wholly owned need not present consolidated financial statements provided the controlling entity obtains the approval of the owners of the minority interest.***
- 10.2.4*** Users of the financial statements of a government or other public sector controlling entity are usually concerned with, and need to be informed about, the cash resources controlled by the economic entity as a whole. This need is served by consolidated financial statements which present financial information about the economic entity as a single entity without regard for the legal boundaries of the separate legal entities.
- 10.2.5*** Paragraph 1.2.1 of the Standard requires that a reporting entity prepare a statement of cash receipts and payments. Consistent with the requirements of paragraph 3.2.0 of the standard, the statement of cash receipts and payments prepared by the government or other public sector reporting entity which is a controlling entity, will consolidate the cash receipts, cash payments and cash balances of all the entities it controls. The note disclosures required by this Standard will also be presented on a consolidated basis.

- 10.2.6** The Standard does not preclude the preparation of financial statements additional to the statement of cash receipts and payments. Those additional statements may, for example, disclose additional information about receipts and payments related to certain fund groups or provide additional details about certain types of cash flows.
- 10.2.7** For financial reporting purposes, the reporting entity (financial reporting entity) may consist of a number of controlled entities including government departments, agencies and Government Business Enterprises (GBEs). Determining the scope of the financial reporting entity can be difficult due to the large number of potential entities. For this reason, financial reporting entities are often determined by legislation. In some cases, the financial reporting entity required by this Standard may differ from the reporting entity specified by legislation and additional disclosures may be necessary to satisfy the legislative reporting requirements.
- 10.2.8** A controlling entity that is itself wholly owned by another entity (such as a government agency which is wholly owned by the government), is not required to present consolidated financial statements when such statements are not required by its controlling entity and the needs of other users may be best served by the consolidated financial statements of its controlling entity. However, in the public sector, many controlling entities that are either wholly owned or virtually wholly owned represent key sectors or activities of a government. In these cases, the information needs of certain users may not be served by the presentation of a consolidated financial statement at a whole-of-government level alone, and the purpose of this Standard is not to exempt such entities from preparing consolidated financial statements.
- 10.2.9** Sometimes, a controlling entity which is virtually wholly owned by another entity (such as a government enterprise which has some minor ownership from the private sector) is also exempted from presenting consolidated financial statements if the controlling entity obtains the approval of the owners of the minority interest. Virtually wholly owned is often taken to mean that the controlling entity owns 90% or more of the voting power. For the purpose of this Standard, the minority interest is that part of a controlled entity attributable to interests which are not owned, directly or indirectly through controlled entities, by the controlling entity.
- 10.2.10** In some instances, an economic entity will include a number of intermediate controlling entities. For example, whilst the Ministry of Health may be the controlling entity, there may be intermediate controlling entities at the county and district health authority level. Accountability and reporting requirements in each jurisdiction may specify which entities are required to (or exempted from the requirement to) prepare a consolidated financial statement. Where there is no requirement for an intermediate controlling entity to prepare consolidated financial statements but users of general purpose financial statements of the economic entity are likely to exist, intermediate controlling entities are encouraged to prepare and publish such a statement.

### 10.3 Consolidation Procedures

#### 10.3.0 *The following consolidation procedures apply:*

- (a) *Cash balances and cash transactions between entities within the economic entity should be eliminated in full;*
- (b) *When the financial statements used in a consolidation are drawn up to different reporting dates, adjustments should be made for the effects of significant cash transactions that have occurred between those dates and the date of the controlling entity's financial statements. In any case, the difference between the reporting dates should be no more than three months; and*
- (c) *Consolidated financial statements should be prepared using uniform accounting policies for like cash transactions. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.*

10.3.1 The consolidation procedures outlined in paragraph 3.3.0 provide the basis for preparing consolidated financial statements for all the entities within the economic entity as a single economic unit.

10.3.2 The consolidated financial statements should only reflect transactions between the economic entity and other entities external to it. Accordingly, transactions between entities within the economic entity are eliminated to avoid double-counting. For example, a government department may sell a physical asset to another government department. Because the net cash effect on the whole-of-government reporting entity is zero, this transaction needs to be eliminated to avoid overstating the cash receipts and cash payments of the whole-of-government reporting entity. A government entity may hold funds with a public sector financial institution. These balances would be eliminated at the whole-of-government level because they represent balances within the economic entity. Similarly, a GBE operating overseas may make a payment to a government department which remains in transit at the reporting date. In this case, failure to eliminate the transaction would result in understating the cash balance of the economic entity and overstating its cash payments.

10.3.3 Individual entities within the economic entity may adopt different policies for the classification of cash receipts and cash payments and the presentation of their financial statements. Cash receipts or cash payments arising from like transactions are classified and presented in a uniform manner in the consolidated financial statements where practicable.

## **10.4 Consolidation Disclosures**

**10.4.0** *The following disclosures should be made in consolidated financial statements:*

- (a) *A listing of significant controlled entities including the name, the jurisdiction in which the controlled entity operates (when it is different from that of the controlling entity); and*
- (b) *The reasons for not consolidating a controlled entity.*

## **10.5 Transitional Provisions - Consolidated Financial Statements**

**10.5.0** *Entities are not required to comply with the requirement in paragraph 3.3.0 (a) concerning the elimination of cash balances and transactions between entities within the economic entity for reporting periods beginning on a date within three years following the date of first adoption of this Standard.*

**10.5.1** *Where entities apply the transitional provision in paragraph 3.5.0, they should disclose the fact that not all balances and transactions between entities within the economic entity have been eliminated.*

**10.5.2** Controlling entities that adopt this Standard may have large numbers of controlled entities with significant volumes of transactions between those entities. Accordingly, it may be difficult to identify all the transactions and balances that need to be eliminated for the purpose of preparing the consolidated financial statements of the economic entity. For this reason, paragraph 3.5.0 provides relief, during the transitional period, from the requirement to eliminate all cash balances and transactions between entities within the economic entity. However, paragraph 3.5.1 requires that entities which apply the transitional provision should disclose the fact that not all balances and transactions between entities within the economic entity have been eliminated.

## **10.6 Establishing Control of another Entity for Financial Reporting Purposes**

1. Whether an entity controls another entity for financial reporting purposes is a matter of judgment based on the definition of control in this Standard and the particular circumstances of each case. That is, consideration needs to be given to the nature of the relationship between the two entities. In particular, the two elements of the definition of control in this Standard need to be considered. These are the power element (the power to govern the financial and operating policies of another entity) and the benefit element (which represents the ability of the controlling entity to benefit from the activities of the other entity).
2. For the purposes of establishing control, the controlling entity needs to benefit from the activities of the other entity. For example, an entity may benefit from the activities of another entity in terms of a distribution of its surpluses (such as a dividend) and is exposed to the risk of a potential loss. In other cases, an entity may not obtain any financial benefits from the other entity but may benefit from its ability to direct the other entity to work with it to achieve its objectives. It may

also be possible for an entity to derive both financial and non-financial benefits from the activities of another entity. For example, a Government Business Enterprise (GBE) may provide a controlling entity with a dividend and also enable it to achieve some of its social policy objectives.

### **10.6.1 Control for Financial Reporting Purposes**

1. For the purposes of financial reporting, control stems from an entity's power to govern the financial and operating policies of another entity and does not necessarily require an entity to hold a majority shareholding or other equity interest in the other entity. The power to control must be presently exercisable. That is, the entity must already have had this power conferred upon it by legislation or some formal agreement. The power to control is not presently exercisable if it requires changing legislation or renegotiating agreements in order to be effective. This should be distinguished from the fact that the existence of the power to control another entity is not dependent upon the probability or likelihood of that power being exercised.
2. Similarly, the existence of control does not require an entity to have responsibility for the management of (or involvement in) the day-to-day operations of the other entity. In many cases, an entity may only exercise its power to control another entity where there is a breach or revocation of an agreement between a controlled entity and its controlling entity.
3. For example, a government department may have an ownership interest in a rail authority, which operates as a GBE. The rail authority is allowed to operate autonomously and does not rely on the government for funding but has raised capital through significant borrowings that are guaranteed by the government. The rail authority has not returned a dividend to government for several years. The government has the power to appoint and remove a majority of the members of the governing body of the rail authority. The government has never exercised the power to remove members of the governing body and would be reluctant to do so because of sensitivity in the electorate regarding the previous government's involvement in the operation of the rail network. In this case, the power to control is presently exercisable but under the existing relationship between the controlled entity and controlling entity, an event has not occurred to warrant the controlling entity exercising its powers over the controlled entity. Accordingly, control exists because the power to control is sufficient even though the controlling entity may choose not to exercise that power.
4. The existence of separate legislative powers does not, of itself, preclude an entity from being controlled by another entity. For example, the Office of Government Statistician usually has statutory powers to operate independently of the government. That is, the Office of Government Statistician may have the power to obtain information and report on its findings without recourse to government or any other body. The existence of control does not require an entity to have

responsibility over the day-to-day operations of another entity or the manner in which professional functions are performed by the entity.

5. The power of one entity to govern decision-making in relation to the financial and operating policies of another entity is insufficient, in itself, to ensure the existence of control as defined in this Standard. The controlling entity needs to be able to govern decision-making so as to be able to benefit from its activities, for example by enabling the other entity to operate with it as part of an economic entity in pursuing its objectives. This will have the effect of excluding from the definitions of a “controlling entity” and “controlled entity” relationships which do not extend beyond, for instance, that of a liquidator and the entity being liquidated, and would normally exclude a lender and borrower relationship. Similarly, a trustee whose relationship with a trust does not extend beyond the normal responsibilities of a trustee would not be considered to control the trust for the purposes of this Standard.

### **10.6.2 Regulatory and Purchase Power**

1. Governments and government entities have the power to regulate the behavior of many entities by use of their sovereign or legislative powers. Regulatory and purchase powers do not constitute control for the purposes of financial reporting. To ensure that the financial statements of a public sector entity include only those resources (cash, including cash equivalents) that it controls and can benefit from, the meaning of control for the purposes of this Standard does not extend to:
  - (a) The power of the legislature to establish the regulatory framework within which entities operate and to impose conditions or sanctions on their operations. Such power does not constitute control by a public sector entity of the assets deployed by these entities. For example, a pollution control authority may have the power to close down the operations of entities that are not complying with environmental regulations. However, this power does not constitute control because the pollution control authority only has the power to regulate; or
  - (b) Entities that are economically dependent on a public sector entity. That is, where an entity retains discretion as to whether it will take funding from, or does business with, a public sector entity, that entity has the ultimate power to govern its own financial or operating policies, and accordingly is not controlled by the public sector entity. For example, a government department may be able to influence the financial and operating policies of an entity which is dependent on it for funding (such as a charity) or a profit-orientated entity that is economically dependent on business from it. Accordingly, the government department has some power as a purchaser but not to govern the entity’s financial and operating policies.

### **10.6.3 Determining Whether Control Exists for Financial Reporting Purposes**

1. Public sector entities may create other entities to achieve some of their objectives. In some cases, it may be clear that an entity is controlled, and hence should be consolidated. In other cases it may not be clear. Paragraphs 10 and 11 below provide guidance to help determine whether or not control exists for financial reporting purposes.
2. In examining the relationship between two entities, control is presumed to exist when at least one of the following power conditions and one of the following benefit conditions exists, unless there is clear evidence of control being held by another entity.

*Power conditions*

- (a) The entity has, directly or indirectly through controlled entities, ownership of a majority voting interest in the other entity.
- (b) The entity has the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the governing body of the other entity.
- (c) The entity has the power to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of the other entity.
- (d) The entity has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

*Benefit conditions*

1. When one or more of the conditions listed in paragraph 10 do not exist, the following factors are likely, either individually or collectively, to be indicative of the existence of control.

*Power indicators*

- (a) The entity has the ability to veto operating and capital budgets of the other entity.
- (b) The entity has the ability to veto, overrule, or modify governing body decisions of the other entity.
- (c) The entity has the ability to approve the hiring, reassignment and removal of key personnel of the other entity.
- (d) The mandate of the other entity is established and limited by legislation.
- (e) The entity holds a “golden share” (or equivalent) in the other entity that confers rights to govern the financial and operating policies of that other entity. “Golden share” refers to a class of shares that entitles the holder to specified powers or rights generally exceeding those normally associated

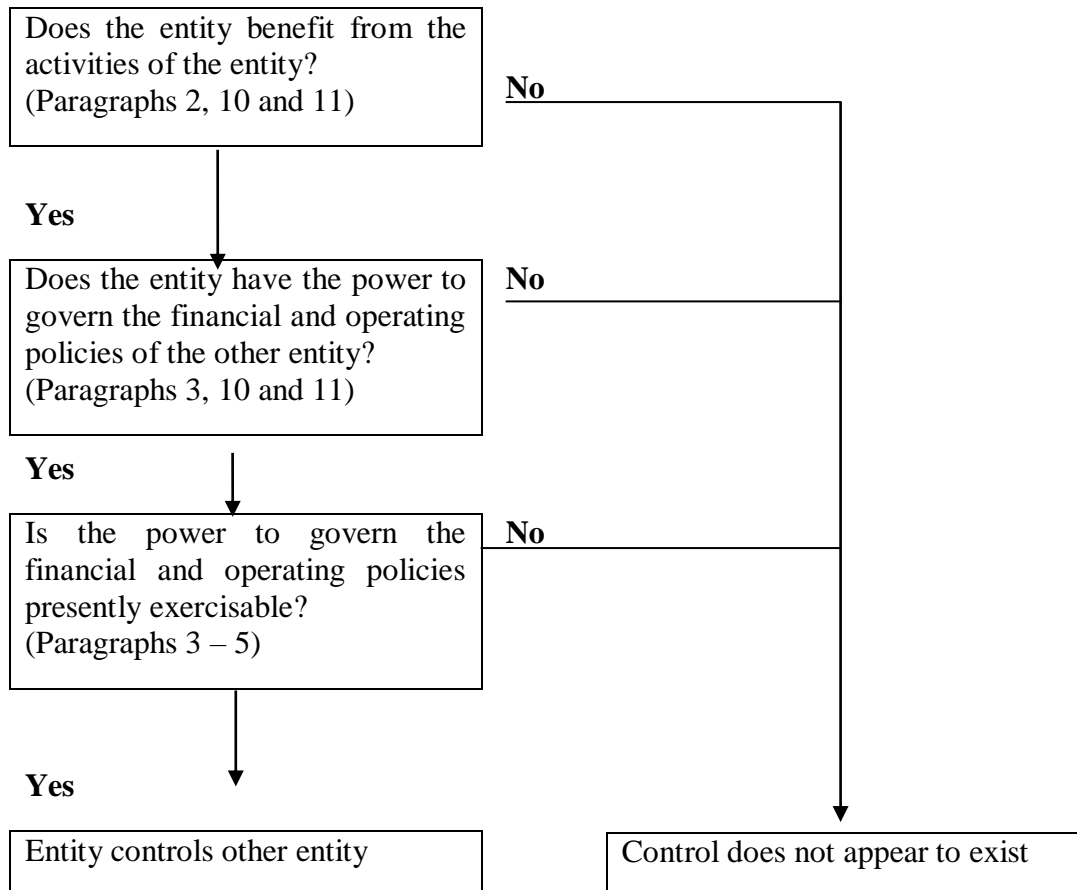
with the holder's ownership interest or representation on the governing body.

*Benefit indicators*

- (a) The entity holds direct or indirect title to the net assets/equity of the other entity with an ongoing right to access these.
- (b) The entity has a right to a significant level of the net assets/equity of the other entity in the event of a liquidation or in a distribution other than a liquidation.
- (c) The entity is able to direct the other entity to co-operate with it in achieving its objectives.
- (d) The entity is exposed to the residual liabilities of the other entity.

The following diagram indicates the basic steps involved in establishing control of another entity. It should be read in conjunction with paragraphs 1 to 11 of this appendix.

**Establishing Control of another Entity for Financial Reporting Purposes**



Sometimes a controlled entity is excluded from consolidation when its activities are dissimilar to those of other entities within the economic entity, for example, the consolidation of GBEs with entities in the budget sector. Exclusion on these grounds is not justified because better information would be provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities.

**10.7 Template of consolidated statement of receipts and payments**

**10.7.1 Statement of Responsibilities of the Minister of Finance**

The Financial statements set out from page ... to page ... have been prepared in accordance with the provisions of the Public Financial Management Act, 2009 and in compliance with the Cash Basis International Public Sector Accounting Standard (Cash Basis IPSAS)

In accordance with the provisions of the Public Financial Management Act, 2009, I am responsible for the control of and accounting for the consolidated fund and all other public funds received, held, and expended for and on behalf of the Government of Liberia.

Under the provisions of the same Act, I am required to cause to be prepared, financial statements which are submitted to the Auditor General, four months after the end of the financial year to which the financial statements relate. Accordingly, I am pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide, all the information and explanations as may be required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the Public Financial Management Act, 2009.

.....

Minister of Finance [Name & Signature]

Republic of Liberia

.....

Date

**10.7.2 Management Discussion and Analysis on the Financial Statements by the Minister of Finance**

*[Give a specific one page commentary on financial performance and financial position of the country. As a minimum, the commentary should include: performance against budget and national objectives, analysis of movements in domestic arrears, if any, and reasons there from, accounting issues arising during the year, plus any comments that are relevant to understanding the financial performance and position of the Government of Liberia].*

.....

Minister of Finance [Name & Signature]

Republic of Liberia

.....

Date:

**10.7.3 Report of the Auditor General**

*[Space reserved for the Report of the Auditor General]*

**10.7.4 CONSOLIDATED FINANCIAL STATEMENTS FOR THE GOVERNMENT OF LIBERIA**

**A CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED JUNE 30, 200X**

	No te	200X		200X-1	
		Receipts/ (Payments) controlled by entity	Payments by third parties	Receipts/ (Payments) controlled by entity	Payments by third parties
(in thousands of currency units)					
<b>RECEIPTS</b>					
Taxes		X	-	X	-
Social Contributions		X		X	
Other Receipts		X		X	
<i>External Assistance:</i>	10				
Grants from Multilateral Agencies		X	X	X	X
Grants from Bilateral Agencies		X	X	X	X
Borrowings from Multilateral Agencies		X		X	
Borrowings from Bilateral Agencies		X		X	
Other Grants and Aid		X	X	X	X
Other Borrowings		X		X	
<b>Total receipts</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

	Note	200X		200X-1	
		Receipts/ (Payments) controlled by entity	Payments by third parties	Receipts/ (Payments) controlled by entity	Payments by third parties
(in thousands of currency units)					
<b>PAYMENTS</b>					
<b><i>Operations:</i></b>					
Wages, salaries and employee benefits		(X)	(X)	(X)	(X)
Supplies and consumables		<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
		(X)	(X)	(X)	(X)
<b><i>Transfers:</i></b>					
Grants		(X)	-	(X)	-
Other transfer Payments		<u>(X)</u>	-	<u>(X)</u>	-
		(X)	-	(X)	-
<b><i>Capital Expenditures :</i></b>					
Purchase/construction of plant and equipment		(X)	(X)	(X)	(X)
Purchase of financial instruments		<u>(X)</u>	-	<u>(X)</u>	-
		(X)	(X)	(X)	(X)
<b><i>Loan and Interest Repayments :</i></b>					
Repayment of borrowings		(X)	-	(X)	-
Interest payments					

		(X)	-	(X)	-
		(X)	-	(X)	-
<b>Other payments</b>	5	(X)	(X)	(X)	(X)
<b>Total payments</b>		(X)	(X)	(X)	(X)
<b>Increase/(Decrease) in Cash</b>		X	-	X	-
<b>Cash at beginning of year</b>	2	X	N/A	X	N/A
<b>Foreign Currency translation Difference*</b>		X		X	
<b>Cash at end of year</b>	2	X	N/A	X	N/A

\* N/A = Not applicable.

\* Foreign currency difference is here only for reconciliation purposes.

## 10.8 ILLUSTRATION

Use the financial statements prepared for the Ministry of Finance, Ministry of Health and Ministry of Education in unit 8 illustrations questions 1, 2, and 3 to prepare consolidated financial statements for the Government of Liberia. For ease of reference, the statements are presented below:

**MINISTRY OF FINANCE**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

NOTES	FY 2009					
	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Tax Revenue	17,591,839	1,240,151,250				
Social Contribution	182,075	12,820,000				
Other receipts	991,000	69,865,500	-	-	-	-
<b>External Assistance:</b>	-	-	-	-	-	-
Grants From Multilateral Agency	12,800,000	902,400,000	-	-	6,500,000	458,250,000
Grants From Bilateral Agency	12,500,000	881,250,000	-	-	1,500,000	105,750,000
Borrows From Multilateral Agency	3,500,000	246,750,000				
Borrows From Bilateral Agency	8,500,000	599,250,000				
<b>Total Receipt</b>	<b>56,064,914</b>	<b>3,952,486,750</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>564,000,000</b>
	-	-	-	-	-	-
<b>PAYMENTS</b>						
Operations:	-	-	-	-	-	-

Wages, Salaries and Employees Benefits	18,727,594	1,320,231,750	-	-	-	-
Supplies and Consumables	2,402,103	169,304,250	-	-	8,000,000	564,000,000
	-	-	-	-	-	-
<b>TRANSFERS</b>	-	-	-	-	-	-
Other Transfers payments	20,000,000	1,410,000,000	-	-	-	-
	-	-	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>	-	-	-	-	-	-
Purchase/ Construction of property, plant & Equipment	34,833,500	2,455,761,750	-	-	-	-
	-	-	-	-	-	-
<b>LOANS AND INTEREST REPAYMENTS:</b>	-	-	-	-	-	-
Repayments of borrowings	-	-	-	-	-	-
Interest payments	700,000	49,350,000	-	-	-	-
<b>OTHER PAYMENTS</b>	-	-	-	-	-	-
<b>Total Payments</b>	<b>76,663,197</b>	<b>5,404,647,750</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>564,000,000</b>
<b>Increase/ (decrease) in Cash</b>	<b>(20,598,283)</b>	<b>(1,452,161,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	-	-	-	-	-	-
<b>Cash at the beginning of the year</b>	1,163,077	75,600,000	-	-	-	-
<b>Foreign currency translation difference</b>	20,175,920	1,428,411,000	-	-	-	-

**Cash at the End of the year**

740,714	51,850,000	-	-	-	-
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**MINISTRY OF HEALTH  
STATEMENT OF RECEIPTS AND PAYMENT OF CASH  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

	NOTES	Receipts/Payment controlled by Entity		FY 2009 Payments By other Government Entities		Payments by External third partite	
		US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>							
Authorized Allocation/ Appropriations		10,000,000	692,500,000	3,057,929	211,750,000	-	-
<b>External Assistance:</b>							
Grants From Multilateral Agency		6,500,000	450,125,000	-	-	500,000	34,625,000
Grants From Bilateral Agency		2,000,000	138,500,000	-	-	2,000,000	138,500,000
Other Grants and Aids		1,714,337	118,675,000	-	-	-	-
<b>Total Receipt</b>		<b>20,214,337</b>	<b>1,399,800,000</b>	<b>3,057,929</b>	<b>211,750,000</b>	<b>2,500,000</b>	<b>173,125,000</b>
<b>PAYMENTS</b>							
Operations:							
Wages, Salaries and Employees Benefits		1,528,965	105,875,000	3,057,929	211,750,000	-	-
Supplies and Consumables		7,644,823	529,375,000	-	-	2,500,000	173,125,000
<b>TRANSFERS</b>							
Other Transfers payments		4,100,000	283,925,000	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>							
Purchase/ Construction of property, plant & Equipment		3,700,000	256,225,000	-	-	-	-

	-	-	-	-	-	
<b>Total Payments</b>	<u>16,973,787</u>	<u>1,175,400,000</u>	<u>3,057,929</u>	<u>211,750,000</u>	<u>2,500,000</u>	<u>173,125,000</u>
<b>Increase/ (decrease) in Cash</b>	<u>3,240,550</u>	<u>224,400,000</u>	-	-	-	-
<b>Cash at the beginning of the year</b>	1,432,308	93,100,000	-	-	-	-
<b>Foreign currency translation difference</b>	<u>(3,460,001)</u>	<u>(232,600,000)</u>	-	-	-	-
<b>Cash at the End of the year</b>	<u>1,212,857</u>	<u>84,900,000</u>	-	-	-	-

**MINISTRY OF EDUCATION**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

**FY 2009**

	NOTES	Receipts/Payment controlled by Entity		Payments By other Gov't Entities		Payments by External Parties	
		US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>							
Authorized Allocation/Appropriation		8,000,000	564,000,000	5,713,113	402,750,000		
Other Receipts		113,660	8,000,000				
<b>External Assistance:</b>							
Grants From Multilateral Agency		5,500,000	387,750,000			1,000,000	70,500,000
Grants From Bilateral Agency		3,500,000	246,750,000			3,000,000	211,500,000
Other Grants and Aids		1,685,245	118,800,000				
Borrowing from Multilateral Agencies		3,000,000	210,000,000				
<b>Total Receipt</b>		<u>21,798,905</u>	<u>1,535,300,000</u>	<u>5,713,113</u>	<u>402,750,000</u>	<u>4,000,000</u>	<u>282,000,000</u>
<b>PAYMENTS</b>							

Operations:						
Wages, Salaries and Employees Benefits			5,713,113	402,750,000		
Supplies and Consumables	4,663,660	328,775,000			4,000,000	282,000,000
<b>TRANSFERS</b>						
Other Transfers payments	3,800,000	267,900,000				
<b>CAPITAL EXPENDITURES:</b>						
Purchase/ Plant & Equipment	7,500,000	528,750,000				
<b>LOAN &amp; INTEREST REPAYMENTS</b>						
Interest Payments	100,000	7,000,000				
<b>Total Payments</b>	<u>16,063,660</u>	<u>1,132,425,000</u>	<u>5,713,113</u>	<u>402,750,000</u>	<u>4,000,000</u>	<u>282,000,000</u>
<b>Increase/ (decrease) in Cash</b>	<u>5,735,245</u>	<u>402,875,000</u>	<u>-</u>	<u>-</u>	<u>=</u>	<u>-</u>
<b>Cash at the beginning of the year</b>	1,619,231	105,250,000	-	-	-	-
<b>Foreign currency translation difference</b>	<u>(5,725,905)</u>	<u>(394,125,000)</u>	<u>-</u>	<u>-</u>	<u>=</u>	<u>-</u>
<b>Cash at the End of the year</b>	<u><b>1,628,571</b></u>	<u><b>114,000,000</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>=</b></u>	<u><b>-</b></u>

## SCHEDULE OF CONSOLIDATION

RECEIPTS	LD				USD			
	MOF	MOH	MOE	CONSOLIDATION	MOF	MOH	MOE	CONSOLIDATION
Tax Revenue	1,240,151,250			<b>1,240,151,250</b>	17,591,839			<b>17,591,839</b>
Social Contribution	12,820,000			<b>12,820,000</b>	182,075			<b>182,075</b>
Other receipts	69,865,500		8,000,000	<b>77,865,500</b>	991,000		113,660	<b>1,104,660</b>
<i>Authorised Allocation*</i>		<i>692,500,000</i>	<i>564,000,000</i>			<i>10,000,000</i>	<i>8,000,000</i>	
<b>External Assistance:</b>								
Grants From Multilateral Agency	902,400,000	450,125,000	387,750,000	<b>1,740,275,000</b>	12,800,000	6,500,000	5,500,000	<b>24,800,000</b>
Grants From Bilateral Agency	881,250,000	138,500,000	246,750,000	<b>1,266,500,000</b>	12,500,000	2,000,000	3,500,000	<b>18,000,000</b>
Other Grants and Aids		118,675,000	118,800,000	<b>237,475,000</b>		1,714,337	1,685,245	<b>3,399,582</b>
Borrows From Multilateral Agency	246,750,000		210,000,000	<b>456,750,000</b>	3,500,000		3,000,000	<b>6,500,000</b>

Borrows From Bilateral Agency	599,250,000			<b>599,250,000</b>	8,500,000			<b>8,500,000</b>
<b>Total Receipt</b>	<b>3,952,486,750</b>	<b>1,399,800,000</b>	<b>1,535,300,000</b>	<b>5,631,086,750</b>	<b>56,064,914</b>	<b>20,214,337</b>	<b>21,798,905</b>	<b>80,078,156</b>
<b>PAYMENTS</b>								
Operations:								
Wages, Salaries and Employees Benefits	1,320,231,750	105,875,000		<b>1,426,106,750</b>	18,727,594	1,528,965		<b>20,256,559</b>
Supplies and Consumables	169,304,250	529,375,000	328,775,000	<b>1,027,454,250</b>	2,402,103	7,644,823	4,663,660	<b>14,710,586</b>
<b>TRANSFERS</b>								
<i>Other Transfer payments*</i>	<i>1,410,000,000</i>	<i>283,925,000</i>	<i>267,900,000</i>	<i>705,325,000</i>	<i>20,000,000</i>	<i>4,100,000</i>	<i>3,800,000</i>	<i>9,900,000</i>
<b>CAPITAL EXPENDITURES:</b>								
Purchase/ Construction of property, plant & Equipment	2,455,761,750	256,225,000	528,750,000	<b>3,240,736,750</b>	34,833,500	3,700,000	7,500,000	<b>46,033,500</b>
<b>LOANS AND INTEREST REPAYMENTS:</b>								
Repayments of borrowings	-				-			
Interest payments	49,350,000		7,000,000	<b>56,350,000</b>	700,000	0	100,000	<b>800,000</b>
<b>OTHER PAYMENTS</b>								

<b>Total Payments</b>	<b>5,404,647,750</b>	<b>1,175,400,000</b>	<b>1,132,425,000</b>	<b>6,455,972,750</b>	<b>76,663,197</b>	<b>16,973,788</b>	<b>16,063,660</b>	<b>91,700,645</b>
<b>Increase/ (decrease) in Cash</b>	<b>-</b>	<b>224,400,000</b>	<b>402,875,000</b>	<b>-824,886,000</b>	<b>-20,598,283</b>	<b>3,240,549</b>	<b>5,735,245</b>	<b>-11,622,489</b>
<b>Cash at the beginning of the year</b>	<b>75,600,000</b>	<b>93,100,000</b>	<b>105,250,000</b>	<b>273,950,000</b>	<b>1,163,077</b>	<b>1,432,308</b>	<b>1,619,231</b>	<b>4,214,616</b>
<b>Foreign currency translation difference</b>	<b>1,428,411,000</b>	<b>-232,600,000</b>	<b>-394,125,000</b>	<b>801,686,000</b>	<b>20,175,920</b>	<b>-3,460,001</b>	<b>-5,725,905</b>	<b>10,990,014</b>
<b>Cash at the End of the year</b>	<b>51,850,000</b>	<b>84,900,000</b>	<b>114,000,000</b>	<b>250,750,000</b>	<b>740,714</b>	<b>1,212,856</b>	<b>1,628,571</b>	<b>3,582,141</b>
<b>Payments by External third Parties</b>								
Grants From Multilateral Agency	458,250,000	34,625,000	70,500,000	<b>563,375,000</b>	6,500,000	500,000	1,000,000	<b>8,000,000</b>
Grants From Bilateral Agency	105,750,000	138,500,000	211,500,000	<b>455,750,000</b>	1,500,000	2,000,000	3,000,000	<b>6,500,000</b>
<b>Transfers on behalf of MOH - wages and salary**</b>	211,750,000				3,057,929			
<b>Transfers on behalf of MOE - wages and salary**</b>	402,750,000				5,713,113			

The consolidation is done by simply adding on a line by line basis, elements of the same classification for each member of the economic entity whilst making sure that transfers between and among members of the economic entity are eliminated to avoid double counting.

\*the authorised allocations received by the MOH and MOE are transfers paid by the MOF and should therefore be cancelled out. That is the reason why there is no total under the authorised allocation in the consolidation. The totals of the transfer payments are made up of the total transfer payments less the authorised allocations which were paid by the MOF and included as transfer payments. By this treatment, only transfer payments made to individuals and entities outside the economic entity will be consolidated as transfer payments.

\*\*The payment of wages by the MOF on behalf of the MOH and MOE has been included in the wages and salaries of MOF. In the individual statements of MOH AND MOE, these were treated first as receipts and then as payments under the second column, “payments by other government entities”. They therefore cancel out and require no further consolidation.

**GOVERNMENT OF LIBERIA**  
**CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

<b>NOTES</b>	<b>Receipts/Payment controlled by GOL</b>		<b>Payments by other Government Entities</b>		<b>Payments by External External third Parties</b>	
	L\$	US\$	L\$	US\$	L\$	US\$
<b>RECEIPTS</b>						
Tax Revenue	1,240,151,250	17,591,839				
Social Contribution	12,820,000	182,075				
Other receipts	77,865,500	1,104,660				
<b>External Assistance:</b>						
Grants From Multilateral Agency	1,740,275,000	24,800,000			563,375,000	8,000,000
Grants From Bilateral Agency		18,000,000				

	1,266,500,000		455,750,000	6,500,000
Other Grants and Aid	237,475,000	3,399,582		
Borrows From Multilateral Agency	456,750,000	6,500,000		
Borrows From Bilateral Agency	599,250,000	8,500,000		
<b>Total Receipt</b>	<b><u>5,631,086,750</u></b>	<b><u>80,078,156</u></b>	<b><u>1,019,125,000</u></b>	<b><u>14,500,000</u></b>
<b>PAYMENTS</b>				
Operations:				
Wages, Salaries and Employees Benefits	1,426,106,750	20,256,559		
Supplies and Consumables	1,027,454,250	14,710,586	1,019,125,000	14,500,000
<b>TRANSFERS</b>				
Transfers payments and Subsidies	705,325,000	9,900,000		
<b>CAPITAL EXPENDITURES:</b>				
Purchase/ Construction of property, plant & Equipment	3,240,736,750	46,033,500		
<b>LOAN REPAYMENT AND INTEREST PAYMENT</b>				
Interest Payment	56,350,000	800,000		
<b>Total Payments</b>	<b><u>6,455,972,750</u></b>	<b><u>91,700,645</u></b>	<b><u>1,019,125,000</u></b>	<b><u>14,500,000</u></b>
<b>Increase/ (decrease) in Cash</b>	<b><u>(824,886,000)</u></b>	<b><u>(11,622,489)</u></b>	<b>≡</b>	<b>≡</b>
<b>Cash at the beginning of the year</b>	273,950,000	4,214,616		

**Foreign currency translation  
difference**

801,686,000      10,990,014

**Cash at the End of the year**

250,750,000      3,582,141

## 10.9 Summary and Conclusion

We started by defining key terms used in the unit such as: consolidated financial statements, control of an entity, controlled entity, controlling entity and economic entity. We discovered that a controlling entity should prepare and present consolidated financial statements except where they qualify to be exempted and that the consolidation should include all controlled entities except where those controlled entities qualify to be excluded from the consolidation. We also learnt that consolidation involves combining an a line by line basis, the various elements of the financial statements of all the controlled entities to be consolidated but ensuring that intra group transactions and balances are eliminated in full. In presenting consolidated financial statements, a listing of all controlled entities consolidated should be listed and reasons for excluding some controlled entities disclosed.

## 10.10 End of Unit Review Questions

1. Explain each of the following terms as used in connection with consolidated financial statements:
  - a) Consolidated financial statements;
  - b) Control of an entity;
  - c) Controlled entity;
  - d) Controlling entity;
  - e) Economic entity
2. Explain the conditions under which a controlling entity may not present consolidated financial statements.
3. Explain the grounds on which a controlled entity may be excluded from consolidated financial statements of an economic entity.
4. Outline and explain the principal procedures employed in the preparation of consolidated financial statements.
5. Explain the information that requires to be disclosed alongside consolidated financial statements.
6. Explain the transitional provisions relating to the preparation of consolidated financial statements.
7. Use the financial statements prepared for the Ministry of Finance, Ministry of Health and Ministry of Education in the end of unit 8 questions 8, 9 and 10 to prepare consolidated financial statements for the Government of Liberia. For ease of reference, these financial statements are presented below:

**MINISTRY OF FINANCE**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

**FY 2009**

NOTES	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Tax Revenue	113,465,893	8,168,565,000			-	-
Social Contribution	13,030,930	938,170,000			-	-
Other receipts	17,013,401	1,224,823,000				
<b>External Assistance:</b>						
Grants From Multilateral Agency	39,800,000	2,865,600,000			8,000,000	580,666,667
Grants From Bilateral Agency	43,500,000	3,132,000,000			5,500,000	399,208,333
Borrows From Multilateral Agency	23,500,000	1,692,000,000				
Borrows From Bilateral Agency	30,500,000	2,196,000,000				
<b>Total Receipt</b>	<b><u>280,810,224</u></b>	<b><u>20,217,158,000</u></b>			<b><u>13,500,000</u></b>	<b><u>979,875,000</u></b>
<b>PAYMENTS</b>						
Operations:						
Wages, Salaries and Employees Benefits	130,876,002	9,499,013,583				
Supplies and Consumables	93,924,689	6,816,712,833			13,500,000	979,875,000

**TRANSFERS**Transfers payments  
and Subsidies

96,595,059

7,011,113,750

**CAPITAL****EXPENDITURES:**Purchase/ Construction  
of property, plant &  
Equipment

132,079,564

9,585,903,917

**LOAN INTEREST****PAYMENT**

Interest Payment

8,700,000

631,475,000

**Total Payments**462,175,31433,544,219,08313,500,000979,875,000**Increase/ (decrease) in  
Cash**(181,365,090)(13,327,061,083)**Cash at the beginning  
of the year**

153,154

9,955,000

**Foreign currency****translation difference**181,257,39313,320,288,083**Cash at the End of the  
year**45,4573,182,000

**MINISTRY OF HEALTH**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**  
**FY 2009**

NOTES	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Authorized Allocation/ Appropriations	36,000,000	2,592,000,000	25,876,000	276,385	-	-
Other receipts	160,757	11,543,000	-	-	-	-
<b>External Assistance:</b>						
Grants From Multilateral Agency	25,632,000	1,845,504,000	-	-	500,000	36,291,667
Grants From Bilateral Agency	9,000,000	648,000,000	-	-	4,000,000	290,333,333
Other Grants and Aids	3,660,355	263,475,000	-	-	-	-
<b>Total Receipt</b>	<b><u>74,453,112</u></b>	<b><u>5,360,522,000</u></b>	<b><u>25,876,000</u></b>	<b><u>276,385</u></b>	<b><u>4,500,000</u></b>	<b><u>326,625,000</u></b>
<b>PAYMENTS</b>						
Operations:						
Wages, Salaries and Employees Benefits	7,721,108	560,375,000	25,876,000	276,385	-	-
Supplies and Consumables	17,722,462	1,286,306,333	-	-	4,500,000	326,625,000
<b>TRANSFERS</b>	-	-	-	-	-	-
Transfers payments and Subsidies	14,290,204	1,037,166,667	-	-	-	-

**CAPITAL****EXPENDITURES:**Purchase/ Construction of  
property, plant & Equipment

-	-	-	-	-	-
35,104,797	2,547,956,000	-	-	-	-

**Total Payments**

<b><u>74,838,572</u></b>	<b><u>5,431,804,000</u></b>	<b><u>25,876,000</u></b>	<b><u>276,385</u></b>	<b><u>4,500,000</u></b>	<b><u>326,625,000</u></b>
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**Increase/ (decrease) in Cash  
Cash at the beginning of the  
year**

<b><u>(385,460)</u></b>	<b><u>(71,282,000)</u></b>
58,462	3,800,000

**Foreign currency translation  
difference**

<u>504,198.59</u>	<u>79,886,000</u>
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**Cash at the End of the year**

<b><u>177,200</u></b>	<b><u>12,404,000</u></b>
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**MINISTRY OF EDUCATION**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**  
**FY 2009**

NOTES	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Authorized Allocation/ Appropriations	48,000,000	3,456,000,000	31,500,000	483,674	-	-
Other receipts	513,927	37,000,000	-	-	-	-
<b>External Assistance:</b>						
Grants From Multilateral Agency	15,350,000	1,105,200,000	-	-	800,000	58,066,667
Grants From Bilateral Agency	3,500,000	252,000,000	-	-	2,500,000	181,458,333
Other Grants and Aids	1,819,555	130,965,000	-	-	-	-
Borrows from Multilateral Agency	9,300,000	669,600,000	-	-	-	-
Borrows from Bilateral Agency	2,000,000	144,000,000				
<b>Total Receipt</b>	<b><u>80,483,482</u></b>	<b><u>5,794,765,000</u></b>	<b><u>31,500,000</u></b>	<b><u>483,674</u></b>	<b><u>3,300,000</u></b>	<b><u>239,525,000</u></b>
<b>PAYMENTS</b>						

Operations:						
Wages, Salaries and Employees Benefits	3,555,277	258,041,667	31,500,000	483,674	-	-
Supplies and Consumables	14,599,749	1,059,687,500	-	-	3,300,000	239,525,000
<b>TRANSFERS</b>	-	-	-	-	-	-
Transfers payments and Subsidies	13,862,629	1,006,182,000	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>	-	-	-	-	-	-
Purchase/ Construction of property, plant & Equipment	47,554,061	3,451,620,333	-	-	-	-
<b>LOANS AND INTEREST REPAYMENTS:</b>						
Interest payments	750,000	54,437,500	-	-	-	-
<b>Total Payments</b>	<b><u>80,321,716</u></b>	<b><u>5,829,969,000</u></b>	<b><u>31,500,000</u></b>	<b><u>483,674</u></b>	<b><u>3,300,000</u></b>	<b><u>239,525,000</u></b>
<b>Increase/ (decrease) in Cash</b>	<b><u>161,766</u></b>	<b><u>(35,204,000)</u></b>				
<b>Cash at the beginning of the year</b>	25,354	1,648,000				
<b>Foreign currency translation difference</b>	<u>(2,634.34)</u>	<u>46,470,000</u>				
<b>Cash at the End of the year</b>	<b><u>184,486</u></b>	<b><u>12,914,000</u></b>				

## **Unit 11: Presentation of Budget Information in Financial Statements**

### **Objective of unit**

At the end of this unit, trainees will have a good understanding of the presentation of budget information in financial statements. The unit will treat the following issues:

- Definition of terms;
- Explanation of selected terms;
- Presentation of a Comparison of Budget and Actual Amounts;
- Note Disclosures of Budgetary Basis, Period and Scope; and
- Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts In the Financial Statements

### **11.0 Introduction**

In this unit, we shall discuss the issues relating to the presentation of budget information in financial statements. We shall start by defining and explaining some technical terms relating to the topic and proceed to discuss the presentation of comparison of budget and actual amounts. The requirements for the disclosure of budgetary basis, budgetary period and the scope of the budget will also be discussed. The unit will conclude with a discussion on reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements.

### **11.1 Definition of terms**

*The following terms are used in the Standard with the meanings specified:*

- a) *Accounting basis means the accrual or cash basis of accounting as defined in the accrual basis International Public Sector Accounting Standards and the Cash Basis International Public Sector Accounting Standard.*
- b) *Annual budget means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.*
- c) *Appropriation is an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.*
- d) *Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period.*
- e) *Budgetary basis means the accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.*
- f) *Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entities and for the same period as*

*the approved budget.*

- g) *Final budget is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority, changes applicable to the budget period.*
- h) *Multiyear budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.*
- i) *Original budget is the initial approved budget for the budget period.*

## **11.2 Explanation of selected terms**

### **11.2.1 Approved Budgets**

An approved budget as defined by the Standard reflects the anticipated revenues or receipts expected to arise in the annual or multiyear budget period based on current plans and the anticipated economic conditions during that budget period, and expenses or expenditures approved by a legislative body, being the legislature or other relevant authority. An approved budget is not a forward estimate or a projection based on assumptions about future events and possible management actions which are not necessarily expected to take place. Similarly, an approved budget differs from prospective financial information which may be in the form of a forecast, a projection or a combination of both – for example, a one year forecast plus a five year projection.

Sometimes, budgets may be signed into law as part of the approval process. Other times, approval may be provided without the budget becoming law. Whatever the approval process, the critical feature of approved budgets is that the authority to withdraw funds from the government treasury or similar body for agreed and identified purposes is provided by a higher legislative body or other appropriate authority. The approved budget establishes the expenditure authority for the specified items. The expenditure authority is generally considered the legal limit within which an entity must operate. Sometimes, the approved budget for which the entity will be held accountable may be the original budget and in others it may be the final budget.

If a budget is not approved prior to the beginning of the budget period, the original budget is the budget that was first approved for application in the budget year.

### **11.2.2 Original and Final Budget**

The original budget may include residual appropriated amounts automatically carried over from prior years by law. For example, governmental budgetary processes in some jurisdictions include a legal provision that requires the automatic rolling forward of appropriations to cover prior year commitments. Commitments encompass possible future liabilities based on a current contractual agreement. Sometimes, they may be

referred to as obligations or encumbrances and include outstanding purchase orders and contracts where goods or services have not yet been received.

Supplemental appropriations may be necessary where the original budget did not adequately envisage expenditure requirements arising from, for example, natural disasters. In addition, there may be a shortfall in budgeted receipts during the period, and internal transfers between budget heads or line items may be necessary to accommodate changes in funding priorities during the fiscal period. Consequently, the funds allotted to an entity or activity may need to be cut back from the amount originally appropriated for the period in order to maintain fiscal discipline. The final budget includes all such authorized changes or amendments.

### **11.2.3 Actual Amounts**

The Cash Basis IPSAS uses the term actual or actual amounts to describe the amounts that result from execution of the budget. Sometimes, budget out-turn, budget execution or similar terms may be used with the same meaning as actual or actual amounts.

### **11.3 Presentation of a Comparison of Budget and Actual Amounts**

*Subject to the requirements of paragraph 5.3.0 of the standard, an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the statement of cash receipts and payments currently presented in accordance with this Standard. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:*

- a) *The original and final budget amounts;*
- b) *The actual amounts on a comparable basis; and*
- c) *By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.*

#### **11.3.1 Scope**

The Cash Basis IPSAS applies to all entities that are required to, or elect to, make publicly available their approved budget(s). The Standard does not require approved budgets to be made publicly available, nor does it require that the financial statements disclose information about, or include comparisons with, approved budgets which are not made publicly available.

In some cases, approved budgets will be compiled to encompass all the activities controlled by a public sector entity. In other cases, separate approved budgets may be required to be made publicly available for certain activities, groups of activities or entities included in the financial statements of a government or other public sector entity. This may occur where, for example, a government's financial statements encompass government agencies or programs that have operational autonomy and prepare their own budgets, or where a budget is prepared only for the general government sector of the whole-of-government. The Standard applies to all entities which present financial statements when approved budgets for the entity, or components thereof, are made publicly available.

### **11.3.2 Comparison of Budget and Actual Amounts**

Presentation in the financial statements of the original and final budget amounts and actual amounts on a comparable basis with the budget, which is made publicly available, will complete the accountability cycle by enabling users of the financial statements to identify whether resources were obtained and used in accordance with the approved budget. Differences between the actual amounts and the budget amounts, whether original or final budget (often referred to as the "variance" in accounting), may also be presented in the financial statements for completeness.

An explanation of the material differences between actual amounts and the budget amounts will assist users in understanding the reasons for material departures from the approved budget for which the entity is held publicly accountable.

An entity may be required, or may elect, to make publicly available its original budget, its final budget or both its original and final budget. In circumstances where both original and final budget are required to be made publicly available, the legislation, regulation or other authority will often provide guidance on whether explanation of material differences between actual and the original budget amounts, or actual and the final budget amounts, is required in accordance with paragraph 5.2.0 (c) of the standard. In the absence of any such guidance, material differences may be determined by reference to, for example, differences between actual and original budget to focus on performance against original budget, or differences between actual and final budget to focus on compliance with the final budget.

In many cases, the final budget amount and the actual amount will be the same. This is because budget execution is monitored over the reporting period and the original budget progressively revised to reflect changing conditions, changing circumstances and experiences during the reporting period. Paragraph 5.5.0 of the Standard requires the disclosure of an explanation of the reasons for changes between the original and final budget. That disclosure, together with the disclosures required by paragraph 5.2. of the standard, will ensure that entities which make publicly available their approved budget(s) are held publicly accountable for their performance against, and compliance with, the relevant approved budget.

Management discussion and analysis, operations review or other public reports which provide commentary on the performance and achievements of the entity during the reporting period, including explanations of any material differences from budget amounts, are often issued in conjunction with the financial statements. In accordance with paragraph 5.2.0 (c) of the Standard, explanation of material differences between actual and budget amounts will be included in notes to the financial statements unless included in other public reports or documents issued in conjunction with the financial statements, and the notes to the financial statements identify the reports or documents in which the explanation can be found.

Where approved budgets are only made publicly available for some of the entities or activities included in the financial statements, the requirements of paragraph 5.2.0 will apply to only the entities or activities reflected in the approved budget. This means that where, for example, a budget is prepared only for the general government sector of a whole-of-government reporting entity, the disclosures required by paragraph 5.2.0 will be made only in respect of the general government sector of the government.

### **11.3.3 Presentation**

*An entity shall present a comparison of budget and actual amounts as additional budget columns in the statement of cash receipts and payments only where the financial statements and the budget are prepared on a comparable basis.*

Comparisons of budget and actual amounts may be presented in a separate financial statement (“statement of comparison of budget and actual amounts” or a similarly titled statement). Alternatively, where the financial statements and the budget are prepared on a comparable basis—that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure—additional columns may be added to the statement of cash receipts and payments presented in accordance with this Standard. These additional columns will identify original and final budget amounts and, if the entity chooses, differences between the budget and actual amounts.

When the budget and financial statements are not prepared on a comparable basis, a separate statement of comparison of budget and actual amounts is presented. In these cases, to ensure that readers do not misinterpret financial information which is prepared on different bases, the financial statements could usefully clarify that the budget and the accounting bases differ and the statement of comparison of budget and actual amounts is prepared on the budget basis.

### **11.3.4 Level of Aggregation**

Budget documents may provide great detail about particular activities, programs or entities. These details are often aggregated into broad classes under common budget heads, budget classifications or budget headings for presentation to, and approval by, the legislature or other authoritative body. The disclosure of budget and actual information

consistent with those broad classes and budget heads or headings will ensure that comparisons are made at the level of legislative or other authoritative body oversight identified in the budget document(s).

In some cases, the detailed financial information included in approved budgets may need to be aggregated for presentation in financial statements in accordance with the requirements of the Standard. Such aggregation may be necessary to avoid information overload and to reflect relevant levels of legislative or other authoritative body oversight. Determining the level of aggregation will involve professional judgment. That judgment will be applied in the context of the objective of the Standard and the qualitative characteristics of financial reporting as identified in paragraph 1.5.2 of the Standard.

Additional budget information, including information about service achievements, may be presented in documents other than financial statements. Where this is the case, the inclusion in the financial statements of a cross reference to such documents is encouraged.

#### **11.3.5 Changes from Original to Final Budget**

*An entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors, either:*

- a) By way of note disclosure in the financial statements; or*
- b) In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.*

The final budget includes all changes approved by legislative actions or other designated authority to revise the original budget. Consistent with the requirements of the Standard, notes to the financial statements or a separate report issued before, in conjunction with or at the same time as the financial statements, will include an explanation of changes between the original and final budget. That explanation will include whether, for example, changes arise as a consequence of reallocations within the original budget parameters or as a consequence of other factors, such as changes in the overall budget parameters, including changes in government policy. Such disclosures are often made in a management discussion and analysis or similar report on operations issued in conjunction with, but not as part of, the financial statements. Such disclosures may also be included in budget out-turn reports issued by governments to report on budget execution. Where such disclosures are made in a separate report rather than in the notes to the financial statements, the notes will include a cross reference to that report.

### 11.3.5 Comparable Basis

*All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.*

The comparison of budget and actual amounts will be presented on the same accounting basis (accrual, cash or other basis), same classification basis and for the same entities and period as for the approved budget. This will ensure that the disclosure of information about compliance with the budget in the financial statements is on the same basis as the budget itself. In some cases, this may mean presenting a budget and actual comparison on a different basis of accounting, for a different group of activities, and with a different presentation or classification format than that adopted for the financial statements.

Financial statements consolidate entities and activities controlled by the entity. As noted in paragraph 5.2.2 of the standard, separate budgets may be approved and made publicly available for individual entities or particular activities that make up the consolidated financial statements. Where this occurs, the separate budgets may be recompiled for presentation in the financial statements in accordance with the requirements of the Standard. Where such recompilation occurs, it will not involve changes or revisions to approved budgets. This is because the Standard requires a comparison of actual amounts with the approved budget amounts.

Entities may adopt different bases of accounting for the preparation of their financial statements and for their approved budgets. For example, in some, albeit rare, cases a government or government agency may adopt the cash basis for its financial statements and the accrual basis for its budget. In addition, budgets may focus on, or include information about, commitments to expend funds in the future and changes in those commitments, while the financial statements will report cash receipts and payments and balances thereof. However, the budget entity and financial reporting entity will often be the same. Similarly, the period for which the budget is prepared and the classification basis adopted for the budget will often be reflected in financial statements. This will ensure that the accounting system records and reports financial information in a manner which facilitates the comparison of budget and actual data for management and for accountability purposes – for example, for monitoring progress of execution of the budget during the budget period and for reporting to the government, the public and other users on a relevant and timely basis.

Some times, budgets may be prepared on a cash or accrual basis consistent with a statistical reporting system that encompasses entities and activities different from those included in the financial statements. For example, budgets prepared to comply with a statistical reporting system may focus on the general government sector and encompass only entities fulfilling the “primary” or “non-market” functions of government as their major activity, while financial statements report on all activities controlled by a government, including the business activities of the government.

### **11.3.7 Multiyear Budgets**

Some times the government and other entities may approve and make publicly available multiyear budgets, rather than separate annual budgets. Conventionally, multiyear budgets comprise a series of annual budgets or annual budget targets. The approved budget for each component annual period reflects the application of the budgetary policies associated with the multiyear budget for that component period. In some cases, the multiyear budget provides for a roll forward of unused appropriations in any single year.

Where the government and other entities have multiyear budgets they may take different approaches to determining their original and final budget depending on how their budget is passed. For example, the government may pass a biennial budget that contains two approved annual budgets, in which case an original and final approved budget for each annual period will be identifiable. If unused appropriations from the first year of the biennial budget are legally authorized to be spent in the second year, the “original” budget for the second year period will be increased for these “carry over” amounts. In the rare cases in which the Government passes a biennial or other multi-period budget that does not specifically separate budget amounts into each annual period, judgment may be necessary in identifying which amounts are attributable to each annual period for determining the annual budget for the purposes of this Standard. For example, the original and final approved budget for the first year of a biennial period will encompass any approved capital acquisitions for the biennial period that occurred during the first year, together with the amount of the recurring revenue and expenditure items attributable to that year. The unexpended amounts from the first annual period would then be included in the “original” budget for the second annual period and that budget together with any amendments thereto would form the final budget for the second year.

### **11.4 Note Disclosures of Budgetary Basis, Period and Scope**

*An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.*

There may be differences between the accounting basis used in preparation and presentation of the budget and the accounting basis used in the financial statements. These differences may occur when the accounting system and the budget system compile information from different perspectives – the budget may focus on cash flows plus certain accruals and commitments while the financial statements report cash receipts and cash payments.

Formats and classification schemes adopted for presentation of the approved budget may also differ from the formats adopted for the financial statements. An approved budget may classify items on the same basis as is adopted in the financial statements, for example, expenditures by economic nature (compensation of employees, supplies and consumables, grants and transfers, etc) or function (health, education, etc). Alternatively,

the budget may classify items by specific programs (for example, poverty reduction or control of contagious diseases) or program components linked to performance outcome objectives (for example, students graduating from tertiary education or surgical operations performed by hospital emergency services), which differ from classifications adopted in the financial statements. Further, a recurrent budget for ongoing operations (for example, education or health) may be approved separately from a capital budget for capital outlays (for example, infrastructure or buildings).

Disclosure of the budgetary basis and classification basis adopted for the preparation and presentation of approved budgets will assist users to better understand the relationship between the budget and accounting information disclosed in the financial statements.

***An entity shall disclose in notes to the financial statements the period of the approved budget.***

Financial statements are presented at least annually. Entities may approve budgets for an annual period or for multiyear periods. Disclosure of the period covered by the approved budget where that period differs from the reporting period adopted for the financial statements will assist the user of those financial statements to better understand the relationship of the budget data and budget comparison to the financial statements. Disclosure of the period covered by the approved budget where that period is the same as the period covered by the financial statements will also serve a useful confirmation role, particularly in jurisdictions where interim budgets and financial statements and reports are also prepared.

***An entity shall identify in notes to the financial statements the entities included in the approved budget.***

Paragraph 3.2.0 of the Standard requires controlling entities to prepare and present consolidated financial statements which encompass budget-dependant entities and GBEs controlled by the government. However, as already stated budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 5.6.0 of the standard, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity's activities are subject to an approved budget and how the budget entity differs from the entity reflected in the financial statements.

## **11.5 Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements**

***The actual amounts presented on a comparable basis to the budget in accordance with paragraph 5.6.0 of the standard shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to total cash receipts and total cash payments, identifying separately any basis, timing and entity differences. The***

***reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.***

Differences between the actual amounts identified consistent with the comparable basis and the actual amounts recognized in the financial statements can usefully be classified into the following:

- a) Budgetary basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis. For example, where the budget is prepared on the accrual basis or modified cash basis and the financial statements are prepared on the cash basis;
- b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements; and
- c) Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared.

There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

The reconciliation required by the Standard will enable the entity to better discharge its accountability obligations by identifying major sources of difference between the actual amounts on a budget basis and the total cash receipts and total cash payments recognized in the statement of cash receipts and payments. The Standard does not preclude reconciliation of each major total and subtotal, or each class of items, presented in a comparison of budget and actual amounts with the equivalent amounts in the financial statements.

For entities adopting the cash basis of accounting for preparation of the budget documents and the financial statements, reconciliation will not be required where the budget is prepared for the same period, encompasses the same entities and adopts the same presentation format as the financial statements. For other entities adopting the same basis of accounting for the budget and the financial statements, there may be a difference in presentation format, reporting entity or reporting period – for example, the approved budget may adopt a different classification or presentation format to the financial statements, may include only non-commercial activities of the entity, or may be a multiyear budget. Reconciliation would be necessary where there are presentation, timing or entity differences between the budget and the financial statements prepared on the same accounting basis.

***The disclosure of comparative information in respect of the previous period in accordance with the requirements of this Standard is not required.***

The Standard requires a comparison of budget and actual amounts to be included in the financial statements of entities which make publicly available their approved budget(s). It does not require the disclosure of a comparison of actual amounts of the previous period with the budget of that previous period, nor does it require that the related explanations of

differences between the actual and budget of that previous period be disclosed in the financial statements of the current period.

## 11.6 Template of comparison of budget and actual

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

#### FOR THE MINISTRY OF HEALTH OF THE REPUBLIC OF LIBERIA

#### FOR THE YEAR ENDED JUNE 30, 200X

#### Budget Approved on the Cash Basis

	*Actual Amounts	Final Budget	Original Budget	Difference: <i>Final Budget and Actual</i>	Percentage Variance %
(in thousands of currency units)					
<b>CASH INFLOWS</b>					
Authorized allocations/Appropriations	X	X	X	X	
Grants	X	X	X	X	
Borrowings	X	X	X	X	
Other receipts	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	
<b>Total receipts</b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	
<b>CASH OUTFLOWS</b>					
Wages, salaries and employee benefits	(X)	(X)	(X)	(X)	
Goods and services consumed	(X)	(X)	(X)	(X)	
Capital Expenditure	(X)	(X)	(X)	(X)	
Loan repayment	(X)	(X)	(X)	(X)	
Payment of interest	(X)	(X)	(X)	(X)	
Transfers to other government units	(X)	(X)	(X)	(X)	
Other Payments	(X)	(X)	(X)	(X)	
<b>Total payments</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	
<b>NET CASH FLOWS</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	

\* Actual amounts encompass both cash and third party settlements.

### 11.7 Illustration

The Government of Liberia operates a cash budgeting system. For the fiscal year ending 30<sup>th</sup> June 2009, the Legislative arm of the Government approved the following estimates for entities of the Government:

#### Original Budget Approved on the Cash Basis

##### Original Budget

(in thousands of currency units)	Ministry of Finance		Ministry of Health & Social Welfare		Ministry of Education		Total for GoL	
	USD	LD	USD	LD	USD	LD	USD	LD
<b>CASH INFLOWS</b>								
Taxes	20,000	1,800,000					20,000	1,800,000
Social Contributions	1,850	110,000					1,850	110,000
Other receipts	1,500	75,000					1,500	75,000
Authorized allocations/Appropriations	(24,000)	(1,500,000)	14,000	900,000	10,000	600,000	-	-
Grants from Multilateral Agencies	12,000	800,000	6,000	400,000	6,000	400,000	24,000	1,600,000
Grants from Bilateral Agencies	11,000	800,000	2,500	150,000	3,500	245,000	17,000	1,195,000
Borrowings from Multilateral Agencies	5,000	350,000	1,000	50,000	2,500	150,000	8,500	550,000
Borrowings from Bilateral Agencies	10,000	650,000	1,500	75,000	1,000	50,000	12,500	775,000
Other Grants and Aids			1,000	90,000			1,000	90,000

<b>Total receipts</b>	<b><u>37,350</u></b>	<b><u>3,085,000</u></b>	<b><u>26,000</u></b>	<b><u>1,665,000</u></b>	<b><u>23,000</u></b>	<b><u>1,445,000</u></b>	<b><u>86,350</u></b>	<b><u>6,195,000</u></b>
<b>CASH OUTFLOWS</b>							-	-
Wages, salaries and employee benefits	14,000	1,050,000	1,600	120,000	6,000	450,000	21,600	1,620,000
Goods and services consumed	3,000	195,000	9,000	600,000	6,000	430,000	18,000	1,225,000
Capital Expenditure	17,350	1,690,000	11,600	685,000	7,200	310,000	45,250	3,275,000
Loan repayment	2,000	100,000					2,000	100,000
Payment of interest	1,000	50,000	200	10,000	300	15,000	1,500	75,000
Other Transfer Payments			3,600	250,000	3,500	240,000	7,100	490,000
<b>Total payments</b>	<b>37,350</b>	<b>3,085,000</b>	<b>26,000</b>	<b>1,665,000</b>	<b>23,000</b>	<b>1,445,000</b>	<b>86,350</b>	<b>6,195,000</b>

Midyear through the fiscal period, the Minister of Finance submitted a supplementary Budget to the Legislature on behalf of the President, which was subsequently approved.

The supplementary Budget is presented below:

	Ministry of Finance		Ministry of Health & Social Welfare		Ministry of Education		Total for GoL	
(in thousands of currency units)	USD	LD	USD	LD	USD	LD	USD	LD
<b>CASH INFLOWS</b>								
Taxes								

	5,000	450,000					5,000	450,000
Social Contributions	850	60,000					850	60,000
Other receipts	500	25,000					500	25,000
Authorized allocations/Appropriations	(2,500)	(350,000)	1,000	200,000	1,500	150,000	-	-
Grants from Multilateral Agencies	1,000	200,000	100	50,000	50	50,000	1,150	300,000
Grants from Bilateral Agencies					500	40,000	500	40,000
Borrowings from Multilateral Agencies	250	15,000	100	10,000			350	25,000
Borrowings from Bilateral Agencies	1,150	15,000	50	5,000			1,200	20,000
<b>Total receipts</b>	<b>6,250</b>	<b>415,000</b>	<b>1,250</b>	<b>265,000</b>	<b>2,050</b>	<b>240,000</b>	<b>9,550</b>	<b>920,000</b>
<b>CASH OUTFLOWS</b>							-	-
Wages, salaries and employee benefits	2,000	200,000	300	60,000	500	50,000	2,800	310,000
Goods and services consumed	1,000	50,000	600	150,000	1,000	120,000	2,600	320,000
Capital Expenditure	750	63,000	300	54,800	550	70,000	3,600	193,000
Loan repayment	2,000	100,000					2,000	100,000
Payment of interest	500	2,000	50	200			550	2,200
<b>Total payments</b>	<b>6,250</b>	<b>415,000</b>	<b>1,250</b>	<b>265,000</b>	<b>2,050</b>	<b>240,000</b>	<b>9,550</b>	<b>925,200</b>

Required:

Using the actual financial statements of the Ministry of Finance, Ministry of Health and Social Welfare, and Ministry of Education, presented in unit 8, prepare a statement of comparison of budget with actual in accordance with the provisions of the Cash Basis IPSAS.

### **11.7.1 Solution**

The first step is to realize that the budget is presented in thousand of currency units. To make it comparable, we add three zeros to all the figures or divide the actual by 1,000.

The next step is to find the final budget which is the original budget plus the supplementary budget.

Then we do the comparison using the template.

(in thousands of currency units)	Ministry of Finance					
	ORIGINAL	LD SUPPLEMENTAR Y	FINAL	ORIGINA L	USD SUPPLEMENTAR Y	FINAL
<b>CASH INFLOWS</b>						
Taxes	1,800,000	450,000	2,250,000	20,000	5,000	25,000
Social Contributions	110,000	60,000	170,000	1,850	850	2,700
Other receipts	75,000	25,000	100,000	1,500	500	2,000
Authorized allocations/Appropriations	(1,500,000)	(350,000)	(1,850,000)	-	(2,500)	(2,500)
Grants from Multilateral Agencies	800,000	200,000	1,000,000	12,000	1,000	13,000
Grants from Bilateral Agencies	800,000		800,000	11,000		11,000
Borrowings from Multilateral Agencies	350,000	15,000	365,000	5,000	250	5,250
Borrowings from Bilateral Agencies	650,000	15,000	665,000	10,000	1,150	11,150
Other Grants and Aids			-			-
<b>Total receipts</b>	<b><u>3,085,000</u></b>	<b><u>415,000</u></b>	<b><u>3,500,000</u></b>	<b><u>61,350</u></b>	<b><u>6,250</u></b>	<b><u>67,600</u></b>
<b>CASH OUTFLOWS</b>						
Wages, salaries and employee benefits	1,050,000	200,000	1,250,000	14,000	2,000	16,000
Goods and services consumed	195,000	50,000	245,000	3,000	1,000	4,000

Capital Expenditure	1,690,000	63,000	1,753,000	17,350	750	18,100
Loan repayment	100,000	100,000	200,000	2,000	2,000	4,000
Payment of interest	50,000	2,000	52,000	1,000	500	1,500
Other Transfer Payments		-	-		-	-
<b>Total payments</b>	<b>3,085,000</b>	<b>415,000</b>	<b>3,500,000</b>	<b>37,350</b>	<b>6,250</b>	<b>43,600</b>

**Ministry of Health and Social Welfare**

(in thousands of currency units)	ORIGINAL	LD SUPPLEMENTAR Y	FINAL	ORIGINA L	USD SUPPLEMENTAR Y	FINAL
<b>CASH INFLOWS</b>						
Taxes						
Social Contributions						
Other receipts			200,000			
Authorized allocations/Appropriations	900,000		1,100,000	14,000	1,000	15,000
Grants from Multilateral Agencies	400,000	50,000	450,000	6,000	100	6,100
Grants from Bilateral Agencies	150,000		150,000	2,500		2,500
Borrowings from Multilateral Agencies	50,000	10,000	60,000	1,000	100	1,100
Borrowings from Bilateral Agencies	75,000	5,000	80,000	1,500	50	1,550
Other Grants and Aids				1,000		

	90,000		90,000			1,000
<b>Total receipts</b>						
	<b><u>1,665,000</u></b>	<b><u>265,000</u></b>	<b><u>1,930,000</u></b>	<b><u>26,000</u></b>	<b><u>1,250</u></b>	<b><u>27,250</u></b>
<b>CASH OUTFLOWS</b>						
		60,000				
Wages, salaries and employee benefits	120,000		180,000	1,600	300	1,900
Goods and services consumed		150,000				
	600,000		750,000	9,000	600	9,600
Capital Expenditure						
	685,000	54,800	739,800	11,600	300	11,900
Loan repayment						
			-			-
Payment of interest		200				
	10,000		10,200	200	50	250
Other Transfer Payments	250,000	-	250,000	3,600	-	3,600
<b>Total payments</b>	<b>1,665,000</b>	<b>265,000</b>	<b>1,930,000</b>	<b>26,000</b>	<b>1,250</b>	<b>27,250</b>

(in thousands of currency units)	ORIGINAL	Ministry of Education			ORIGINAL	USD	
		LD SUPPLEMENTARY	FINAL	SUPPLEMENTARY		FINAL	
<b>CASH INFLOWS</b>							
Taxes							
Social Contributions							
Other receipts							
Authorized allocations/Appropriations	600,000	150,000	750,000	10,000	1,500	11,500	
Grants from Multilateral Agencies	400,000	50,000	450,000	6,000	50	6,050	

		40,000				
Grants from Bilateral Agencies	245,000		285,000	3,500	500	4,000
Borrowings from Multilateral Agencies	150,000		150,000	2,500		2,500
Borrowings from Bilateral Agencies	50,000		50,000	1,000		1,000
Other Grants and Aids			-			-
<b>Total receipts</b>	<b><u>1,445,000</u></b>	<b><u>240,000</u></b>	<b><u>1,685,000</u></b>	<b><u>23,000</u></b>	<b><u>2,050</u></b>	<b><u>25,050</u></b>
<b>CASH OUTFLOWS</b>			-			-
Wages, salaries and employee benefits	450,000	50,000	500,000	6,000	500	6,500
Goods and services consumed	430,000	120,000	550,000	6,000	1,000	7,000
Capital Expenditure	310,000	70,000	380,000	7,200	550	7,750
Loan repayment			-			-
Payment of interest	15,000		15,000	300		300
Other Transfer Payments	240,000	-	240,000	3,500		3,500
<b>Total payments</b>	<b>1,445,000</b>	<b>240,000</b>	<b>1,685,000</b>	<b>23,000</b>	<b>2,050</b>	<b>25,050</b>

Remember that the budget information is in thousands of currency points so we reduce the actual also to thousand currency points by dividing through by 1000.

The actual receipts from multilateral and bilateral agencies' are obtained by adding the receipts under external third parties. The payments for goods and services are also obtained by adding the payments under external third parties.

	Actuals	MOF LD Actuals in thousands	USD Actuals	Actuals in thousands
<b>RECEIPTS</b>				
Tax Revenue	1,240,151,250	1240151	17,591,839	17592
Social Contribution	12,820,000	12820	182,075	182
Other receipts	69,865,500	69866	991,000	991
<b><i>Authorised Allocation*</i></b>				
<b>External Assistance:</b>				
Grants From Multilateral Agency	1360650000	1360650	32,100,000	32100
Grants From Bilateral Agency	987000000	987000	26,500,000	26500
Other Grants and Aids				
Borrows From Multilateral Agency	246,750,000	246750	3,500,000	3500
Borrows From Bilateral Agency	599,250,000	599250	8,500,000	8500
<b>Total Receipt</b>	<b>4,516,486,750</b>	<b>4516487</b>	<b>89,364,914</b>	<b>89365</b>
<b>PAYMENTS</b>				
Operations:				
Wages, Salaries and Employees Benefits	1,320,231,750	1320232	18,727,594	18728
Supplies and Consumables	733304250	733304	10,402,103	10402
<b>TRANSFERS</b>				
<b><i>Other Transfer payments*</i></b>	<b>1,410,000,000</b>	<b>1410000</b>	<b>20,000,000</b>	<b>20000</b>
<b>CAPITAL EXPENDITURES:</b>				
Purchase/ Construction of property, plant & Equipment	2,455,761,750	2455762	34,833,500	34834
<b>LOANS AND INTEREST REPAYMENTS:</b>				

Repayments of borrowings	-		-	
Interest payments	49,350,000	49350	700,000	700
<b>OTHER PAYMENTS</b>				
<b>Total Payments</b>	<u>5,968,647,750</u>	5968648	<u>84,663,197</u>	84663

Statement of COMPARISON OF BUDGET AND ACTUALS FOR THE MINISTRY OF FINANCE

	ACTUAL		FINAL BUDGET		ORIGINAL BUDGET		VARIANCE		PERCENTAGE VARIANCE	
	LD	USD	LD	USD	LD	USD	LD	USD	LD	USD
<b>RECEIPTS</b>										
Tax Revenue	1,240,151	17,592	2,250,000	25,000	1,800,000	20,000	(1,009,849)	(7,408)	-44.88	-29.63
Social Contribution	12,820	182	170,000	2,700	110,000	1,850	(157,180)	(2,518)	-92.46	-93.26
Other receipts	69,866	991	100,000	2,000	75,000	1,500	(30,135)	(1,009)	-30.13	-50.45
<i>Authorised Allocation*</i>							-	-		
<b>External Assistance:</b>										
Grants From Multilateral Agency	1,360,650	32,100	1,000,000	13,000	800,000	12,000	360,650	19,100	36.07	146.92
Grants From Bilateral Agency	987,000	26,500	800,000	11,000	800,000	11,000	187,000	15,500	23.38	140.91
Other Grants and Aids			365,000	5,250			(365,000)	(5,250)	-100.00	-100.00
Borrows From Multilateral Agency	246,750	3,500	665,000	11,150	350,000	5,000	(418,250)	(7,650)	-62.89	-68.61
Borrows From Bilateral Agency	599,250	8,500	-	-	650,000	10,000	599,250	8,500		
<b>Total Receipt</b>	<b>4,516,487</b>	<b>89,365</b>	<b>5,350,000</b>	<b>70,100</b>	<b>4,585,000</b>	<b>61,350</b>	<b>(833,513)</b>	<b>19,265</b>	<b>-15.58</b>	<b>27.48</b>
<b>PAYMENTS</b>										
Operations:										
Wages, Salaries and Employees Benefits	1,320,232	18,728	1,250,000	16,000	1,050,000	14,000	(70,232)	(2,728)	-5.62	-17.05
Supplies and Consumables	733,304	10,402	245,000	4,000	195,000	3,000	(488,304)	(6,402)	-199.31	-160.05
							-	-		
<b>TRANSFERS</b>										
<i>Other Transfer payments*</i>	1,410,000	20,000	1,850,000	2,500	1,500,000		440,000	(17,500)	23.78	-700.00
							-			

								-		
<b>CAPITAL EXPENDITURES:</b>								-		
Purchase/ Construction of property, plant & Equipment	2,455,762	34,834	1,753,000	18,100	1,690,000	17,350	(702,762)	(16,734)	-40.09	-92.45
								-		
<b>LOANS AND INTEREST REPAYMENTS:</b>								-		
Repayments of borrowings			200,000	4,000	100,000	2,000	200,000	4,000	100.00	100.00
Interest payments	49,350	700	52,000	1,500	50,000	1,000	2,650	800	5.10	53.33
								-		
<b>OTHER PAYMENTS</b>								-		
<b>Total Payments</b>	<b>5,968,648</b>	<b>84,663</b>	<b>5,350,000</b>	<b>46,100</b>	<b>4,585,000</b>	<b>37,350</b>	<b>(618,648)</b>	<b>(38,563)</b>	<b>-11.56</b>	<b>-83.65</b>

Using the same approach, we can now solve for the other Ministries.

## 11.8 Summary and Conclusion

We started by defining key terms used in the unit such as: Accounting basis, Annual budget, Appropriation, Approved budget, Budgetary basis, Comparable basis, Final budget, Multiyear budget, Original budget. Selected terms such as: Approved Budgets, Original budget, Final Budget and Actual Amounts were further explained. We discovered an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the statement of cash receipts and payments currently presented in accordance with the Standard. The comparison of budget and actual amounts shall present separately for each level of legislative oversight: the original and final budget amounts; the actual amounts on a comparable basis; and by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes. We further learnt that an entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget. The unit concluded by observing that the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to total cash receipts and total cash payments, identifying separately any basis, timing and entity differences. The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

## 11.9 End of Unit Review Questions

1. Explain each of the following terms:
  - a) Accounting basis
  - b) Annual budget
  - c) Appropriation
  - d) Approved budget
  - e) Budgetary basis
  - f) Comparable basis
  - g) Final budget
  - h) Multiyear budget
  - i) Original budget
  - j) Approved Budgets
  - k) Final Budget
  - l) Actual Amounts
  
2. Explain the requirement of the Cash Basis IPSAS on the Presentation of a Comparison of Budget and Actual Amounts.

3. Explain the condition under which an entity shall present a comparison of budget and actual amounts as additional budget columns in the statement of cash receipts and payments.
4. Explain why it is necessary for all comparisons of budget and actual amounts to be presented on a comparable basis to the budget.
5. Explain the presentation requirements and treatment of multiyear budgets in accordance with the Cash Basis IPSAS.
6. Outline and explain the disclosure requirements of the Cash Basis IPSAS with respect to presentation of budget information.
7. Explain the situation when there will be a need for a reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements



## **Unit 12: Encouraged Additional Disclosures**

### **Objective of unit**

In this unit, we shall discuss additional issues that are encouraged to be disclosed in financial statements as contained in the Cash Basis IPSAS when financial statements are presented. At the end of the unit, trainees should be able to:

- Explain selected technical terms relating to encouraged disclosure;
- Explain the encouraged accounting treatment of extra ordinary items;
- Explain the accounting treatment of administered transactions;
- Explain the encouraged accounting treatments relating to assets and liabilities;
- Explain the encouraged disclosure requirements with respect to comparison with budgets;
- Explain the encouraged disclosure requirements relating to consolidation of financial statements;
- Explain the requirements for reporting in hyper inflationary economies;
- Explain the encouraged disclosure requirements of accounting for external assistance;
- Explain templates of other encouraged reports and statements of accounts.

### **12.0 Introduction**

This unit discusses other general reporting issues that are not mandatory, but rather encouraged. The unit begins as usual, by explaining selected technical terms relating to encouraged disclosure. The encouraged accounting treatments of extra ordinary items are then discussed as well as the way administered transactions are to be handled. The unit also explains the encouraged accounting treatments relating to assets and liabilities and disclosure requirements with respect to comparison with budgets. We will also learn about the encouraged disclosure requirements relating to consolidation of financial statements. The issue of reporting in hyper inflationary economies will also be addressed in this unit. We have discussed the treatment of external assistance in the previous unit, but in this unit; we shall take a look at the additional encouraged disclosure requirements of accounting for external assistance. We shall then conclude this unit by presenting templates of other encouraged reports and statements of accounts.

## 12.1.0 Definitions of terms

*The following terms are used with the meanings specified:*

- a) *Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.*
- b) *Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.*
- c) *Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.*
- d) *Closing rate is the spot exchange rate at the reporting date.*
- e) *Distributions to owners are future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.*
- f) *Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.*
- g) *Extraordinary items are (for the purposes of the Cash Basis IPSAS) cash flows that arise from events or transactions that are clearly distinct from the ordinary activities of the entity, are not expected to recur frequently or regularly and are outside the control or influence of the entity.*
- h) *A financial asset is any asset that is:*
  - i. *Cash;*
  - ii. *A contractual right to receive cash or another financial asset from another entity;*
  - iii. *A contractual right to exchange financial instruments with another entity under conditions that are potentially favorable;*  
*or*

- iv. *An equity instrument of another entity.*
- i) *Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.*
- j) *Ordinary activities are any activities which are undertaken by an entity as part of its service delivery or trading activities. Ordinary activities include such related activities in which the entity engages in furtherance of, incidental to, or arising from these activities.*
- k) *Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.*

### **12.1.1 Future Economic Benefits or Service Potential**

Assets, including cash and other resources, provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity's objectives but which do not directly generate net cash inflows are often described as embodying "service potential." Assets that are used to generate net cash inflows are often described as embodying future economic benefits. To encompass all the purposes to which assets may be put, the Standard uses the term "future economic benefits or service potential" to describe the essential characteristic of assets.

### **12.1.2 Going Concern**

*When preparing the financial statements of an entity, those responsible for the preparation of the financial statements are encouraged to make an assessment of the entity's ability to continue as a going concern. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, the disclosure of those uncertainties is encouraged.*

The determination of whether an entity is a going concern is primarily relevant for individual entities rather than for the government as a whole. For individual entities, in assessing whether the entity is a going concern, those responsible for the preparation of the financial statements: will need to take into account all available information for the foreseeable future which will include, but will not necessarily be limited to twelve months from the approval of the financial statements; and may need to consider a wide range of factors surrounding current and expected performance, potential and announced restructurings of organizational units, estimates of receipts or the likelihood of continued government funding, and potential sources of replacement financing

before it is appropriate to conclude that the entity is a going concern.

There may be circumstances where the usual going concern tests of liquidity and solvency as applied to business enterprises appear unfavorable, but other factors suggest that the entity is nonetheless a going concern. For example: in assessing whether the government is a going concern, the power to levy rates or taxes may enable some entities to be considered as a going concern even though their cash payments may exceed their cash receipts for extended periods; and for an individual entity, an assessment of its cash flows for a reporting period may suggest that the entity is not a going concern. However, there may be multi-year funding agreements in place with the government that will ensure the continued operation of the entity.

## **12.2 Extraordinary Items**

*An entity is encouraged to separately disclose the nature and amount of each extraordinary item. The disclosure may be made on the face of the statement of cash receipts and payments, or in other financial statements or in the notes to the financial statements.*

Extraordinary items are characterized by the fact that they arise from events or transactions that are distinct from an entity's ordinary activities, are not expected to recur frequently or regularly and are outside the control or influence of the entity. Accordingly, extraordinary items are rare, unusual and material.

### **12.2.1 Distinct from Ordinary Activities**

Whether an event or transaction is clearly distinct from the ordinary activities of the entity is determined by the nature of the event or transaction in relation to the activities ordinarily carried on by the entity rather than by the frequency with which such events are expected to occur. An event or transaction may be extraordinary for one entity or level of government, but not extraordinary for another entity or level of government, because of the differences between their respective ordinary activities. In the context of whole-of-government reporting, extraordinary items will be extremely rare.

### **12.2.2 Not Expected to Recur in the Foreseeable Future**

The event or transaction will be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates. The nature of extraordinary items is such that they would not normally be anticipated at the beginning of a reporting period and therefore would not be included in a budget. Inclusion of an item in a budget suggests that the occurrence of the specific item is foreseen and therefore not extraordinary.

### **12.2.3 Outside the Control or Influence of the Entity**

The event or transaction will be outside the control or influence of the entity.

A transaction or event is presumed to be outside the control or influence of an entity if the decisions or determinations of the entity do not normally influence the occurrence of that transaction or event.

#### **12.2.4 Identifying Extraordinary Items**

Whether or not an item is extraordinary will be considered in the context of the entity's operating environment and the level of government within which it operates. Judgment will be exercised in each case.

Examples of cash flows associated with events or transactions that may, although not necessarily, give rise to extraordinary items for some public sector entities or levels of government are:

- a) Short-term cash flows associated with the provision of services to refugees where the need for such services was unforeseen at the beginning of the period, outside the ordinary scope of activities for the entity and outside the control of the entity. If such services were predictable or occurring in more than one reporting period they would not generally be classified as extraordinary; and
- b) The cash flows associated with the provision of services following a natural or man-made disaster, for example, the provision of shelter to homeless people following an earthquake. In order for a particular earthquake to qualify as an extraordinary event it would need to be of a magnitude that would not normally be expected in either the geographic area in which it occurred or the geographic area associated with the entity, and the provision of emergency services or the restoration of essential services would need to be outside the scope of ordinary activities of the entity concerned. Where an entity has responsibility for providing assistance to those affected by natural disasters, the costs associated with this activity would not generally meet the definition of an extraordinary item.

The restructuring of activities is an example of an event which would normally not be extraordinary for either an individual public sector entity or the whole-of-government entity which incorporates that government body. All three criteria within the definition of an extraordinary item must be satisfied before an item can be classified as extraordinary. A restructuring may clearly be distinct from the ordinary activities of the entity. However, at the whole-of-government level, restructuring may occur frequently. More importantly, restructuring is usually within the control or influence of a whole-of-government entity. It is only in circumstances where the restructuring is imposed by another level of government or by an external regulator or other external authority that it could be classified as outside the control or influence of the whole-of-government entity.

The disclosure of the nature and amount of each extraordinary item may be made on the face of the statement of cash receipts and payments or other financial statements that might be prepared or in the notes to those financial

statements. An entity may also decide to disclose only the total amount of extraordinary items on the face of the statement of cash receipts and payments and the details in the notes.

### **12.3 Administered Transactions**

*An entity is encouraged to disclose in the notes to the financial statements, the amount and nature of cash flows and cash balances resulting from transactions administered by the entity as an agent on behalf of others where those amounts are outside the control of the entity.*

The cash flows associated with transactions administered by an entity acting as an agent on behalf of others may not pass through a bank account controlled by the reporting entity. In these cases, the entity cannot use, or otherwise benefit from, the cash it administers in the pursuit of its own objectives. These cash flows are not controlled by the entity and therefore are not included in the totals shown on the face of the statement of cash receipts and payments or other financial statements that might be prepared. However, disclosure of the amount and nature of these transactions by major type is encouraged because it provides useful information on the scope of the entity's activities and it is relevant for an assessment of an entity's performance.

Where such cash receipts and payments pass through a bank account controlled by the entity, they are treated as cash flows and balance of the entity itself and included in the totals shown on the face of the statement of cash receipts and payments.

#### **12.3.1 Revenue Collection**

Public sector entities may control cash or administer cash receipts or payments on behalf of the government or other governments or government entities. For example, the government's Department of Revenue (or revenue collection agency) may be established with its own bank account and provided with an appropriation to fund its operations. The operations of the Department will include administering certain aspects of the Revenue Code and may encompass the collection of taxes on behalf of the government.

The Department of Revenue can use cash appropriated to it and deposited in a bank account which it controls to achieve its operating objectives as mandated, and can exclude others from using or benefiting from that cash. In these cases, the Department will control the cash appropriated for its own use. However, the cash the Department collects on behalf of the government through its tax collection activities is usually deposited in a specified government trust fund or transferred to a government bank account administered by the Treasury or similar department. In these circumstances, the cash collected cannot be used to support achievement of the objectives of the Department of Revenue, or otherwise deployed at the discretion of the Department's management without specific appropriation or other authorization by the government or relevant body. Therefore, the cash collected is not controlled by the Department of

Revenue and would not form part of the cash receipts or cash balances of the Department. As a consequence of a government decision, some of the amounts collected may be appropriated or otherwise allocated for use by the Department. However, it is the government's decision to authorize the expenditure of the funds by the Department of Revenue, rather than the collection of the cash, that gives rise to the control.

Similar circumstances may arise when one government, for example a state or local government, collects cash on behalf of another government (such as a national government). In these cases, the government is acting as an agent for others in the collection of cash. The cash that arises as a result of managing transactions as an agent for others would not usually be deposited in a bank account of the collection agency and therefore would not form part of the cash receipts, cash payments or cash balances of the reporting entity.

### **12.3.3 Pass Through Cash Flow**

In some cases, the administrative arrangements in place in respect of the revenue collection activities a government or government entity undertakes as an agent of another party may provide for the cash collected to be initially deposited in the entity's own bank account before it is transferred to the ultimate recipient. Cash flows arising as a consequence of these transactions are sometimes termed "pass-through" cash flows. In these cases, the entity will:

- a) Control the cash it collects in its capacity as an agent for the, usually short, period the cash is deposited in the entity's bank account prior to transfer to third parties;
- b) Usually benefit from any interest arising from amounts deposited in interest bearing accounts prior to its transfer to the other entity; and
- c) Have an obligation to transfer the cash collected to third parties in accordance with legislative requirements or administrative arrangements.

When cash inflows from administered transactions pass through a bank account controlled by the reporting entity, the cash receipts, cash transfers and cash balances arising from the collection activity will be included in the entity's statement of cash receipts and payments in accordance with paragraph 1.2.1(a)(i) of Part 1 of the Standard. Paragraph 1.3.1(a) of Part 1 of the Standard specifies that cash receipts and payments which arise from transactions the entity administers on behalf of other parties and which are recognized in the financial statements may be reported on a net basis.

### **12.3.4 Transfer Payments**

Consistent with a government's objectives and with legislation or other authority, amounts appropriated to a government entity (a ministry, or agency) may include amounts to be transferred to third parties in respect of, for

example, unemployment benefits, age or invalid pensions, family allowances and other social security and community benefit payments. In some cases, these amounts will pass through a bank account controlled by the entity. Where this occurs, the entity will recognize the cash appropriated for transfer during the reporting period as a cash receipt, the amounts transferred during that reporting period as a cash payment and any amounts held at the end of the reporting period for transfer in the future as part of closing balance of cash.

### 12.3.5 Disclosure of Major Classes of Cash Flows

*An entity is encouraged to disclose, either on the face of the statement of cash receipts and payments or other financial statements or in the notes to those statements:*

- a) *An analysis of total cash payments and payments by third parties using a classification based on either the nature of the payments or their function within the entity, as appropriate; and*
- b) *Proceeds from borrowings. In addition, the amount of borrowings may be further classified into type and source.*

The sub-classifications encouraged in paragraph 7.1.23(a) of the Standard may be presented on the face of the statement of cash receipts and payments in accordance with the requirements of paragraphs 1.3.0 and 1.4.0 of Part 1 of the Standard. Where a different classification basis is adopted in the statement of cash receipts and payments, additional disaggregated disclosures reflecting the above is encouraged either as a separate statement or by way of note.

Cash payment items and payments by third parties may be further sub classified in order to enhance accountability by identifying the major purposes for which the payments are made. They may also be sub-classified in order to highlight the costs and cost recoveries of particular programs, activities or other relevant segments of the reporting entity. An entity is encouraged to present this information in at least one of the following two ways.

The first method is referred to as the nature of payments method. Payments are aggregated in the statement of cash receipts and payments according to their nature (for example, purchases of materials, transport costs, wages and salaries), and are not reallocated amongst various functions within the entity. An example of a classification using the nature of payments method is presented in the table below:

	Cash payment	Payment by third parties
Wages and salaries	X	X
Supplies and consumables	X	X

Transport costs	X	X
Capital acquisition	X	X
Borrowing costs	X	X
Other	<u>X</u>	<u>X</u>
<b>Total payments</b>	<b><u>X</u></b>	<b><u>X</u></b>

The second method, referred to as the functional method of classification, classifies payments according to the program or purpose for which they were made. This presentation often provides more relevant information to users, although the allocation of payments to functions can be arbitrary and may involve considerable judgment. An example of a functional classification of cash payments is as follows:

	Cash payment	Payment by third parties
Education Services	X	X
Health Services	X	X
Social Security and Welfare	X	X
Defense	X	X
Public Order and Safety	X	X
Recreation, Culture and Religion	X	X
Economic Services	X	X
Other	X	X
<b>Total payments/expenditure</b>	<b><u>X</u></b>	<b><u>X</u></b>

Under this method, the cash payments associated with the main functions undertaken by the entity are shown separately. In this example, the entity has functions related to the provision of health services and education services. The entity would present cash payment line items for each of these functions.

Entities classifying cash payments by function are encouraged to disclose additional information on the nature of payments, including payments made for salaries and other employee benefits.

Paragraph 1.3.0 of Part 1 of the Standard requires the disclosure of total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations. The sub-classification of cash receipts into appropriate classes will depend upon the size, nature and function of the amounts involved. In addition to disclosure

of the amount of receipts from external assistance and borrowings, the following sub-classifications may be appropriate:

- a) Receipts from taxation (these may be further sub-classified into types of taxes);
- b) Receipts from fees, fines, penalties and licenses;
- c) Receipts from exchange transactions including receipts from the sale of goods and services and user charges (where these are classified as exchange transactions);
- d) The purposes for which external assistance grants and loans are provided, the providers of that assistance and the amount provided;
- e) Receipts from other grants, transfers, or budget appropriations (possibly classified by source and purpose);
- f) Receipts from interest and dividends; and
- g) Receipts from gifts and donations.

### **12.3.6 Related Party Disclosures**

*An entity is encouraged to disclose in the notes to the financial statements information required by International Public Sector Accounting Standard IPSAS 20, “Related Party Disclosures.”*

IPSAS 20, in the accrual based series of IPSASs, which defines related parties and other relevant terms, requires the disclosure of related party relationships where control exists and requires the disclosure of certain information about related party transactions, including information about aggregate remuneration of key management personnel.

### **12.4 Disclosure of Assets, Liabilities**

*An entity is encouraged to disclose in the notes to the financial statements:*

- a) *Information about the assets and liabilities of the entity; and*
- b) *If the entity does not make publicly available its approved budget, a comparison with budgets*

Governments and government entities control significant resources in addition to cash and deploy those resources in the achievement of service delivery objectives. They also borrow to fund their activities, incur other debts and liabilities in the course of their operations and make commitments to expend money in the future on the acquisition of capital assets. Non-cash assets and liabilities will not be reported on the face of the statement of cash receipts and

payments or other financial statements that might be prepared under the cash basis of accounting. However, governments maintain records of, and monitor and manage, their debt and other liabilities and their non cash assets. The disclosure of information about assets and liabilities and the costs of particular programs and activities will enhance accountability and is encouraged by the Cash Basis IPSAS.

Entities that make such disclosures are encouraged to identify assets and liabilities by type, for example, by classifying:

- a) Assets as receivables, investments or property plant and equipment; and
- b) Liabilities as payables, borrowings by type or source and other liabilities.

While such disclosures may not be comprehensive in the first instance, entities are encouraged to progressively develop and build on them. These disclosures will need to comply with qualitative characteristics of financial information and should be clearly described and readily understood.

The Cash Basis IPSAS as adopted by the Government of Liberia encourages the presentation of a balance sheet on accrual basis as part of the financial statements of Ministries and Agencies and whole of Government of Liberia.

## **12.5 Comparison with Budgets**

Public sector entities are typically subject to budgetary limits in the form of appropriations or other budgetary authority which may be given effect through authorizing legislation. One of the objectives of financial reporting by public sector entities is to report on whether cash was obtained and used in accordance with the legally adopted budget. Sometimes, this requirement is reflected in legislation. Entities which make publicly available their approved budgets are required to comply with the requirements of paragraphs 5.1.0 to 5.9.5 of Part 1 of the Standard. The Cash Basis IPSAS encourages other entities (that is, entities which do not make publicly available their approved budgets) to include in their financial statements the disclosure of a comparison of actual with the budgeted amounts for the reporting period where the financial statements and the budget are on the same basis of accounting. Reporting against budgets for these other entities may be presented in different ways, including:

- a) The preparation of a note with separate columns for budgeted amounts and actual amounts. A column showing any variances from the budget or appropriation may also be presented for completeness; and
- b) Disclosure that the budgeted amounts have not been exceeded. If any budgeted amounts or appropriations have been exceeded, or payments made without appropriation or other form of authority, then details may be disclosed by way of note to the relevant item in the financial statements.

*Entities which disclose in their financial statements a comparison of actual with budgeted amounts are encouraged to include in the financial statements a cross reference to reports which include information about service achievements.*

*Entities which adopt multi-period budgets are encouraged to provide additional note disclosures about the relationship between budget and actual amounts during the budget period.*

Additional budget information, including information about service achievements, may be presented in documents other than financial statements. Entities which disclose in their financial statements a comparison of actual with budgeted amounts are encouraged to include in their financial statements a cross reference to such documents, particularly to link budget and actual data to non-financial budget data and service achievements.

As noted in paragraph 5.7.1 of the Standard, entities may take different approaches to determining the annual budget within the multi-period budget. Where multi-period budgets are adopted, entities are encouraged to provide additional disclosures about such matters as the relationship between the multi period budget and component annual budgets and actual amounts during the budget period.

## **12.6 Consolidated Financial Statements**

*An entity is encouraged to disclose in the notes to the financial statements:*

- a) *The proportion of ownership interest in controlled entities and, where that interest is in the form of shares, the proportion of voting power held (only where this is different from the proportionate ownership interest);*
- b) *Where applicable:*
  - (i) *The name of any controlled entity in which the controlling entity holds an ownership interest and/or voting rights of 50% or less, together with an explanation of how control exists; and*
  - (ii) *The name of any entity in which an ownership interest of more than 50% is held but which is not a controlled entity, together with an explanation of why control does not exist; and*
- c) *In the controlling entity's separate financial statements, a description of the method used to account for controlled entities.*

*A controlling entity which does not present a consolidated statement of cash receipts and payments is encouraged to disclose the reasons why the consolidated financial statements have not been presented together with the bases on which controlled entities are accounted for in its separate financial statements. It is also encouraged to disclose the name and the principal*

*address of its controlling entity that publishes consolidated financial statements.*

Paragraph 3.4.0(b) of Part 1 of the Standard requires that the reasons for non-consolidation of a controlled entity should be disclosed. Paragraphs 3.2.2 and 3.2.3 of Part 1 of the Standard also provide that a controlling entity that is itself a wholly owned entity or a controlling entity that is virtually wholly owned, need not present a consolidated financial statement. When this occurs, the disclosure of the information in paragraph 7.1.42 of the Standard is encouraged.

#### **12.6.1 Acquisitions and Disposals of Controlled Entities and Other Operating Units**

*An entity is encouraged to disclose and present separately the aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units.*

*An entity is encouraged to disclose in the notes to the financial statements, in aggregate in respect of both acquisitions and disposals of controlled entities or other operating units during the period, each of the following:*

- a) *The total purchase or disposal consideration (including cash or other assets);*
- b) *The portion of the purchase or disposal consideration discharged by means of cash; and*
- c) *The amount of cash in the controlled entity or operating unit acquired or disposed of.*

The separate presentation of the cash flow effects of acquisitions and disposals of controlled entities and other operations, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from cash receipts and payments arising from the other activities of the entity. To enable users to identify the effects of both acquisitions and disposals, the cash flow effects of disposals would not be deducted from those acquisitions.

The aggregate amount of the cash paid or received as purchase or sale consideration is reported in the statement of cash receipts and payments net of cash acquired or disposed of.

Paragraph 7.1.33 of the Standard encourages the disclosure of assets and liabilities of the entity. Assets and liabilities other than cash of a controlled entity or operating unit acquired or disposed of may also be separately disclosed, summarized by each major category. Consistent with the requirement of paragraph 1.3.37 of Part 1 of the Standard, where such disclosure is made, the assets and liabilities should be clearly identified and the basis on which they are recognized and measured explained.

### 12.6.2 Joint Ventures

*An entity is encouraged to make disclosures about joint ventures which are necessary for a fair presentation of the cash receipts and payments of the entity during the period and the balances of cash as at reporting date.*

Many public sector entities establish joint ventures to undertake a variety of activities. The nature of these activities range from: commercial undertakings, to provision of community services at no charge. The terms of a joint venture are set out in a contract or other binding arrangement and usually specify the initial contribution from each joint venturer and the share of revenues or other benefits (if any) and expenses of each of the joint venturers. Entities which report on a cash basis will generally report:

- a) As cash payments, the cash expended on the acquisition of an interest in a joint venture and in the ongoing operations of the joint venture; and
- b) As cash receipts, the cash received from joint venture

Disclosures about joint ventures may include a listing and description of interests in significant joint ventures.

### 12.7 Financial Reporting in Hyperinflationary Economies

In a hyperinflationary economy, the presentation of the financial statements in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The Cash Basis IPSAS does not identify an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with the encouragements in the Standard would become necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

- a) The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- b) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- c) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

- d) Interest rates, wages and prices are linked to a price index; and
- e) The cumulative inflation rate over three years is approaching, or exceeds, 100%.

### **12.7.1 The Restatement of Financial Statements**

An entity that reports in the currency of a hyperinflationary economy is encouraged to:

- a) Restate its statement of cash receipts and payments and other financial statements in terms of the measuring unit current at the reporting date;
- b) Restate the comparative information for the previous period, and any information in respect of earlier periods in terms of the measuring unit current at the reporting date; and
- c) Use a general price index that reflects changes in general purchasing power. It is preferable that all entities that report in the currency of the same economy use the same index.

*The entity is encouraged to make the following disclosures:*

- a) *The fact that the statement of cash receipts and payments and other financial statements, and the corresponding figures for previous periods, have been restated for the changes in the general purchasing power of the reporting currency and, as a result, are stated in terms of the measuring unit current at the reporting date; and*
- b) *The identity and level of the price index at the reporting date and the movement in the index during the current and the previous reporting period.*

Prices change over time as the result of various political, economic and social forces. Specific forces such as changes in supply and demand and technological changes may cause individual prices to increase or decrease significantly and independently of each other. In addition, general economic forces may result in changes in the general level of prices and therefore in the general purchasing power of money.

In a hyperinflationary economy, the usefulness of financial statements is substantially increased if they are expressed in terms of the measuring unit current at the reporting date. As a result, the treatments and disclosures in paragraphs 7.1.53 and 7.1.54 of the Standard are encouraged. Presentation of this information as the primary presentation rather than as a supplement to financial statements which have not been restated is encouraged. Separate presentation of the statement of cash receipts and payments and other financial statements before restatement is discouraged.

All items in the statement of cash receipts and payments will be expressed in terms of the measuring unit current at the reporting date. Therefore, all amounts, including any payments by third parties disclosed on the face of the statement of cash receipts and payments or in other financial statements, would be restated by applying the change in the general price index from the dates when the payments and receipts were initially recorded.

Many entities in the public sector include in their financial statements the related budgetary information, to facilitate comparisons with the budget.

### **12.7.2 Comparative Information**

If comparisons with previous periods are to be meaningful, comparative information for the previous reporting period will be restated by applying a general price index so that the comparative financial statements are presented in terms of the measurement unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measurement unit current at the end of the reporting period.

### **12.7.3 Consolidated Financial Statements**

A controlling entity that reports in the currency of a hyperinflationary economy may have controlled entities that also report in the currencies of hyperinflationary economies. If the statement of cash receipts and payments and other financial statements are to be prepared on a consistent basis, the financial statements of any such controlled entity will be restated by applying a general price index of the country in whose currency it reports before they are included in the consolidated financial statements issued by its controlling entity. Where such a controlled entity is a foreign controlled entity, its restated financial statements are translated at closing rates.

If financial statements with different reporting dates are consolidated, all items, whether non-monetary or monetary, need to be restated into the measuring unit current at the date of the consolidated financial statement.

### **12.7.4 Selection and Use of the General Price Index**

The restatement of financial statements in accordance with the approach encouraged by this Standard requires the use of a general price index that reflects changes in general purchasing power. It is preferable that all entities that report in the currency of the same economy use the same index.

The disclosures encouraged by the Cash Basis IPSAS are intended to make clear the basis of dealing with the effects of hyperinflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts.

## **12.8 Assistance Received from Non – Governmental Organisations**

Reporting entities are not required to make the disclosures identified in paragraphs 6.1.0 to 6.5.2 of the Standard in respect of assistance received from nongovernmental organizations (NGOs). This is because the costs of collecting and aggregating the information necessary to comply with those requirements may be greater than its benefits. However, making the disclosures about assistance received from NGOs which are identified in paragraphs 6.1.0 to 6.5.2 of the Standard, together with the disclosures encouraged in paragraphs 7.1.66 to 7.1.93 of Part 2 of the Standard, can provide additional input to assessments of the extent to which the reporting entity is dependent on assistance from these organizations to support its activities. Accordingly, reporting entities are encouraged to apply the disclosures identified in the Standard to assistance received from NGOs, where it is practicable to do so.

### **12.8.1 Recipients of External Assistance**

*An entity is encouraged to disclose by significant class in notes to the financial statements:*

- a) *The purposes for which external assistance was received during the reporting period, showing separately amounts provided by way of loans and grants; and*
- b) *The purposes for which external assistance payments were made during the reporting period.*

An entity may receive external assistance for many purposes including assistance to support its:

- a) Economic development or welfare objectives, often termed development assistance;
- b) Emergency relief objectives, often termed emergency assistance;
- c) Balance of payments position or to defend its currency exchange rate, often termed balance of payments assistance;
- d) Military and/or defense objectives, often termed military assistance; and
- e) Trading activities, including export credits or loans offered by export/import banks or other government agencies, often termed trade finance.

Part 1 of the Standard requires disclosure of the total amount of external assistance received during the reporting period showing separately the total amount received by way of grants and loans. Disclosure of the significant classes of external assistance received by way of loan or grant will enable users to determine the purposes for which assistance was provided during the

period, the amounts thereof and whether the entity has an obligation to repay the assistance provided at some time in the future.

Disclosure by significant class of the purposes for which external assistance payments were made during the reporting period will further enhance the entity's accountability for its use of external assistance received.

***An entity is encouraged to identify in notes to the financial statements each provider of external assistance during the reporting period and the amount provided, excluding any undrawn amounts, showing separately amounts provided by way of loans and grants in the currency provided.***

Disclosure of each provider of external assistance and the amount provided by way of loan and grant will indicate the extent of diversification of sources of assistance. This will assist readers of the financial statements to determine, for example, whether the entity is dependent on particular agencies for assistance, the extent of that dependency and the currency in which it was provided, and whether the assistance is provided by way of a grant or a loan which will need to be repaid in the future. The disclosure encouraged by this paragraph excludes amounts that have not been drawn down during the period. Paragraph 7.1.72 of the Standard encourages disclosure of information about undrawn amounts of external assistance in certain circumstances.

***In respect of external assistance that is undrawn at reporting date and is disclosed in accordance with paragraph 6.2.0 of Part 1 of this Standard, an entity is encouraged to disclose in notes to the financial statements:***

- a) ***Each provider of loan assistance and grant assistance and the amount provided by each;***
- b) ***The purposes for which the undrawn loan assistance and undrawn grant assistance may be used;***
- c) ***The currency in which the undrawn assistance is held or will be made available; and***
- d) ***Changes in the amount of undrawn loan assistance and undrawn grant***

Undrawn external assistance balances are required to be disclosed in certain circumstances by paragraph 6.2.0 of Part 1 of the Standard. The disclosures encouraged by paragraph 7.1.72 of the Standard will enable readers of the financial statements to determine the purposes for which such undrawn assistance may be used in the future, the currency in which that undrawn assistance is made.

As is appropriate for the reporting entity, the disclosures could usefully

identify such matters as the opening balance of undrawn loans and grants, the amount of new loans and new grants approved or otherwise made available during the period, the total amount of loans and grants drawn or utilized during the period, the total amounts of loans and grants cancelled or expired during the period, and the closing balance of undrawn loans and grants. Such disclosures will assist users in identifying not only the amount of the change in undrawn balances, but also the components of that change.

Where disclosures of changes in the amount of undrawn assistance are made in the entity's reporting currency; external assistance denominated in a foreign currency will be reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate on the date of each applicable transaction, consistent with the requirements of Part 1 of the Standard.

***An entity is encouraged to disclose in notes to the financial statements the terms and conditions of external assistance agreements that determine or affect access to, or limit the use of, external assistance.***

Some external assistance agreements limit or specifically define the use or purpose for which the external assistance may be used, or limit the sources from which goods or services may be purchased. This type of external assistance term or condition may specify that the funds are available only to purchase specific inputs for the construction of specified facilities at a specified location, or that the goods or services purchased under the external assistance agreement must originate from a specified country or countries.

Some external assistance may be released on specific dates, or may be released upon the entity:

- a) Undertaking actions specified in an external assistance agreement, such as implementing specific policy changes; or
- b) Achieving ongoing performance targets, such as budget deficit targets or other broad economic objectives, or establishing a financial sector asset recovery or management agency.

Disclosure of terms and conditions that determine or affect access to external assistance will indicate the extent to which external assistance is time bound and/or is dependent upon the entity taking certain actions and achieving certain performance objectives, and what those actions and performance objectives are.

***An entity is encouraged to disclose in notes to the financial statements:***

- a) ***The outstanding balance of any external assistance loans for which principal and/or interest payments have been guaranteed by third parties, any terms and conditions related to those loans, and any additional terms and conditions arising from the guarantee; and***

- b) ***The amount and terms and conditions of external assistance loans and grants for which performance of related terms and conditions have been guaranteed by third parties, and any additional terms and conditions arising from the guarantee.***

The balance of external assistance loans borrowed by an entity and payment of interest thereon may be guaranteed, in total or up to a specified amount. Terms and conditions associated with the loans may also require the recipient to take certain actions, or achieve agreed outcomes such as setting tariffs according to an agreed formula, the performance of which are guaranteed by third parties. External assistance grants may also be subject to similar terms and conditions, the performance of which are guaranteed by third parties.

Disclosure of the amounts of external assistance loans and grants guaranteed by third parties will indicate the extent of support from another entity to obtain the benefits of the external assistance agreement. Disclosure of the terms and conditions of external assistance loans and grants that have been guaranteed, and any additional terms and conditions imposed to effect that guarantee, will indicate the additional performance requirements or conditions that arise as a consequence of securing the guarantee.

***An entity is encouraged to disclose in notes to the financial statements other significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with, together with the consequence of the non compliance.***

Paragraph 6.5.0 of Part 1 of this Standard requires the disclosure of significant terms and conditions that have not been complied with when non compliance has resulted in cancellation of the assistance or given rise to an obligation to return assistance previously provided. External assistance agreements may also include other significant terms and conditions that are to be complied with, as well as some procedural terms and conditions. Consequences of non compliance with these other significant terms and conditions may include a reduction in the amount, or variation in the timing, of funds that may be drawn or made available in the future until the default is corrected. They may also include an increase in the interest rate charged on loan funds.

Identifying these other significant terms and conditions which have not been complied with is likely to require professional judgment. That judgment will be exercised in the context of the entity's particular circumstances and by reference to the qualitative characteristics of financial statements. These terms and conditions are likely to be those where non compliance is likely to affect the amount or timing of funds that will be available to support the entity's future operations.

***An entity is encouraged to disclose in the notes to the financial statements, a summary of the repayment terms and conditions of outstanding external assistance debt. Where disclosures of future debt service payments denominated in a foreign currency are made, the entity is encouraged to***

***report them in the entity's reporting currency by applying to the foreign currency amount of those payments the closing rate.***

External assistance debt agreements will include terms and conditions relating to such matters as the grace period, interest rate, current debt service payments, future debt service payments, remaining term of the loan, currency of debt service payments, principal repayment requirements (where repayment of the principal is deferred until the end of the loan term, or some other future date), and other significant repayment terms.

Debt service payments may be a significant cash outlay for the entity and will impact on cash available to fund current and additional operations. Disclosure of repayment terms and conditions of outstanding external assistance debt will enable readers of the financial statements to determine when debt service payments (principal and interest or service charges) will commence, and the amount of principal and interest or service charge payable.

Disclosure of information about repayment terms and conditions may require the estimation of, for example, the interest rate to be applied to variable rate debt. The estimated interest rate will usually be determined by reference to applicable interest rates at the closing date. In accordance with the requirements of paragraphs 1.5.1 to 1.5.6 of Part 1 of this Standard, when an entity elects to make disclosures which involve estimates, the accounting policies selected and applied in developing such estimates will be disclosed where necessary for a proper understanding of the financial statements.

***An entity is encouraged to disclose separately in the notes to the financial statements the value of external assistance received in the form of goods or services.***

Significant resources may be received under external assistance agreements in the form of goods or services. This will occur when new or used goods such as vehicles, computers or other equipment are transferred to the entity under an external assistance agreement. It will also occur when food aid is provided to a government for distribution to its citizens under an external assistance agreement. For some recipients, goods or services may be the major form in which external assistance is received.

Disclosure of the value of external assistance received as goods and services will assist readers of the financial statements to better understand the full extent of external assistance received during the reporting period. However, in some cases and for some recipients, determining the value of such goods and services can be a difficult, time consuming and costly process. This is particularly so where a domestic market price for those goods and services cannot be readily determined, where the goods and services provided are not widely traded in international markets or where they are of an unique nature, such as often occurs in respect of emergency assistance.

This Standard does not specify the basis on which the value of the goods or services is to be determined. Therefore, their value may be determined as the depreciated historical cost of physical assets at the time the assets are transferred to the recipient or the price paid for the food by the external assistance agency. It may also be determined on the basis of an assessment of the value by management of the transferor, or the recipient, or by a third party. Where the value of external assistance in the form of goods or services is disclosed, paragraph 6.3.0 of Part 1 of this Standard requires the disclosure of the basis on which that value is determined. Where such is described as fair value it will conform with the definition of fair value—that is, the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm’s length transaction.

## 12.9 Templates of additional encouraged financial statements

### Statement of Financial Performance for the year ended 30 June 200X [Based on classification of expenditures by nature]

	<i>Notes</i>	<b>Actual 30 June 200X</b>	<b>Actual 30 June 200X-1</b>
(in thousands of currency units)			
<b><u>Revenue:</u></b>			
Taxes			
Non-Tax Revenues			
Grants			
Other Revenues			
Total Revenue			
<b><i>Expenses:</i></b>			
Employee costs			
Goods and services consumed			
Consumption of property, plant & equipments			
Interest expense			
Subsidies			
Transfers to other government units (Grants paid)			
Social benefits			
Other expenses			
Foreign exchange losses (gains)			
<b><i>Total Expenses</i></b>			

Surplus/ (deficit) from operating activities			
<b>Finance costs</b>			
Losses of cash only			
Proceeds on disposal of property, plant and equipments			
<b>Extraordinary items</b>			
Net surplus/ (deficit) after extraordinary items			



2. **Statement of Financial Position as at 30 June 200X**

	<i>Notes</i>	<b>30 June 200X</b>	<b>30 June 200X-1</b>
(in thousands of currency units)			
<b>ASSETS</b>			
Cash and cash equivalents			
Receivables			
Inventories			
Investments			
Investment properties			
Total Assets			
<b>LIABILITIES</b>			
Borrowings (interest bearing liabilities)			
Payables			
Pension liabilities			
<b>Total liabilities</b>			
NET ASSETS / (LIABILITIES)			
Represented by;			
NETWORTH			

3. **STATEMENT OF CASH RECEIPTS BY FUND CLASSIFICATION**

	<b>200X</b>	<b>200X-1</b>
	<b>Receipts</b>	<b>Receipts</b>
	<b>controlled</b>	<b>controlled</b>
(in thousands of currency units)	<b>by entity</b>	<b>by entity</b>
<b>RECEIPTS</b>		
Consolidated Fund	X	X
Special Funds	X	X
Loans	X	X
<b>Total receipts</b>	<b>X</b>	<b>X</b>

4. **PROCEEDS OF BORROWING**

		<b>200X</b>		<b>200X-1</b>	
	<b>Note</b>	<b>Cash Receipts controlled by entity</b>	<b>Resulting from payments by third parties</b>	<b>Cash Receipts controlled by entity</b>	<b>Resulting from payments by third parties</b>
(in thousands of currency units)					
<b>BORROWINGS</b>					
Domestic Commercial Institution		x	-	x	-
Offshore Commercial Institution		x	-	x	-
Other Lending Agencies		x	x	x	x
<b>Total Borrowings</b>		<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

5. **STATEMENT OF PAYMENTS BY FUNCTION OF GOVERNMENT**

	<b>200X</b>		<b>200X-1</b>	
	<b>(Payments) controlled by entity</b>	<b>Payments by third parties</b>	<b>(Payments) controlled by entity</b>	<b>Payments by third parties</b>
(in thousands of currency units)				

<b>PAYMENTS/EXPENDITURE –Operating Account</b>				
Education Services	X	X	X	X
Health Services	X	X	X	X
Social Security and Welfare	X	-	X	-
Defense	X	-	X	-
Public Order and Safety	X	X	X	X
Recreation, Culture and Religion	X	X	X	X
Economic Services	X	-	X	-
Other	X	X	X	X
<b>Total payments/expenditure</b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>
<b>PAYMENTS/EXPENDITURE – Capital Account</b>				
Education Services	X	X	X	X
Health Services	X	X	X	X
Social Security and Welfare	X	-	X	-
Defense	X	-	X	-
Public Order and Safety	X	X	X	X
Recreation, Culture and Religion	X	X	X	X
Other	X	-	X	-
<b>Total payments/expenditure</b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>
<b>Total Operating and Capital Accounts</b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>

**6. Statement of Appropriation Account [Based on services voted by  
Legislature]**

<i>Actual</i> <b>30 June</b> <i>200X-1</i>		<i>Notes</i>	<b>Actual</b> <b>30 June</b> <b>200X</b>	Budget 30 June 200X	Variance 30 June 200X
	(in thousands of currency units)				
	<b>RECEIPTS</b>				
	Taxes on Income and Profit				
	Property Taxes				
	Domestic Taxes on goods and services				
	Maritime Revenue				
	Taxes on International Trade				
	Social Contributions				
	Grants				
	Borrowings				
	Other non tax Revenue				
	Entrepreneur and Property income of Government				
	Fees and Charges				
	Extra-Ordinary Revenue				
	Contingent Revenue				
	<b>EXPENDITURE- by services voted in the Estimates Book.</b>				
	<b>Total expenditure for services voted</b>				
	Surplus / Deficit				

Note: Expenses in statement 6 are recognized based on accruals.

**7.Statement of Appropriation Account [Based on nature of expenditure for services voted]**

<i>Actual</i> <b>30 June</b> <i>200X-1</i>		<i>Notes</i>	<b>Actual</b> <b>30 June</b> <b>200X</b>	Budget 30 June 200X	Variance 30 June 200X
	(in thousands of currency units)				
	<b>RECEIPTS</b>				
	Taxes on Income and Profit				
	Property Taxes				
	Domestic Taxes on goods and services				
	Maritime Revenue				
	Taxes on International Trade				
	Social Contributions				
	Grants				
	Borrowings				
	Other non tax Revenue				
	Entrepreneur and Property income of Government				
	Fees and Charges				
	Extra-Ordinary Revenue				
	Contingent Revenue				
	<b>Total Receipts</b>				
	<b>EXPENDITURE-by nature of expenditure</b>				
	Employee costs				
	Goods and services consumed				

	Consumption of property, plant & equipments (fixed assets)				
	Interest expense				
	Subsidies				
	Transfers to other government units				
	Social benefits				
	Other operating expenses				
	Domestic arrears paid				
	<b>Total operating expenses</b>				
	<b>Surplus/(deficit) before finance costs</b>				
	Finance costs				
	<b>Total Expenditure</b>				

8. **Statement of Revenues collected during the year ended 30 June 200X [Based on source of revenue] (Memorandum Statement)**

<i>Actual</i> <b>30 June</b> 200X-1		<i>Notes</i>	<b>Actual</b> <b>30 June</b> <b>200X</b>	Budget 30 June 200X	Variance 30 June 200X
	(in thousands of currency units)				
	<b>RECEIPTS</b>				
	<b>Tax Revenue:</b>				
	<b>Taxes on Income &amp; Profits:</b>				
	Individual Taxes on Income & Profits				
	Business Profit Tax				
	Taxes on unallocable Income & Profit				

	Other Taxes on Income & Profits				
	<b>Property Taxes:</b>				
	Taxes on Immovable Property				
	<b>Domestic Tax on Goods &amp; Services:</b>				
	Goods & Services Tax				
	Local Excise Tax				
	Business & Professional License				
	Motor Vehicle Taxes				
	<b>Maritime Revenue</b>				
	<b>Taxes on International Trade:</b>				
	Custom Duties-All Imports				
	Custom Surcharge on Imports				
	Custom Duties-All Exports				
	International Excise				
	<b>Social Contribution</b>				
	<b>Other Revenue/Non Tax:</b>				
	<b>Entrepreneur &amp; Property Income of Government:</b>				
	Property (owned by Gov't.) Income				
	Dividends				
	Stamp & Related Charges				
	<b>Fees &amp; Charges:</b>				
	Administrative Service Charges				
	Fines for Criminal & Economic Offence				
	Incidental Sale of Goods & Services				

	<b>Extraordinary Revenue</b>				
	Overdue Taxes				
	Western Cluster one-Time				
	Bong Mine/China Union				
	LTA/GSM License Fees				
	BHP Billiton One -Time				
	Other Extraordinary Revenue				
	<b>Grants</b>				
	World Bank				
	ADB				
	EU				
	<b>Contingent Revenue</b>				

9. Statement of Arrears of Revenues for the year ended 30 June 200X [Based on source of revenue] (Memorandum Statement)

<i><b>Budgeted Revenue</b></i> 30 June 200X		Arrears of Revenue 30 June 200X-1	Total Revenue billed during the year 30 June 200X	Actual Amounts collected during the year 30 June 200X	Amount remitted to the Consolidated Fund during the year 30 June 200X	Due to Consolidated Fund 30 June 200X	Cumulative Arrears of Revenue at 30 June 200X
	(in thousands of currency units)						
	<b>RECEIPTS</b>						
	<b>Tax Revenue:</b>						
	<b>Taxes on Income &amp; Profits:</b>						
	Individual Taxes on Income & Profits						
	Business Profit Tax						
	Taxes on unallocable Income & Profit						

	Other Taxes on Income & Profits						
	<b>Property Taxes:</b>						
	Taxes on Immovable Property						
	<b>Domestic Tax on Goods &amp; Services:</b>						
	Goods & Services Tax						
	Local Excise Tax						
	Business & Professional License						
	Motor Vehicle Taxes						
	<b>Maritime Revenue</b>						
	<b>Taxes on International Trade:</b>						
	Custom Duties-All Imports						
	Custom Surcharge on Imports						
	Custom Duties-All Exports						
	International Excise						

	<b>Social Contribution</b>						
	<b>Other Revenue/Non Tax:</b>						
	<b>Entrepreneur &amp; Property Income of Government:</b>						
	Property (owned by Gov't.) Income						
	Dividends						
	Stamp & Related Charges						
	<b>Fees &amp; Charges:</b>						
	Administrative Service Charges						
	Fines for Criminal & Economic Offence						
	Incidental Sale of Goods & Services						
	<b>Extraordinary Revenue</b>						
	Overdue Taxes						
	Western Cluster one-Time						
	Bong Mine/China Union						

	LTA/GSM License Fees						
	BHP Billiton One –Time						
	Other Extraordinary Revenue						
	<b>Grants</b>						
	World Bank						
	ADB						
	EU						
	<b>Contingent Revenue</b>						

10. Statement of Outstanding Commitments as at 30 June 200X

	<b>Outstanding commitments at beginning of year 1 July 200X-1</b>	<b>Prior years commitments paid during the year</b>	<b>New outstanding commitments incurred during the year</b>	<b>Cumulative outstanding commitments 30 June 200X</b>
<b>Commitments by nature of expenditure: Cumulative</b>				
<b>OPERATING COMMITMENTS (PAYABLES)</b>				
Employee costs				
Goods and services consumed				
Interest expense				
Subsidies				
Grants payable				
Social benefits				
Other operating expenses				
Finance cost				
<b>Add adjustment for prior year</b>				
<b>Total operating commitments</b>				
<b>CAPITAL COMMITMENTS</b>				

(PAYABLES)				
<i>Property, Plant &amp; Equipment</i>				
<b>TOTAL PAYABLES</b>				
<b>ADD:</b>				
LONG TERM COMMITMENTS CARRIED FORWARD				
<b>Commitments for Extraordinary items</b>				
<b>TOTAL COMMITMENTS</b>				

**11. Statement of stores and other assets (physical assets) acquired during the year ended 30 June 200X**

<b>Category of asset for current period acquisition</b>	<b>30 June 200X Cost</b>	<b>30 June 200X-1 Cost</b>
(in thousands of currency units)		
<i>Non-Current Assets</i>		
Land, Buildings & Structures		
Roads & Bridges		
Machinery & Equipment		
Transport Equipment- Motor		

Vehicles		
Furniture & Fittings		
Other Fixed Assets		
<b><u>TOTAL COST OF NON CURRENT ASSETS ACQUIRED</u></b>		
Inventories		
<b>TOTAL COST OF ASSETS ACQUIRED</b>		

**12. Statement of disposal of physical assets during the year ended 30 June 200X**

<i>Year of acquisition</i>	<b>Category of asset for current acquisition period</b>	Original Cost	<b>Proceeds on disposal</b>
	(in thousands of currency units)		
	<i><u>Non-Current Assets</u></i>		
	Land, Buildings & Structures		
	Roads & Bridges		
	Machinery & Equipment		
	Transport Equipment- Motor Vehicles		
	Furniture & Fittings		
	Other Fixed Assets		
	<b><u>TOTAL COST OF NON CURRENT ASSETS ACQUIRED</u></b>		
	Inventories		

	<b>TOTAL COST OF ASSETS ACQUIRED</b>		
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## 12.10 Summary and Conclusion

We started by defining key terms used in the unit such as: accrual basis, assets, borrowing costs, closing rate, distributions to owners, expenses, extraordinary items, financial asset, liabilities, ordinary activities, and revenue. We went on to discuss the treatment of extraordinary items, stressing the need for entities to separately disclose the nature and amount of each extraordinary item. The disclosure may be made on the face of the statement of cash receipts and payments, or in other financial statements or in the notes to the financial statements. We also noted that an entity is encouraged to disclose in the notes to the financial statements, the amount and nature of cash flows and cash balances resulting from transactions administered by the entity as an agent on behalf of others where those amounts are outside the control of the entity.

On Related Party Disclosures, we learnt that an entity is encouraged to disclose in the notes to the financial statements information required by International Public Sector Accounting Standard IPSAS 20, "Related Party Disclosures."

We further learnt that an entity is encouraged to disclose in the notes to the financial statements: information about the assets and liabilities of the entity; and if the entity does not make publicly available its approved budget, a comparison with budgets.

Regarding consolidated financial statements, we observed that an entity is encouraged to disclose and present separately the aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units.

With respect to accounting in hyper inflationary environments, we discovered that all items in the statement of cash receipts and payments will be expressed in terms of the measuring unit current at the reporting date. Therefore, all amounts, including any payments by third parties disclosed on the face of the statement of cash receipts and payments or in other financial statements, would be restated by applying the change in the general price index from the dates when the payments and receipts were initially recorded. We also observed additional disclosure requirements for external assistance. The unit concluded by presenting additional encouraged financial reporting templates.

## 12.11 End of Unit Review Questions

1. Explain each of the following terms:
  - a) Assets;
  - b) borrowing costs;
  - c) closing rate;
  - d) distributions to owners;
  - e) expenses;
  - f) extraordinary items;
  - g) financial asset;
  - h) liabilities;
  - i) ordinary activities; and
  - j) revenue.

2. Explain the distinct features that qualify an event as extraordinary and explain how extraordinary items should be treated.
3. Explain the following accounting issues and recommend how they should be accounted for:
  - a) Administered transactions;
  - b) Pass through cash flow; and
  - c) Transfer payments.
4. What are related party transactions and how are these treated in the financial statements in accordance with the Cash Basis IPSAS?
5. What additional disclosures are required with respect to consolidated financial statements, as per Part 2 of the Cash Basis IPSAS?
6. What are the characteristics of the economic environment of a country which is described by Part 2 of the Cash Basis IPSAS as a hyper inflationary economy?
7. Explain the accounting treatment of financial statements of a hyper inflationary economy.
8. What additional disclosures are required with respect to the receipt of external assistance, as per Part 2 of the Cash Basis IPSAS?

## Glossary of Terms

This Glossary contains all terms defined in the Liberia Government Accounting and Reporting Standards based on the Cash Basis International Public Sector Accounting Standard (Financial Reporting under the Cash Basis Accounting).

<b>Term</b>	<b>Definition</b>
<b>Accounting basis</b>	Accounting basis means the accrual or cash basis of accounting as defined in the accrual basis International Public Sector Accounting Standards and the Cash Basis International Public Sector Accounting Standard.
<b>Accounting policies</b>	Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.
<b>Accrual basis</b>	Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.
<b>Administered transactions</b>	Administered transactions are transactions executed by an entity on behalf of another entity.
<b>Annual budget</b>	Annual budget means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.
<b>Appropriation</b>	Appropriation is an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.
<b>Approved budget</b>	Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period.
<b>Assets</b>	Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
<b>Assigned External Assistance</b>	Assigned External Assistance means any external assistance, including external assistance grants, technical assistance, guarantees or other assistance, received by an entity that is assigned by the

recipient to another entity.

<b>Authorization date</b>	Authorization date is the date when the financial statements are authorized for issue.
<b>Bilateral External Assistance</b>	Bilateral External Assistance Agencies are agencies established under national law, regulation or other authority of a nation for the purpose of, or including the purpose of, providing some or all of that nation's external assistance.
<b>Borrowing costs</b>	Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.
<b>Budgetary basis</b>	Budgetary basis means the accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.
<b>Carrying amount of a liability</b>	Carrying amount of a liability is the amount at which a liability is recognized in the statement of financial position.
<b>Carrying amount of an asset</b>	Carrying amount of an asset is the amount at which an asset is recognized in the statement of financial position after deducting any accumulated depreciation and impairments
<b>Carrying amount of investment property</b>	Carrying amount of investment property is the amount at which an asset is recognized in the statement of financial position.
<b>Carrying amount of property, plant and equipment</b>	Carrying amount of property, plant and equipment is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.
<b>Cash</b>	Cash comprises cash on hand, demand deposits and cash equivalents.
<b>Cash basis</b>	Cash basis means a basis of accounting that recognizes transactions and other events only when cash is received or paid.
<b>Cash equivalents</b>	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>Cash flows</b>	Cash flows are inflows and outflows of cash.
<b>Cash payments</b>	Cash payments are cash outflows.
<b>Cash receipts</b>	Cash receipts are cash inflows.
<b>Class of property, plant and equipment</b>	Class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.
<b>Close members of the</b>	Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who

<b>family of an individual</b>	can be expected to influence, or be influenced by, that individual in their dealings with the entity.
<b>Closing rate</b>	Closing rate is the spot exchange rate at the reporting date.
<b>Comparable basis</b>	Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entities and for the same period as the approved budget.
<b>Consolidated financial statements</b>	Consolidated financial statements are the financial statements of an economic entity presented as that of a single entity.
<b>Contingent asset</b>	Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
<b>Contingent liability</b>	<p>Contingent liability is:</p> <p>(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) A present obligation that arises from past events but is not recognized because:</p> <p>(i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or</p> <p>(ii) The amount of the obligation cannot be measured with sufficient reliability.</p>
<b>Contributions from owners</b>	<p>Contributions from owners are future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:</p> <p>(a) Conveys entitlement both to distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or</p> <p>(b) Can be sold, exchanged, transferred or redeemed.</p>
<b>Control</b>	Control of an entity is the power to govern the financial and operating policies of another entity so as to benefit from its

activities.

<b>Control of an asset</b>	Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.
<b>Control of cash</b>	Control of cash arises when the entity can use or otherwise benefit from the cash in pursuit of its objectives and can exclude or regulate the access of others to that benefit.
<b>Controlled entity</b>	Controlled entity is an entity that is under the control of another entity (known as the controlling entity).
<b>Controlling entity</b>	Controlling entity is an entity that has one or more controlled entities.
<b>Current replacement cost</b>	Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.
<b>Distributions to owners</b>	Distributions to owners are future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.
<b>Economic entity</b>	Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.
<b>Economic life</b>	Economic life is either:  (a) The period over which an asset is expected to yield economic benefits or service potential to one or more users; or  (b) The number of production or similar units expected to be obtained from the asset by one or more users.
<b>Entity specific value</b>	Entity specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
<b>Equity instrument</b>	Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
<b>Events after the reporting date</b>	Events after the balance sheet date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:  (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and  (b) Those that are indicative of conditions that arose after the

reporting date (non adjusting events after the reporting date).

<b>Exchange difference</b>	Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.
<b>Exchange rate</b>	Exchange rate is the ratio for exchange of two currencies.
<b>Exchange transactions</b>	Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
<b>Expenses</b>	Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.
<b>External Assistance</b>	External Assistance means all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives.
<b>Extraordinary items</b>	Extraordinary items are (for the purposes of this Standard) cash flows that arise from events or transactions that are clearly distinct from the ordinary activities of the entity, are not expected to recur frequently or regularly and are outside the control or influence of the entity.
<b>Fair value</b>	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
<b>Fair value less costs to sell (of an asset)</b>	Fair value less costs to sell an asset is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
<b>Final budget</b>	Final budget is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority, changes applicable to the budget period.
<b>Financial asset</b>	A financial asset is any asset that is:  Cash;  A contractual right to receive cash or another financial asset from another entity;  A contractual right to exchange financial instruments with another entity under conditions that are potentially favorable; or  An equity instrument of another entity.

<b>Financial Instrument</b>	Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b>Financial liability</b>	Financial liability is any liability that is a contractual obligation: <ul style="list-style-type: none"> <li>(a) To deliver cash or another financial asset to another entity; or</li> <li>(b) To exchange financial instruments with another entity under conditions that are potentially unfavorable. An entity may have a contractual obligation that it can settle either by payment of financial assets or by payment in the form of its own equity securities. In such a case, if the number of equity securities required to settle the obligation varies with changes in their fair value so that the total fair value of the equity securities paid always equals the amount of the contractual obligation, the holder of the obligation is not exposed to gain or loss from fluctuations in the price of its equity securities. Such an obligation should be accounted for as a financial liability of the entity.</li> </ul>
<b>Fines</b>	Fines are economic benefits or service potential received or receivable by public sector entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.
<b>Foreign currency</b>	Foreign currency is a currency other than the reporting currency of an entity.
<b>Functional currency</b>	Functional currency is the currency of the primary economic environment in which the entity operates.
<b>General government sector</b>	General government sector comprises all organizational entities of the general government as defined in statistical bases of financial reporting
<b>General purpose financial statements</b>	General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their specific information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media and employees. General purpose financial statements include those financial statements that are presented separately or within another public document such as an annual report.
<b>Going concern</b>	Going concern is the assumption that the entity will continue to be in operational existence into the foreseeable future, and that there is no intention to liquidate or curtail its level of operations.
<b>Government Business</b>	Government Business Enterprise means an entity that has all the

## **Enterprise (GBE)**

following characteristics:

- (i) Has been assigned the financial and operational authority to carry on a business;
- (ii) Is an entity with the power to contract in its own name;
- (iii) Is controlled by a public sector entity.

(iv) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and

(vi) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;

## **Hyperinflation**

Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

a) The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

c) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

d) Interest rates, wages and prices are linked to a price index; and

e) The cumulative inflation rate over three years is approaching, or exceeds, 100%.

## **Inventories**

Inventories are assets:

(a) In the form of materials or supplies to be consumed in the production process;

(b) In the form of materials or supplies to be consumed or distributed in the rendering of services;

(c) Held for sale or distribution in the ordinary course of operations;  
or

(d) In the process of production for sale or distribution.

<b>Investment Property</b>	<p>Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:</p> <p>(a) Use in the production or supply of goods or services or for administrative purposes; or</p> <p>(b) Sale in the ordinary course of operations.</p>
<b>Investor in a joint venture</b>	<p>Investor in a joint venture is a party to a joint venture and does not have joint control over that joint venture.</p>
<b>Joint control</b>	<p>Joint control the agreed sharing of control over an activity by a binding arrangement.</p>
<b>Joint venture</b>	<p>Joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.</p>
<b>Key management personnel</b>	<p>Key management personnel include:</p> <p>(a) All directors or members of the governing body of the entity; and</p> <p>(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Where they meet this requirement key management personnel include:</p> <p>(i) Where there is a member of the governing body of a whole-of government entity who has the authority and responsibility for planning, directing and controlling the activities of the reporting entity, that member;</p> <p>(ii) Any key advisors of that member; and</p> <p>(iii) Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity.</p>
<b>Liabilities</b>	<p>Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.</p>
<b>Market value</b>	<p>Market value is the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market.</p>
<b>Materiality</b>	<p>Information is material if its omission or misstatement could influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of omission or</p>

	misstatement.
<b>Multilateral External Assistance</b>	Multilateral External Assistance Agencies are all agencies established under international agreement or treaty for the purpose of, or including the purpose of, providing external assistance.
<b>Multiyear budget</b>	Multiyear budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.
<b>Net realizable value</b>	Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
<b>Notes</b>	Notes contain information in addition to that presented in the statement of cash receipts and payments and the statement of comparison of budget and actual amounts. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.
<b>Non-Governmental Organizations</b>	Non-Governmental Organizations are all foreign or national agencies established independent of control by any government for the purpose of providing assistance to government(s), government agencies, and other organizations or to individuals.
<b>Official Resources</b>	Official Resources means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral or bilateral external assistance agencies or by a government, or agencies of a government, other than to a recipient of the same nation as the government or government agency providing, or committing to provide, the assistance.
<b>Ordinary activities</b>	Ordinary activities are any activities which are undertaken by an entity as part of its service delivery or trading activities. Ordinary activities include such related activities in which the entity engages in furtherance of, incidental to, or arising from these activities.
<b>Original budget</b>	Original budget is the initial approved budget for the budget period.
<b>Pass through Cash flow</b>	In some cases, the administrative arrangements in place in respect of the revenue collection activities a government or government entity undertakes as an agent of another party may provide for the cash collected to be initially deposited in the entity's own bank account before it is transferred to the ultimate recipient. Cash flows arising as a consequence of these transactions are sometimes termed "pass-through" cash flows.
<b>Presentation currency</b>	Presentation currency is the currency in which the financial

statements are presented.

**Prior period errors**

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) Was available when financial statements for those periods were authorized for issue; and
- (b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

**Property, plant and equipment**

Property, plant and equipment are tangible items that:

- (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) Are expected to be used during more than one reporting period.

**Provision**

A provision is a liability of uncertain timing or amount.

**Recoverable amount**

Recoverable amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

It is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

**Related party**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- (b) Associates (see International Public Sector Accounting Standard IPSAS 7 Accounting for Investments in Associates);
- (c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- (d) Key management personnel, and close members of the family of key management personnel; and
- (e) Entities in which a substantial ownership interest is held, directly

or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

<b>Related party transaction</b>	Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.
<b>Re-Lent External Assistance Loans</b>	Re-Lent External Assistance Loans means external assistance loans received by an entity that are lent by the recipient to another entity.
<b>Remuneration of key management personnel</b>	Remuneration of key management personnel is any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.
<b>Reporting currency</b>	Reporting currency is the currency used in presenting the financial statements.
<b>Reporting date</b>	Reporting date means the date of the last day of the reporting period to which financial statements relate.
<b>Reporting entity</b>	Reporting entity is the entity that is presenting the financial statements.
<b>Residual value</b>	Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
<b>Revenue</b>	Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.
<b>Useful life of property, plant and equipment</b>	Useful life of property, plant and equipment is either: <ul style="list-style-type: none"><li>(a) The period over which an asset is expected to be available for use by an entity; or</li><li>(b) The number of production or similar units expected to be obtained from the asset by an entity.</li></ul>
<b>Value in use of a cash-generating asset</b>	Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its

useful life

**Value in use of a non-cash generating asset**

Value in use of a non cash-generating asset is the present value of the asset's remaining service potential.

**Venturer**

Venturer is a party to a joint venture and has joint control over that joint venture.

# END OF UNIT SOLUTIONS

## End of Unit 6 Question 6 Solutions.

The first step is to classify transactions into their major reporting lines in accordance with the charts of accounts.

For the statement of receipts and payments of cash the reporting lines are:

### **Receipts:**

- Tax Revenue
- Social Contribution
- Other Receipts
- Grants from Multilateral Agencies
- Grants from Bilateral Agencies
- Other Grants and Aid
- Borrowings from Multilateral Agencies
- Borrowings from Bilateral Agencies
- Other Borrowings

### **Payments:**

- Compensation of Employees
- Goods and Services
- Consumption of fixed Assets
- Purchase of Financial Instruments
- Repayment of Borrowings
- Interest on Loans
- Transfers
- Other Payments

We therefore classify these transactions in accordance with the above lines.

We do this for both USD and LD.

**MINISTRY OF FINANCE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

### NOTES

#

	US\$	L\$
<b>11 Tax Revenue</b>		
Import Duties on food and food products	20,500,000.00	200,000,000.00
Export Taxes on rubber	7,500,000.00	20,000,000.00
Excise Taxes	5,000,000.00	10,580,000.00

Corporate Income Taxes	11,200,000.00	15,750,000.00
Rubber Sales tax income	500,000.00	33,300,000.00
Maritime Registration Charges	11,600,000.00	12,000,000.00
Maritime Tonnage Tax	950,000.00	5,000,000.00
Import Duties on Petroleum products	200,000.00	3,450,000.00
Import Duties on Machinery and Equipments	8,740,000.00	2,560,000.00
Petroleum Sales Tax	7,650,000.00	1,570,000.00
Business Registration Fees	4,225,000.00	9,760,000.00
Domestic Sales Tax on Food and Food Products	8,300,000.00	5,560,000.00
Airport Service fees and charges	14,400,000.00	8,985,000.00
Vehicle License Plates fees	2,150,000.00	12,700,000.00
Withholding on wages and salary	2,300,000.00	10,920,000.00
Withholding on rental Income	<u>3,250,000.00</u>	<u>6,950,000.00</u>
<b>TOTAL TAX REVENUE</b>	<b><u>108,465,000.00</u></b>	<b><u>359,085,000.00</u></b>
<b>12 Social Contribution</b>	<b><u>12,740,000.00</u></b>	<b>20,890,000.00</b>
<b>14 Other Receipts</b>		
Court Fees	1,935,000.00	5,400,000.00
Court Fines	1,745,000.00	8,980,000.00
Other Fees and Charges	2,845,000.00	11,650,000.00
Rent of Government Property	5,689,000.00	10,875,000.00
Interest on Investment	1,910,000.00	2,450,000.00
Dividends on Shares of Public Enterprises	950,000.00	4,980,000.00
Interest on GOL Balances at CBL		

		<u>1,215,000.00</u>	<u>7,680,000.00</u>
		<b><u>16,289,000.00</u></b>	<b><u>52,015,000.00</u></b>
	<b>External Assistance:</b>		
13	<b>Grants from Multilateral Agencies</b>		
	Current Grants from Multilateral Organizations	13,000,000.00	
	Capital Grants from Multilateral Organizations	<u>26,800,000.00</u>	
		<b><u>39,800,000.00</u></b>	
13	<b>Grants from Bilateral Agencies</b>		
	Current Grants from Foreign Governments	18,000,000.00	
	Capital Grants from Foreign Governments	<u>25,500,000.00</u>	
		<b><u>43,500,000.00</u></b>	
42	<b>Borrowings from Multilateral Agencies</b>	<b>23,500,000.00</b>	
42	<b>Borrowings from Bilateral Agencies</b>	<b><u>30,500,000.00</u></b>	
	<b>Total Receipts</b>	<b><u>274,794,000.00</u></b>	<b><u>431,990,000.00</u></b>
	<b>Expenses</b>		
		US\$	L\$
21	<b>Compensation of Employees</b>		
	Personnel Expenses - Ministry of Health	25,876,000.00	20,000,000.00
	Personnel Expenses - Ministry of Education	31,500,000.00	35,000,000.00
	Personnel Expenses - Ministry of Finance	38,423,000.00	40,000,000.00
	General Allowances	12,200,000.00	14,564,000.00
	Special Allowances	11,300,000.00	17,643,000.00
	Professional Fees	<u>9,750,000.00</u>	<u>5,000,000.00</u>
		<b><u>129,049,000.00</u></b>	<b><u>132,207,000.00</u></b>

<b>22 Goods and Services</b>		
Foreign Travel Expenses	24,350,000.00	
Foreign Daily Subsistence Allowance	13,450,000.00	
Domestic Travel Expenses		32,000,000.00
Domestic Daily Subsistence Allowance		45,000,000.00
Electricity Charges	3,350,000.00	19,875,000.00
Water Bills	1,561,000.00	8,735,000.00
Telephone, Internet and Postage Expenses	2,720,000.00	8,793,000.00
Transport, Maintenance and fuel Expenses	14,280,000.00	25,000,000.00
Routine Repairs and maintenance	13,100,000.00	24,876,000.00
General Office Materials and Services	2,150,000.00	14,678,000.00
Public Celebrations and Conferences	4,652,000.00	18,721,000.00
Audit Fees	11,345,000.00	17,000,000.00
	<b>90,958,000.00</b>	<b>214,678,000.00</b>
<b>23 Consumption on Fixed Assets</b>		
Purchase of Vehicles	23,500,000.00	
Purchase of computer and Office Equipment	12,550,000.00	
Purchase of Office Furniture	21,200,000.00	80,000,000.00
Roads and Bridges	<u>70,879,000.00</u>	<u>205,874,000.00</u>
	<b><u>128,129,000.00</u></b>	<b><u>285,874,000.00</u></b>
<b>24 Interest on Foreign Loans</b>	<b>5,500,000.00</b>	
<b>24 Interest on Multilateral Loans</b>	<b>3,200,000.00</b>	
<b>25 Transfers</b>		
Transfers to Ministry of Health		

	36,000,000.00	
Transfers to Ministry of Education	48,000,000.00	
Other Transfer Payment	<u>12,243,000.00</u>	<u>25,476,000.00</u>
	<b><u>96,243,000.00</u></b>	<b><u>25,476,000.00</u></b>
<b><i>TOTAL PAYMENT</i></b>	<b><u>453,079,000.00</u></b>	<b><u>658,235,000.00</u></b>

The next step is to translate transactions denominated in USD to LD and those denominated in LD to USD using the rules learnt in the unit.

According to the question the receipts are received quarterly except for the first one which was received on 1<sup>st</sup> August. Total receipts for each line should therefore be divided into four equal quarterly installments and each translated using the quarterly exchange rate at the respective dates.

According to the question all payments are made monthly. Total payments for each line should therefore be divided into twelve equal monthly installments and each translated using the monthly exchange rate at the respective dates.

The rates given are:

		<u>Month</u>	<u>Exchange Rate</u>
		January	65
		February	66
		March	70
		April	72
		May	74
Q1	<u>Rate</u>	66 June	75
Q2		72 July	75
Q3		75 August	77
Q4		75 September	78
		October	75
		November	74
		December	70

#### **Quarterly Distribution of US DOLLARS Transactions**

This is done by dividing the total receipts into four for each line.

<b>Quarterly Distribution of US DOLLARS Transactions</b>	Q1	Q2	Q3	Q4	Total
Tax Revenue	27,116,250	27,116,250	27,116,250	27,116,250	108,465,000

Social Contribution	3,185,000	3,185,000	3,185,000	3,185,000	12,740,000
Other receipts	4,072,250	4,072,250	4,072,250	4,072,250	16,289,000
Grants From Multilateral Agency	9,950,000	9,950,000	9,950,000	9,950,000	39,800,000
Grants From Bilateral Agency	10,875,000	10,875,000	10,875,000	10,875,000	43,500,000
Borrows From Multilateral Agency	5,875,000	5,875,000	5,875,000	5,875,000	23,500,000
Borrows From Bilateral Agency	7,625,000	7,625,000	7,625,000	7,625,000	30,500,000
<b>US Dollars Receipts Translated into Liberia Dollars</b>					

This is done by multiplying each quarter's receipts for each line with the appropriate exchange rate in LD.

E.g. **27,116,250 X 66 = 1,789,672,500**

**US Dollars Receipts  
Translated into Liberia Dollars**

Tax Revenue	1,789,672,500	1,952,370,000	2,033,718,750	2,033,718,750	7,809,480,000
Social Contribution	210,210,000	229,320,000	238,875,000	238,875,000	917,280,000
Other receipts	268,768,500	293,202,000	305,418,750	305,418,750	1,172,808,000
Grants From Multilateral Agency	656,700,000	716,400,000	746,250,000	746,250,000	2,865,600,000
Grants From Bilateral Agency	717,750,000	783,000,000	815,625,000	815,625,000	3,132,000,000
Borrows From Multilateral Agency	387,750,000	423,000,000	440,625,000	440,625,000	1,692,000,000
Borrows From Bilateral Agency	503,250,000	549,000,000	571,875,000	571,875,000	2,196,000,000

The payments will be distributed into twelve equal monthly installments and each month's payments for each line multiplied by the monthly exchange rate to obtain the translated LD.

**Monthly  
Distribution of US  
DOLLARS  
Transactions**

	1	2	3	4	5	6	7	8	9	10	11	12	Total
Compensation of Employees	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	129,049,000
Goods and Services Consumption on Fixed Assets	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	90,958,000
Interest on Foreign Loans	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	128,129,000
Interest on Multilateral Loans	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	5,500,000
Transfers US Government Grant	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	3,200,000
ADB Grants	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	96,243,000
World Bank Grant	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	5,500,000
	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	3,500,000
	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	4,500,000

**US Dollars  
Payments  
Translated into  
Liberia Dollars**

	1	2	3	4	5	6	7	8	9	10	11	12	Total
Compensation of Employees	699,015,417	709,769,500	752,785,833	774,294,000	795,802,167	806,556,250	806,556,250	828,064,417	838,818,500	806,556,250	795,802,167	752,785,833	9,366,806,583
Goods and Services Consumption on Fixed Assets	492,689,167	500,269,000	530,588,333	545,748,000	560,907,667	568,487,500	568,487,500	583,647,167	591,227,000	568,487,500	560,907,667	530,588,333	6,602,034,833
Interest on Foreign Loans	694,032,083	704,709,500	747,419,167	768,774,000	790,128,833	800,806,250	800,806,250	822,161,083	832,838,500	800,806,250	790,128,833	747,419,167	9,300,029,917
Interest on Multilateral Loans	29,791,667	30,250,000	32,083,333	33,000,000	33,916,667	34,375,000	34,375,000	35,291,667	35,750,000	34,375,000	33,916,667	32,083,333	399,208,333
Transfers US Government Grant	17,333,333	17,600,000	18,666,667	19,200,000	19,733,333	20,000,000	20,000,000	20,533,333	20,800,000	20,000,000	19,733,333	18,666,667	232,266,667
ADB Grants	521,316,250	529,336,500	561,417,500	577,458,000	593,498,500	601,518,750	601,518,750	617,559,250	625,579,500	601,518,750	593,498,500	561,417,500	6,985,637,750
World Bank Grant	29,791,667	30,250,000	32,083,333	33,000,000	33,916,667	34,375,000	34,375,000	35,291,667	35,750,000	34,375,000	33,916,667	32,083,333	399,208,333
	18,958,333	19,250,000	20,416,667	21,000,000	21,583,333	21,875,000	21,875,000	22,458,333	22,750,000	21,875,000	21,583,333	20,416,667	254,041,667
	24,375,000	24,750,000	26,250,000	27,000,000	27,750,000	28,125,000	28,125,000	28,875,000	29,250,000	28,125,000	27,750,000	26,250,000	326,625,000

**Translating LD transactions into USD**

This follows the same steps. That is:

1. Distribute the total receipts and payments according to the frequency of receipts and payments.
2. Divide the LD equivalent for each line by the appropriate exchange rate.

<b>Quarterly Distribution of Liberian Dollars Receipts</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTAL</b>								
Tax Revenue	89,771,250	89,771,250	89,771,250	89,771,250	359,085,000								
Social Contribution	5,222,500	5,222,500	5,222,500	5,222,500	20,890,000								
Other receipts	13,003,750	13,003,750	13,003,750	13,003,750	52,015,000								
<b>Monthly Distribution of Liberian DOLLARS Payments</b>													
	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>TOTAL</b>
Compensation of Employees	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	132,207,000
Goods and Services Consumption on Fixed Assets	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	214,678,000
Transfers	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	25,476,000
<b>Liberian Dollars Transaction Translated into US DOLLAR</b>													
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTAL</b>								
Tax Revenue	1,360,170	1,246,823	1,196,950	1,196,950	5,000,893								
Social Contribution	79,129	72,535	69,633	69,633	290,930								
Other receipts	197,027	180,608	173,383	173,383	724,401								
	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>TOTAL</b>
Compensation of Employees	169,496	166,928	157,389	153,017	148,882	146,896.67	146,896.67	143,081.17	141,246.79	146,896.67	148,882	157,389.29	1,827,002
Goods and Services Consumption on Fixed Assets	275,228	271,058	255,569	248,470	241,755	238,531.11	238,531.11	232,335.50	229,356.84	238,531.11	241,755	255,569.05	2,966,689
Transfers	32,662	32,167	30,329	29,486	28,689	28,306.67	28,306.67	27,571.43	27,217.95	28,306.67	28,689	30,328.57	352,059

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD	Cash	LD		Translation into USD
	Cash	Bank	Total			Bank	Total	
Beginning balance	2,000	125,000	127,000	8,255,000	500,000	1,200,000	1,700,000	26,153.85
Ending Balance	6,000	30,000	36,000	2,520,000	62,000	600,000	662,000	9,457.14

**Summary of Translations**

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Beginning balance	127,000	26,154	<b>153,153.85</b>	1,700,000.00	8,255,000	<b>9,955,000.00</b>
Ending Balance	36,000	9,457	<b>45,457.14</b>	662,000.00	2,520,000	<b>3,182,000.00</b>

	Original USD	Translated USD	TOTAL USD	Original LD	Translated LD	TOTAL LD
Tax Revenue	108,465,000	5,000,893	113,465,893	359,085,000	7,809,480,000	8,168,565,000
Social Contribution	12,740,000	290,930	13,030,930	20,890,000	917,280,000	938,170,000
Other receipts	16,289,000	724,401	17,013,401	52,015,000	1,172,808,000	1,224,823,000
Grants From Multilateral Agency	39,800,000		39,800,000		2,865,600,000	2,865,600,000
Grants From Bilateral Agency	43,500,000		43,500,000		3,132,000,000	3,132,000,000
Borrows From Multilateral Agency	23,500,000		23,500,000		1,692,000,000	1,692,000,000

Borrows From Bilateral Agency	30,500,000		30,500,000		2,196,000,000	2,196,000,000
Compensation of Employees	129,049,000	1,827,002	130,876,002	132,207,000	9,366,806,583	9,499,013,583
Goods and Services	90,958,000	2,966,689	93,924,689	214,678,000	6,602,034,833	6,816,712,833
Consumption on Fixed Assets	128,129,000	3,950,564	132,079,564	285,874,000	9,300,029,917	9,585,903,917
Interest on Foreign Loans	5,500,000		5,500,000		399,208,333	399,208,333
Interest on Multilateral Loans	3,200,000		3,200,000		232,266,667	232,266,667
Transfers	96,243,000	352,059	96,595,059	25,476,000	6,985,637,750	7,011,113,750
US Government Grant	5,500,000		5,500,000		399,208,333	399,208,333
ADB Grants	3,500,000		3,500,000		254,041,667	254,041,667
World Bank Grant	4,500,000		4,500,000		326,625,000	326,625,000

b) The need to translate LD into USD.

The reason is for us to be able to report using USD also. The budget of the Government of Liberia is in USD and many more transactions of the Government of Liberia is also denominated in USD. So it is prudent to also report in USD in addition to the LD reporting required by the PFM Act, 2009. We therefore translate from LD into USD so as to be able to add the LD transactions to the USD transactions to report the total picture.

### **End of Unit 7 Question 6**

(a) This transaction will be reported on the face of the statement of receipts and payments of cash under the “Payment by External Third Parties” Column. The payment by the American Government will be recorded as receipt from Bilateral Agency while the payment from the World Bank will be recorded as receipt from Multilateral Agency. The sum of the two payments will be recorded as supplies and consumables expense under the payment section.

(b) This transaction will be reported on the face of the statement of receipts and payments of cash under the “Payment by External Third Parties” Column. The payment by the ADB will initially be recorded as receipt from Multilateral Agency under the receipts section and then recorded as supplies and consumables expense under the payments section.

(c) This transaction will only be disclosed in the notes of the statement of receipts and payments of cash. This is because there is a condition attached with the grant which has not yet been fulfilled.

(d) This transaction will only be disclosed in the notes of the statement of receipts and payments of Cash. This is because there is a condition attached with the loan which has not yet been fulfilled.

(e) This transaction will be reported on the face of the statement of receipts and payments of cash under the “Payment by External Third Parties” Column. The payment by the Indian Government will initially be recorded as receipt from Bilateral Agency under the receipt section and then recorded as supplies and consumables expense under the payment section.

(f) This transaction will be reported on the face of the statement of receipts and payments under the “Payment by External Third Parties” Column. The payment by WHO will initially be recorded as receipt from Multilateral Agency under the receipt section and then recorded as supplies and consumables expense under the payment section.

(g) This transaction will be reported on the face of the statement of receipts and payments of cash under the “Payment by External Third Parties” Column. The payment by the Japanese

Government will initially be recorded as receipt from Bilateral Agency under the receipt section and then recorded as supplies and consumables expense under the payment section.

(h) This transaction will be reported on the face of the statement of receipts and payments of cash under the “Payment by External Third Parties” Column. The payment by UNICEF will initially be recorded as receipt from Multilateral Agency under the receipt section and then recorded as supplies and consumables expense under the payment section.

### End of Unit 8 Question 8

**MINISTRY OF FINANCE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

	US\$	L\$
<b>11 Tax Revenue</b>		
Import Duties on food and food products	20,500,000.00	200,000,000.00
Export Taxes on rubber	7,500,000.00	20,000,000.00
Excise Taxes	5,000,000.00	10,580,000.00
Corporate Income Taxes	11,200,000.00	15,750,000.00
Rubber Sales tax income	500,000.00	33,300,000.00
Maritime Registration Charges	11,600,000.00	12,000,000.00
Maritime Tonnage Tax	950,000.00	5,000,000.00
Import Duties on Petroleum products	200,000.00	3,450,000.00
Import Duties on Machinery and Equipment	8,740,000.00	2,560,000.00
Petroleum Sales Tax	7,650,000.00	1,570,000.00
Business Registration Fees	4,225,000.00	9,760,000.00
Domestic Sales Tax on Food and Food Products	8,300,000.00	5,560,000.00
Airport Service fees and charges	14,400,000.00	8,985,000.00
Vehicle License Plates fees	2,150,000.00	12,700,000.00
Withholding on wages and salary	2,300,000.00	10,920,000.00
Withholding on rental Income	<u>3,250,000.00</u>	<u>6,950,000.00</u>
<b>TOTAL TAX REVENUE</b>	<b><u>108,465,000.00</u></b>	<b><u>359,085,000.00</u></b>
<b>12 Social Contribution</b>	<b><u>12,740,000.00</u></b>	<b>20,890,000.00</b>
<b>14 Other Receipts</b>		
Court Fees	1,935,000.00	5,400,000.00
Court Fines	1,745,000.00	8,980,000.00
Other Fees and Charges	2,845,000.00	11,650,000.00

	Rent of Government Property	5,689,000.00	10,875,000.00
	Interest on Investment	1,910,000.00	2,450,000.00
	Dividends on Shares of Public Enterprises	950,000.00	4,980,000.00
	Interest on GOL Balances at CBL	1,215,000.00	7,680,000.00
		<u>16,289,000.00</u>	<u>52,015,000.00</u>
	<b>External Assistance:</b>		
13	<b>Grants from Multilateral Agencies</b>		
	Current Grants from Multilateral Organizations	13,000,000.00	
	Capital Grants from Multilateral Organizations	<u>26,800,000.00</u>	
		<u>39,800,000.00</u>	
13	<b>Grants from Bilateral Agencies</b>		
	Current Grants from Foreign Governments	18,000,000.00	
	Capital Grants from Foreign Governments	<u>25,500,000.00</u>	
		<u>43,500,000.00</u>	
42	<b>Borrowings from Multilateral Agencies</b>	<u>23,500,000.00</u>	
42	<b>Borrowings from Bilateral Agencies</b>	<u>30,500,000.00</u>	
	<b>Total Receipts</b>	<u>274,794,000.00</u>	<u>431,990,000.00</u>

## EXPENSES

		US\$	L\$
21	<b>Compensation of Employees</b>		
	Personnel Expenses - Ministry of Health	25,876,000.00	20,000,000.00
	Personnel Expenses - Ministry of Education	31,500,000.00	35,000,000.00
	Personnel Expenses - Ministry of Finance	38,423,000.00	40,000,000.00
	General Allowances	12,200,000.00	14,564,000.00
	Special Allowances	11,300,000.00	17,643,000.00
	Professional Fees	9,750,000.00	5,000,000.00
		<u>129,049,000.00</u>	<u>132,207,000.00</u>
22	<b>Goods and Services</b>		
	Foreign Travel Expenses	24,350,000.00	
	Foreign Daily Subsistence Allowance	13,450,000.00	
	Domestic Travel Expenses		32,000,000.00
	Domestic Daily Subsistence Allowance		45,000,000.00
	Electricity Charges	3,350,000.00	19,875,000.00
	Water Bills	1,561,000.00	8,735,000.00
	Telephone, Internet and Postage Expenses	2,720,000.00	8,793,000.00

Transport, Maintenance and fuel Expenses	14,280,000.00	25,000,000.00
Routine Repairs and maintenance	13,100,000.00	24,876,000.00
General Office Materials and Services	2,150,000.00	14,678,000.00
Public Celebrations and Conferences	4,652,000.00	18,721,000.00
Audit Fees	11,345,000.00	17,000,000.00
	<b>90,958,000.00</b>	<b>214,678,000.00</b>
<b>23 Consumption on Fixed Assets</b>		
Purchase of Vehicles	23,500,000.00	
Purchase of computer and Office Equipment	12,550,000.00	
Purchase of Office Furniture	21,200,000.00	80,000,000.00
Roads and Bridges	70,879,000.00	205,874,000.00
	<b>128,129,000.00</b>	<b>285,874,000.00</b>
<b>24 Interest on Foreign Loans</b>	<b>5,500,000.00</b>	
<b>24 Interest on Multilateral Loans</b>	<b>3,200,000.00</b>	
<b>25 Transfers</b>		
Transfers to Ministry of Health	36,000,000.00	
Transfers to Ministry of Education	48,000,000.00	
Other Transfer Payment	12,243,000.00	25,476,000.00
	<b>96,243,000.00</b>	<b>25,476,000.00</b>
<b>TOTAL PAYMENT</b>	<b>453,079,000.00</b>	<b>658,235,000.00</b>

The relevant exchange rate as stated below:

	<u>Month</u>	<u>Exchange Rate</u>
	January	65
	February	66
	March	70
	April	72
	May	74
<u>Quarter</u>	<u>Rate</u>	
Q1	66	June
Q2	72	July
Q3	75	August
Q4	75	September
		October
		November
		December

**QUARTERLY DISTRIBUTION OF US  
DOLLARS RECEIPTS**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Tax Revenue	27,116,250	27,116,250	27,116,250	27,116,250	108,465,000
Social Contribution	3,185,000	3,185,000	3,185,000	3,185,000	12,740,000
Other receipts	4,072,250	4,072,250	4,072,250	4,072,250	16,289,000
Grants From Multilateral Agency	9,950,000	9,950,000	9,950,000	9,950,000	39,800,000
Grants From Bilateral Agency	10,875,000	10,875,000	10,875,000	10,875,000	43,500,000
Borrows From Multilateral Agency	5,875,000	5,875,000	5,875,000	5,875,000	23,500,000
Borrows From Bilateral Agency	7,625,000	7,625,000	7,625,000	7,625,000	30,500,000

**US DOLLARS  
TRANSACTIONS  
TRANSLATED INTO  
LIBERIAN DOLLAR**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Tax Revenue	1,789,672,500	1,952,370,000	2,033,718,750	2,033,718,750	7,809,480,000
Social Contribution	210,210,000	229,320,000	238,875,000	238,875,000	917,280,000
Other receipts	268,768,500	293,202,000	305,418,750	305,418,750	1,172,808,000
Grants From Multilateral Agency	656,700,000	716,400,000	746,250,000	746,250,000	2,865,600,000
Grants From Bilateral Agency	717,750,000	783,000,000	815,625,000	815,625,000	3,132,000,000
Borrows From Multilateral Agency	387,750,000	423,000,000	440,625,000	440,625,000	1,692,000,000
Borrows From Bilateral Agency	503,250,000	549,000,000	571,875,000	571,875,000	2,196,000,000

**MONTHLY  
DISTRIBUTION OF  
US DOLLARS  
TRANSACTIONS**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Compensation of Employees	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	10,754,083	129,049,000
Goods and Services Consumption on Fixed Assets	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	7,579,833	90,958,000
Interest on Foreign Loans	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	10,677,417	128,129,000
Interest on Multilateral Loans	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	5,500,000
Transfers	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	266,667	3,200,000
US Government Grant	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	8,020,250	96,243,000
ADB Grants	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	458,333	5,500,000
World Bank Grant	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	3,500,000
	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	4,500,000

**USD  
PAYMENTS  
TRANSLATED  
INTO LD**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Compensation of Employees	699,015,417	709,769,500	752,785,833	774,294,000	795,802,167	806,556,250	806,556,250	828,064,417	838,818,500	806,556,250	795,802,167	752,785,833	9,366,806,583
Goods and Services Consumption on Fixed Assets	492,689,167	500,269,000	530,588,333	545,748,000	560,907,667	568,487,500	568,487,500	583,647,167	591,227,000	568,487,500	560,907,667	530,588,333	6,602,034,833
Interest on Foreign Loans	694,032,083	704,709,500	747,419,167	768,774,000	790,128,833	800,806,250	800,806,250	822,161,083	832,838,500	800,806,250	790,128,833	747,419,167	9,300,029,917
Interest on Multilateral Loans	29,791,667	30,250,000	32,083,333	33,000,000	33,916,667	34,375,000	34,375,000	35,291,667	35,750,000	34,375,000	33,916,667	32,083,333	399,208,333
Transfers	17,333,333	17,600,000	18,666,667	19,200,000	19,733,333	20,000,000	20,000,000	20,533,333	20,800,000	20,000,000	19,733,333	18,666,667	232,266,667
US Government Grant	521,316,250	529,336,500	561,417,500	577,458,000	593,498,500	601,518,750	601,518,750	617,559,250	625,579,500	601,518,750	593,498,500	561,417,500	6,985,637,750
ADB Grants	29,791,667	30,250,000	32,083,333	33,000,000	33,916,667	34,375,000	34,375,000	35,291,667	35,750,000	34,375,000	33,916,667	32,083,333	399,208,333
World Bank Grant	18,958,333	19,250,000	20,416,667	21,000,000	21,583,333	21,875,000	21,875,000	22,458,333	22,750,000	21,875,000	21,583,333	20,416,667	254,041,667
	24,375,000	24,750,000	26,250,000	27,000,000	27,750,000	28,125,000	28,125,000	28,875,000	29,250,000	28,125,000	27,750,000	26,250,000	326,625,000

**QUARTERLY  
DISTRIBUTION  
OF LIBERIAN  
DOLLARS**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTAL</b>
Tax Revenue	89,771,250	89,771,250	89,771,250	89,771,250	359,085,000
Social Contribution	5,222,500	5,222,500	5,222,500	5,222,500	20,890,000
Other receipts	13,003,750	13,003,750	13,003,750	13,003,750	52,015,000

**MONTHLY  
DISTRIBUTION  
OF LIBERIAN  
DOLLARS**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>TOTAL</b>
Compensation of Employees	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	11,017,250	132,207,000
Goods and Services	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	17,889,833	214,678,000
Consumption on Fixed Assets	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	23,822,833	285,874,000
Transfers	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	2,123,000	25,476,000

**LIBERIAN DOLLARS TRANSACTIONS TRANSLATED INTO US DOLLAR**

Tax Revenue	1,360,170	1,246,823	1,196,950	1,196,950	5,000,893								
Social Contribution	79,129	72,535	69,633	69,633	290,930								
Other receipts	197,027	180,608	173,383	173,383	724,401								
Compensation of Employees	169,496	166,928	157,389	153,017	148,882	146,896.67	146,896.67	143,081.17	141,246.79	146,896.67	148,882	157,389.29	1,827,002
Goods and Services	275,228	271,058	255,569	248,470	241,755	238,531.11	238,531.11	232,335.50	229,356.84	238,531.11	241,755	255,569.05	2,966,689
Consumption on Fixed Assets	366,505	360,952	340,326	330,873	321,930	317,637.78	317,637.78	309,387.45	305,420.94	317,637.78	321,930	340,326.19	3,950,564
Transfers	32,662	32,167	30,329	29,486	28,689	28,306.67	28,306.67	27,571.43	27,217.95	28,306.67	28,689	30,328.57	352,059

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total			Cash	Bank	Total	
Beginning balance	2,000	125,000	127,000	8,255,000	500,000	1,200,000	1,700,000	26,153.85	
Ending Balance	6,000	30,000	36,000	2,520,000	62,000	600,000	662,000	9,457.14	

	Original USD	Translated USD	TOTAL USD		Original LD	Translated LD	TOTAL LD
Beginning balance	127,000	26,154	<b>153,153.85</b>		1,700,000.00	8,255,000	<b>9,955,000.00</b>
Ending Balance	36,000	9,457	<b>45,457.14</b>		662,000.00	2,520,000	<b>3,182,000.00</b>

**Summary of Translated cash book**

	Original USD	Translated USD	TOTAL USD		Original LD	Translated LD	TOTAL LD
Tax Revenue	108,465,000	5,000,893	113,465,893		359,085,000	7,809,480,000	8,168,565,000
Social Contribution	12,740,000	290,930	13,030,930		20,890,000	917,280,000	938,170,000
Other receipts	16,289,000	724,401	17,013,401		52,015,000	1,172,808,000	1,224,823,000
Grants From Multilateral Agency	39,800,000		39,800,000			2,865,600,000	2,865,600,000
Grants From Bilateral Agency	43,500,000		43,500,000			3,132,000,000	3,132,000,000
Borrows From Multilateral Agency	23,500,000		23,500,000			1,692,000,000	1,692,000,000

Borrows From Bilateral Agency	30,500,000		30,500,000		2,196,000,000	2,196,000,000
Compensation of Employees	129,049,000	1,827,002	130,876,002	132,207,000	9,366,806,583	9,499,013,583
Goods and Services Consumption on Fixed Assets	90,958,000	2,966,689	93,924,689	214,678,000	6,602,034,833	6,816,712,833
Interest on Foreign Loans	128,129,000	3,950,564	132,079,564	285,874,000	9,300,029,917	9,585,903,917
Interest on Multilateral Loans	5,500,000		5,500,000		399,208,333	399,208,333
Transfers	3,200,000		3,200,000		232,266,667	232,266,667
US Government Grant	96,243,000	352,059	96,595,059	25,476,000	6,985,637,750	7,011,113,750
ADB Grants	5,500,000		5,500,000		399,208,333	399,208,333
World Bank Grant	3,500,000		3,500,000		254,041,667	254,041,667
	4,500,000		4,500,000		326,625,000	326,625,000

### CASH BOOK

	Debit US \$	Debit LD \$	Credit US \$	Credit LD \$
Bal b/d	153,154	9,955,000		
Tax Revenue	113,465,893	8,168,565,000		
Social Contribution	13,030,930	938,170,000		
Other receipts	17,013,401	1,224,823,000		
Grants From Multilateral Agency	39,800,000	2,865,600,000		
Grants From Bilateral Agency	43,500,000	3,132,000,000		
Borrows From Multilateral Agency	23,500,000	1,692,000,000		

Borrows From Bilateral Agency	30,500,000	2,196,000,000		
Compensation of Employees			130,876,002	9,499,013,583
Goods and Services			93,924,689	6,816,712,833
Consumption on Fixed Assets			132,079,564	9,585,903,917
Interest on Foreign Loans			5,500,000	399,208,333
Interest on Multilateral Loans			3,200,000	232,266,667
Transfers			96,595,059	7,011,113,750
Bal c/d			45,457	3,182,000
Translation Gain (Loss)	<b>181,257,393</b>	<b>13,320,288,083</b>		
	<b>462,220,771</b>	<b>33,547,401,083</b>	<b>462,220,771</b>	<b>33,547,401,083</b>

**MINISTRY OF FINANCE**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

	NOTES	FY 2009					
		Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
		US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>							
Tax Revenue		113,465,893	8,168,565,000			-	-
Social Contribution		13,030,930	938,170,000			-	-
Other receipts		17,013,401	1,224,823,000				

**External****Assistance:**

Grants From Multilateral Agency	39,800,000	2,865,600,000	8,000,000	580,666,667
Grants From Bilateral Agency	43,500,000	3,132,000,000	5,500,000	399,208,333
Borrows From Multilateral Agency	23,500,000	1,692,000,000		
Borrows From Bilateral Agency	30,500,000	2,196,000,000		

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**Total Receipt****280,810,224****20,217,158,000****13,500,000****979,875,000****PAYMENTS**

## Operations:

Wages, Salaries and  
Employees Benefits  
Supplies and  
Consumables

130,876,002

9,499,013,583

93,924,689

6,816,712,833

13,500,000

979,875,000

**TRANSFERS**

Transfers payments  
and Subsidies

96,595,059

7,011,113,750

**CAPITAL****EXPENDITURES:**

Purchase/ Construction  
of property, plant &  
Equipment

132,079,564

9,585,903,917

**LOAN INTEREST  
PAYMENT**

Interest Payment	8,700,000	631,475,000	
<b>Total Payments</b>	<b><u>462,175,314</u></b>	<b><u>33,544,219,083</u></b>	<b><u>13,500,000</u> <u>979,875,000</u></b>
<b>Increase/ (decrease) in Cash</b>	<b><u>(181,365,090)</u></b>	<b><u>(13,327,061,083)</u></b>	
<b>Cash at the beginning of the year</b>	153,154	9,955,000	
<b>Foreign currency translation difference</b>	<u>181,257,393</u>	<u>13,320,288,083</u>	
<b>Cash at the End of the year</b>	<b><u>45,457</u></b>	<b><u>3,182,000</u></b>	
	-	-	

#### End of Unit 8 Question 9

Quarter	Rate	Month	Exchange Rate
		January	65
		February	66
		March	70
		April	72
		May	74
Qtr1	66	June	75
Qtr2	72	July	75
Qtr3	75	August	77
Qtr4	75	September	78
		October	75
		November	74
		December	70

**QUARTERLY DISTRIBUTION OF US  
DOLLARS TRANSACTIONS**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	9,000,000	9,000,000	9,000,000	9,000,000	36,000,000
Pool Fund - DFID	1,191,250	1,191,250	1,191,250	1,191,250	4,765,000
Health System Reconstruction Project - World Bank	3,591,750	3,591,750	3,591,750	3,591,750	14,367,000
Project Fund - World Bank	1,625,000	1,625,000	1,625,000	1,625,000	6,500,000
Grants from the Gov't of UK	2,250,000	2,250,000	2,250,000	2,250,000	9,000,000
Grants from International NGO's and other local donation	825,000	825,000	825,000	825,000	3,300,000

**US DOLLARS RECEIPTS  
TRANSLATED INTO LIBERIAN  
DOLLAR**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	594,000,000	648,000,000	675,000,000	675,000,000	2,592,000,000
Pool Fund - DFID	78,622,500	85,770,000	89,343,750	89,343,750	343,080,000
Health System Reconstruction Project - World Bank	237,055,500	258,606,000	269,381,250	269,381,250	1,034,424,000
Project Fund - World Bank	107,250,000	117,000,000	121,875,000	121,875,000	468,000,000
Grants from the Gov't of UK	148,500,000	162,000,000	168,750,000	168,750,000	648,000,000
Grants from International NGO's and other local donation	54,450,000	59,400,000	61,875,000	61,875,000	237,600,000

**MONTHLY  
DISTRIBUTION OF US  
DOLLARS PAYMENTS**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Personnel Expenses	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	7,500,000
Goods and Services	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	1,458,333	17,500,000
Transfers and Subsidies	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	1,166,667	14,000,000
Capital Expenditure	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	34,800,000
Indian Gov't Grant	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	4,000,000
WHO Grant	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Ministry of Finance	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	2,156,333	25,876,000

**USD PAYMENTS  
TRANSLATED  
INTO LD**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Personnel Expenses	40,625,000	41,250,000	43,750,000	45,000,000	46,250,000	46,875,000	46,875,000	48,125,000	48,750,000	46,875,000	46,250,000	43,750,000	544,375,000
Goods and Services	94,791,667	96,250,000	102,083,333	105,000,000	107,916,667	109,375,000	109,375,000	112,291,667	113,750,000	109,375,000	107,916,667	102,083,333	1,270,208,333
Transfers and Subsidies	75,833,333	77,000,000	81,666,667	84,000,000	86,333,333	87,500,000	87,500,000	89,833,333	91,000,000	87,500,000	86,333,333	81,666,667	1,016,166,667
Capital Expenditure	188,500,000	191,400,000	203,000,000	208,800,000	214,600,000	217,500,000	217,500,000	223,300,000	226,200,000	217,500,000	214,600,000	203,000,000	2,525,900,000
Indian Gov't Grant	21,666,667	22,000,000	23,333,333	24,000,000	24,666,667	25,000,000	25,000,000	25,666,667	26,000,000	25,000,000	24,666,667	23,333,333	290,333,333
WHO Grant	2,708,333	2,750,000	2,916,667	3,000,000	3,083,333	3,125,000	3,125,000	3,208,333	3,250,000	3,125,000	3,083,333	2,916,667	36,291,667
Ministry of Finance	140,161,667	142,318,000	150,943,333	155,256,000	159,568,667	161,725,000	161,725,000	166,037,667	168,194,000	161,725,000	159,568,667	150,943,333	1,878,166,333

**QUARTERLY  
DISTRIBUTION  
OF LIBERIAN  
DOLLARS  
TRANSACTIONS**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTAL</b>
Grants from International NGO'S and others local donation	6,468,750	6,468,750	6,468,750	6,468,750	25,875,000
Sale of Health products	2,885,750	2,885,750	2,885,750	2,885,750	11,543,000

**MONTHLY  
DISTRIBUTION  
OF LIBERIAN  
DOLLARS  
TRANSACTIONS**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Personnel Expenses	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333	16,000,000
Goods and Services	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	1,341,500	16,098,000
Transfers and Subsidies	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	21,000,000
Capital Expenditure	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	1,838,000	22,056,000
Ministry of Finance	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	1,666,667	20,000,000

**LIBERIAN DOLLARS TRANSACTIONS TRANSLATED INTO US DOLLAR**

Grants from International NGO'S and others local donation	98,011	89,844	86,250	86,250	360,355								
Sale of Health products	43,723	40,080	38,477	38,477	160,757								
Personnel Expenses	20,513	20,202	19,048	18,519	18,018	17,777.78	17,777.78	17,316.02	17,094.02	17,777.78	18,018	19,047.62	221,108
Goods and Services	20,638	20,326	19,164	18,632	18,128	17,886.67	17,886.67	17,422.08	17,198.72	17,886.67	18,128	19,164.29	222,462
Transfers and Subsidies	26,923	26,515	25,000	24,306	23,649	23,333.33	23,333.33	22,727.27	22,435.90	23,333.33	23,649	25,000.00	290,204
Capital Expenditure	28,277	27,848	26,257	25,528	24,838	24,506.67	24,506.67	23,870.13	23,564.10	24,506.67	24,838	26,257.14	304,797
Ministry of Finance	25,641	25,253	23,810	23,148	22,523	22,222.22	22,222.22	21,645.02	21,367.52	22,222.22	22,523	23,809.52	276,385

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total			Cash	Bank	Total	
Beginning balance	6,000	14,000	20,000	1,300,000	1,000,000	1,500,000	2,500,000	38,461.54	
Ending Balance	5,000	147,000	152,000	10,640,000	704,000	1,060,000	1,764,000	25,200.00	

	Original USD	Translated USD	TOTAL USD		Original LD	Translated LD	TOTAL LD
Beginning balance	20,000	38,462	58,461.54		2,500,000.00	1,300,000	3,800,000.00
Ending Balance	152,000	25,200	177,200.00		1,764,000.00	10,640,000	12,404,000.00

	Original USD	Translated USD	TOTAL USD		Original LD	Translated LD	TOTAL LD
Transfer from GOL	36,000,000		36,000,000			2,592,000,000	2,592,000,000
Pool Fund - DFID Health System	4,765,000		4,765,000			343,080,000	343,080,000
Reconstruction Project - World Bank	14,367,000		14,367,000			1,034,424,000	1,034,424,000
Project Fund - World Bank Grants from the Gov't of	6,500,000		6,500,000			468,000,000	468,000,000

UK	9,000,000		9,000,000		648,000,000	648,000,000
Grants from International NGO's and other local donation	3,300,000	360,355	3,660,355	25,875,000	237,600,000	263,475,000
Sale of Health products		160,757	160,757	11,543,000		11,543,000
Personnel Expenses	7,500,000	221,108	7,721,108	16,000,000	544,375,000	560,375,000
Goods and Services	17,500,000	222,462	17,722,462	16,098,000	1,270,208,333	1,286,306,333
Transfers and Subsidies	14,000,000	290,204	14,290,204	21,000,000	1,016,166,667	1,037,166,667
Capital Expenditure	34,800,000	304,797	35,104,797	22,056,000	2,525,900,000	2,547,956,000
Indian Gov't Grant	4,000,000		4,000,000		290,333,333	290,333,333
WHO Grant	500,000		500,000		36,291,667	36,291,667
Ministry of Finance	25,876,000	276,385	26,152,385	20,000,000	1,878,166,333	1,898,166,333

CASH BOOK

	Debit US \$	Debit LD \$	Credit US \$	Credit LD \$
Bal b/d	58,462	3,800,000		
Transfer from GOL	36,000,000	2,592,000,000		
Pool Fund - DFID	4,765,000	343,080,000		

Health System Reconstruction Project - World Bank	14,367,000	1,034,424,000		
Project Fund - World Bank	6,500,000	468,000,000		
Grants from the Gov't of UK	9,000,000	648,000,000		
Grants from International NGO's and other local donation	3,660,355	263,475,000		
Sale of Health products	160,757	11,543,000		
Personnel Expenses			7,721,108	560,375,000
Goods and Services			17,722,462	1,286,306,333
Transfers and Subsidies			14,290,204	1,037,166,667
Capital Expenditure			35,104,797	2,547,956,000
Bal c/d			177,200	12,404,000
Translation Gains (Loss)	<b>504198.59</b>	<b>79886000</b>		
	<u>75,015,772</u>	<u>5,444,208,000</u>	<u>75,015,772</u>	<u>5,444,208,000</u>

**MINISTRY OF HEALTH  
STATEMENT OF RECEIPTS AND PAYMENT OF CASH  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**

NOTES	FY 2009		
	Receipts/Payment controlled by Entity	Payments By other Government Entities	Payments by External third Parties

	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Authorized Allocation/ Appropriations	36,000,000	2,592,000,000	25,876,000	276,385	-	-
Other receipts	160,757	11,543,000	-	-	-	-
<b>External Assistance:</b>						
Grants From Multilateral Agency	25,632,000	1,845,504,000	-	-	500,000	36,291,667
Grants From Bilateral Agency	9,000,000	648,000,000	-	-	4,000,000	290,333,333
Other Grants and Aids	3,660,355	263,475,000	-	-	-	-
<b>Total Receipt</b>	<b><u>74,453,112</u></b>	<b><u>5,360,522,000</u></b>	<b><u>25,876,000</u></b>	<b><u>276,385</u></b>	<b><u>4,500,000</u></b>	<b><u>326,625,000</u></b>
<b>PAYMENTS</b>						
Operations:						
Wages, Salaries and Employees Benefits	7,721,108	560,375,000	25,876,000	276,385	-	-
Supplies and Consumables	17,722,462	1,286,306,333	-	-	4,500,000	326,625,000
<b>TRANSFERS</b>	-	-	-	-	-	-
Transfers payments and Subsidies	14,290,204	1,037,166,667	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>	-	-	-	-	-	-

Purchase/ Construction of property, plant & Equipment	35,104,797	2,547,956,000	-	-	-	-
<b>Total Payments</b>	<b><u>74,838,572</u></b>	<b><u>5,431,804,000</u></b>	<b><u>25,876,000</u></b>	<b><u>276,385</u></b>	<b><u>4,500,000</u></b>	<b><u>326,625,000</u></b>
<b>Increase/ (decrease) in Cash</b>	<b><u>(385,460)</u></b>	<b><u>(71,282,000)</u></b>				
<b>Cash at the beginning of the year</b>	58,462	3,800,000				
<b>Foreign currency translation difference</b>	<u>504,198.59</u>	<u>79,886,000</u>				
<b>Cash at the End of the year</b>	<b><u>177,200</u></b>	<b><u>12,404,000</u></b>				
	-	-				

**End of Unit 8 Question 10**

<b>Quarter</b>	<b>Rate</b>	<b>Month</b>	<b>Exchange Rate</b>
		January	65
		February	66
		March	70
		April	72
		May	74
Qtr1	66	June	75
Qtr2	72	July	75
Qtr3	75	August	77
Qtr4	75	September	78
		October	75
		November	74
		December	70

**Quarterly Distribution of US  
DOLLARS Transactions**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	12,000,000	12,000,000	12,000,000	12,000,000	48,000,000
Liberia Primary Education Recovery Program Fund	3,837,500	3,837,500	3,837,500	3,837,500	15,350,000
Income from sale of books	125,000	125,000	125,000	125,000	500,000
Grant from DANIDA	875,000	875,000	875,000	875,000	3,500,000
Grants from International NGO'S and others local donation	400,000	400,000	400,000	400,000	1,600,000
Infrastructure Fund- World Bank Loan	2,325,000	2,325,000	2,325,000	2,325,000	9,300,000
Loan - German Government	500,000	500,000	500,000	500,000	2,000,000

**US Dollars Transactions  
Translated into Liberian Dollars**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Transfer from GOL	792,000,000	864,000,000	900,000,000	900,000,000	3,456,000,000
Liberia Primary Education Recovery Program Fund	253,275,000	276,300,000	287,812,500	287,812,500	1,105,200,000
Income from sale of books	8,250,000	9,000,000	9,375,000	9,375,000	36,000,000
Grant from DANIDA	57,750,000	63,000,000	65,625,000	65,625,000	252,000,000
Grants from International NGO'S and others local donation	26,400,000	28,800,000	30,000,000	30,000,000	115,200,000
Infrastructure Fund- World Bank Loan	153,450,000	167,400,000	174,375,000	174,375,000	669,600,000
Loan - German Government	33,000,000	36,000,000	37,500,000	37,500,000	144,000,000

**Monthly  
Distribution of US  
DOLLARS  
Transactions**

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Personnel Expenses	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	3,500,000
Goods and Services	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	1,212,500	14,550,000
Transfers and Subsidies	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	13,800,000
Capital Expenditure	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	3,958,333	47,500,000
Interest on Loans	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	750,000
Japanese Gov't Grant	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	208,333	2,500,000
UNICEF Grant	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	66,667	800,000
Ministry of Finance	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000	31,500,000
	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>Total</b>
Personnel Expenses	18,958,333	19,250,000	20,416,667	21,000,000	21,583,333	21,875,000	21,875,000	22,458,333	22,750,000	21,875,000	21,583,333	20,416,667	254,041,667
Goods and Services	78,812,500	80,025,000	84,875,000	87,300,000	89,725,000	90,937,500	90,937,500	93,362,500	94,575,000	90,937,500	89,725,000	84,875,000	1,056,087,500
Transfers and Subsidies	74,750,000	75,900,000	80,500,000	82,800,000	85,100,000	86,250,000	86,250,000	88,550,000	89,700,000	86,250,000	85,100,000	80,500,000	1,001,650,000
Capital Expenditure	257,291,667	261,250,000	277,083,333	285,000,000	292,916,667	296,875,000	296,875,000	304,791,667	308,750,000	296,875,000	292,916,667	277,083,333	3,447,708,333
Interest on Loans	4,062,500	4,125,000	4,375,000	4,500,000	4,625,000	4,687,500	4,687,500	4,812,500	4,875,000	4,687,500	4,625,000	4,375,000	54,437,500
Japanese Gov't Grant	13,541,667	13,750,000	14,583,333	15,000,000	15,416,667	15,625,000	15,625,000	16,041,667	16,250,000	15,625,000	15,416,667	14,583,333	181,458,333
UNICEF Grant	4,333,333	4,400,000	4,666,667	4,800,000	4,933,333	5,000,000	5,000,000	5,133,333	5,200,000	5,000,000	4,933,333	4,666,667	58,066,667
Ministry of Finance	170,625,000	173,250,000	183,750,000	189,000,000	194,250,000	196,875,000	196,875,000	202,125,000	204,750,000	196,875,000	194,250,000	183,750,000	2,286,375,000

### Quarterly Distribution of LIBERIAN DOLLARS Transactions

Grants from International NGO'S and others local donation	3,941,250	3,941,250	3,941,250	3,941,250	15,765,000								
Income from sale of books	250,000	250,000	250,000	250,000	1,000,000								
Personnel Expenses	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	333,333	4,000,000
Goods and Services	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,600,000
Transfers and Subsidies	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	377,667	4,532,000
Capital Expenditure	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	326,000	3,912,000
Ministry of Finance	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	2,916,667	35,000,000

### Liberian Dollars Transaction Translated into US DOLLAR

Grants from International NGO'S and others local donation	59,716	54,740	52,550	52,550	219,555								
Income from sale of books	3,788	3,472	3,333	3,333	13,927								
Personnel Expenses	5,128	5,051	4,762	4,630	4,505	4,444.44	4,444.44	4,329.00	4,273.50	4,444.44	4,505	4,761.90	55,277
Goods and Services	4,615	4,545	4,286	4,167	4,054	4,000.00	4,000.00	3,896.10	3,846.15	4,000.00	4,054	4,285.71	49,749
Transfers and Subsidies	5,810	5,722	5,395	5,245	5,104	5,035.56	5,035.56	4,904.76	4,841.88	5,035.56	5,104	5,395.24	62,629
Capital Expenditure	5,015	4,939	4,657	4,528	4,405	4,346.67	4,346.67	4,233.77	4,179.49	4,346.67	4,405	4,657.14	54,061
Ministry of Finance	44,872	44,192	41,667	40,509	39,414	38,888.89	38,888.89	37,878.79	37,393.16	38,888.89	39,414	41,666.67	483,674

**CONVERSION OF CASH AND BANK BALANCES**

	USD			Translation into LD		LD			Translation into USD
	Cash	Bank	Total	Cash		Bank	Total		
Beginning balance	3,000	20,000	23,000	1,495,000	53,000	100,000	153,000	2,353.85	
Ending Balance	6,000	166,000	172,000	12,040,000	174,000	700,000	874,000	12,485.71	
	<b>Original USD</b>	<b>Translated USD</b>	<b>TOTAL USD</b>		<b>Original LD</b>	<b>Translated LD</b>	<b>TOTAL LD</b>		
Beginning balance	23,000	2,354	<b>25,353.85</b>		153,000.00	1,495,000	<b>1,648,000.00</b>		
Ending Balance	172,000	12,486	<b>184,485.71</b>		874,000.00	12,040,000	<b>12,914,000.00</b>		
	<b>Original USD</b>	<b>Translated USD</b>	<b>TOTAL USD</b>		<b>Original LD</b>	<b>Translated LD</b>	<b>TOTAL LD</b>		
Transfer from GOL Liberia Primary Education Recovery Program Fund	48,000,000		48,000,000			3,456,000,000	3,456,000,000		
Income from sale of books	15,350,000		15,350,000			1,105,200,000	1,105,200,000		
	500,000	13,927	513,927		1,000,000	36,000,000	37,000,000		

Grant from DANIDA	3,500,000		3,500,000		252,000,000	252,000,000
Grants from International NGO'S and others local donation	1,600,000	219,555	1,819,555	15,765,000	115,200,000	130,965,000
Infrastructure Fund- World Bank Loan	9,300,000		9,300,000		669,600,000	669,600,000
Loan - German Government	2,000,000		2,000,000		144,000,000	144,000,000
Personnel Expenses	3,500,000	55,277	3,555,277	4,000,000	254,041,667	258,041,667
Goods and Services	14,550,000	49,749	14,599,749	3,600,000	1,056,087,500	1,059,687,500
Transfers and Subsidies	13,800,000	62,629	13,862,629	4,532,000	1,001,650,000	1,006,182,000
Capital Expenditure	47,500,000	54,061	47,554,061	3,912,000	3,447,708,333	3,451,620,333
Interest on Loans	750,000		750,000		54,437,500	54,437,500
Japanese Gov't Grant	2,500,000		2,500,000		181,458,333	181,458,333
UNICEF Grant	800,000		800,000		58,066,667	58,066,667
Ministry of Finance	31,500,000	483,674	31,983,674	35,000,000	2,286,375,000	2,321,375,000

**MINISTRY OF EDUCATION CASH BOOK**

	Debit US \$	Debit LD \$	Credit US \$	Credit LD \$
Bal b/d	25,354	1,648,000		
Transfer from GOL Liberia Primary Education Recovery Program Fund	48,000,000	3,456,000,000		
	15,350,000	1,105,200,000		
Income from sale of books	513,927	37,000,000		
Grant from DANIDA Grants from International NGO'S and others local donation	3,500,000	252,000,000		
	1,819,555	130,965,000		
Infrastructure Fund- World Bank Loan	9,300,000	669,600,000		
Loan - German Government	2,000,000	144,000,000		
Personnel Expenses			3,555,277	258,041,667
Goods and Services			14,599,749	1,059,687,500
Transfers and Subsidies			13,862,629	1,006,182,000
Capital Expenditure			47,554,061	3,451,620,333
Interest on Loans			750,000	54,437,500
Bal c/d			184,486	12,914,000
Translation Gains (Loss)		<b>46,470,000</b>	<b>2,634</b>	
	<u>80,508,836</u>	<u>5,842,883,000</u>	<u>80,508,836</u>	<u>5,842,883,000</u>

**MINISTRY OF EDUCATION**  
**STATEMENT OF RECEIPTS AND PAYMENT OF CASH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008/2009**  
**FY 2009**

NOTES	Receipts/Payment controlled by Entity		Payments By other Government Entities		Payments by External third Parties	
	US\$	L\$	US\$	L\$	US\$	L\$
<b>RECEIPTS</b>						
Authorized Allocation/ Appropriations	48,000,000	3,456,000,000	31,500,000	483,674	-	-
Other receipts	513,927	37,000,000	-	-	-	-
<b>External Assistance:</b>						
Grants From Multilateral Agency	15,350,000	1,105,200,000	-	-	800,000	58,066,667
Grants From Bilateral Agency	3,500,000	252,000,000	-	-	2,500,000	181,458,333
Other Grants and Aids	1,819,555	130,965,000	-	-	-	-
Borrows from Multilateral Agency	9,300,000	669,600,000	-	-	-	-
Borrows from Bilateral Agency	2,000,000	144,000,000				
<b>Total Receipt</b>	<b><u>80,483,482</u></b>	<b><u>5,794,765,000</u></b>	<b><u>31,500,000</u></b>	<b><u>483,674</u></b>	<b><u>3,300,000</u></b>	<b><u>239,525,000</u></b>
<b>PAYMENTS</b>						
Operations:						
Wages, Salaries and Employees Benefits	3,555,277	258,041,667	31,500,000	483,674	-	-
Supplies and Consumables	14,599,749	1,059,687,500	-	-	3,300,000	239,525,000
<b>TRANSFERS</b>	-	-	-	-	-	-

Transfers payments and Subsidies	13,862,629	1,006,182,000	-	-	-	-
	-	-	-	-	-	-
<b>CAPITAL EXPENDITURES:</b>						
Purchase/ Construction of property, plant & Equipment	47,554,061	3,451,620,333	-	-	-	-
<b>LOANS AND INTEREST REPAYMENTS:</b>						
Interest payments	750,000	54,437,500	-	-	-	-
<b>Total Payments</b>	<b><u>80,321,716</u></b>	<b><u>5,829,969,000</u></b>	<b><u>31,500,000</u></b>	<b><u>483,674</u></b>	<b><u>3,300,000</u></b>	<b><u>239,525,000</u></b>
<b>Increase/ (decrease) in Cash</b>	<b><u>161,766</u></b>	<b><u>(35,204,000)</u></b>				
<b>Cash at the beginning of the year</b>	25,354	1,648,000				
<b>Foreign currency translation difference</b>	<u>(2,634.34)</u>	<u>46,470,000</u>				
<b>Cash at the End of the year</b>	<b><u>184,486</u></b>	<b><u>12,914,000</u></b>				

## **Appendix 1: Integrated Financial Management Information System (IFMIS)**

### **FREQUENTLY ASKED QUESTIONS (FAQ)**

#### **1. What is IFMIS?**

The Integrated Financial Management Information System (IFMIS) is an IT based system for budget management and accounting that is being implemented by Government of Liberia (GoL) to improve Public Expenditure Management processes, enhance greater accountability and transparency across Ministries and Agencies. The IFMIS is designed to make use of modern information and communication technologies to help the Government of Liberia plan and use its financial resources more efficiently and effectively. The GoL IFMIS solution is the latest version of FreeBalance Accountability suit comprised of seven (7) core modules namely; Budgeting, Purchasing, Accounts Payable (AP), Accounts Receivable (AR), Cash Management (CM), Human Resource Management Information system (HRMIS) and General Ledger (GL).

#### **2. What is the scope of coverage for IFMIS?**

In order to ensure a smooth transition from the current semi-automated and manual systems currently used in Ministries and Agencies, a phased implementation approach has been adopted. In the first phase (March 2009 to March 2012), the IFMIS will be implemented in the Ministry of Finance (MoF) and the Civil Service Agency (CSA). Connectivity will also be provided to the General Services Agency (GSA) and General Auditing Commission (GAC) for fixed assets management and auditing purposes respectively. The IFMIS will also be interfaced with the following systems:

- a) Integrated Tax Administration System (ITAS). ITAS is currently being developed by the Ministry of Finance to handle all revenue management activities.
- b) Central Bank of Liberia Bank Master PLUS banking software for bank reconciliation (MICR readable cheques). The IFMIS will have Electronic Funds Transfer (EFT) functionality.
- c) Biometric System and Human Resource Management Information System (HRMIS) in the Civil Service Agency.
- d) Debt Management System (CS-DRMS).

The second phase will involve roll out of the IFMIS to the other Ministries and Agencies and implementation of the Fixed Assets and Inventory Management modules. The e-Procurement

module will also be developed by the Ministry of Finance in consultation with the Public Procurement and Concessions Commission (PPCC) during this phase.

### **3. Who has been contracted to supply the IFMIS?**

Following a successful procurement process closely supervised by Government of Liberia (GoL) and the World Bank, FreeBalance Inc has been contracted to supply the IFMIS application. FreeBalance Inc and FutureCom (partner) will be responsible for installation, integration, testing, commissioning and providing the related support services for the IFMIS application. Under a separate contract, Amytech Data System will handle the supply of the entire hardware infrastructure (computers, printers, switches, UPSs, air conditioners etc) including installation of the Local Area Networks (LANs) and the Wide Area Network (WAN). The hardware infrastructure will be used by the various applications being developed in the Ministry of Finance i.e. IFMIS, ITAS, ASYCUDA, CS-DRMS, etc.

### **4. How is the IFMIS implementation being funded?**

Given the magnitude of the project, Government of Liberia (GoL) obtained external funding in form of a grant from the World Bank, under the IFMIS project to cover the costs for acquisition and installation of hardware, software and the related support services and the ICT network infrastructure to support the system. Other costs related to site preparation such as limited civil works and renovations will be financed by Government of Liberia.

### **5. What is the enabling legislation for the IFMIS reforms?**

IFMIS processes, execution procedures and approvals will be guided by the Public Finance Management Act 2009. Financial Regulations (2009) for guiding Government financial management processes have been prepared and issued by the Minister of Finance. The Minister has also issued the Liberia Accounting Standard and will soon issue the new Chart of Accounts and the IFMIS security Policy. These instructions give further guidance on how the system will be used.

### **6. How is the IFMIS Implementation Managed?**

The IFMIS management structures comprise of the **Project Steering Committee (PSC)** and the Project Management Team. The PSC is chaired by the Deputy Minister for Expenditure (DME). It oversees IFMIS implementation according to the project plan. It is accountable for the outcome of the project and has responsibility and authority to approve all major plans and authorizes any major deviation from agreed stage Plans.

It is the authority that signs off the completion of each stage as well as authorizes the start of the next stage. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager. The Committee membership comprise of representatives from Government, the IFMIS Project Manager, Users and the Supplier(s).

**The Project Management Team (PMT)** is chaired by the Assistant Minister for Expenditure (AME) and is responsible for coordinating the IFMIS implementation. The PMT members include Comptroller General, Director General of the Bureau of General Accounting, the Director General of Debt Management, Project Manager, PFM and Change Management Advisors, Functional and ICT Specialists together with their government counterparts and heads of workgroups.

Various workgroups for key project management functions support the Project Management Team. The workgroups are;

**a) Training and Change Management workgroup**

- Responsible the design and implementation of the training/capacity building and change management strategies.

**b) Audit and Security workgroup**

- Ensures that appropriate security and internal controls are implemented and that the systems and their outputs are capable of being audited.

**c) Information and Communications Technology workgroup**

- Responsible for the technical aspects of the implementation concerning hardware and communications technology including site preparation.

**d) Application Implementation workgroup**

- Ensures that technical aspects concerning the configuration and implementation of the Chart of Accounts and the application software, including integration and interfaces with other systems are properly handled during the implementation.

**e) Budget Implementation workgroup**

- Responsible for ensuring that technical aspects concerning the configuration and implementation of the Public Sector budgeting are catered for on the system.

**f) Human Resource (HR)/Payroll Implementation workgroup**

- Charged with ensuring that technical aspects related Human Resource Management Information, the payroll and other systems are adequately handled.

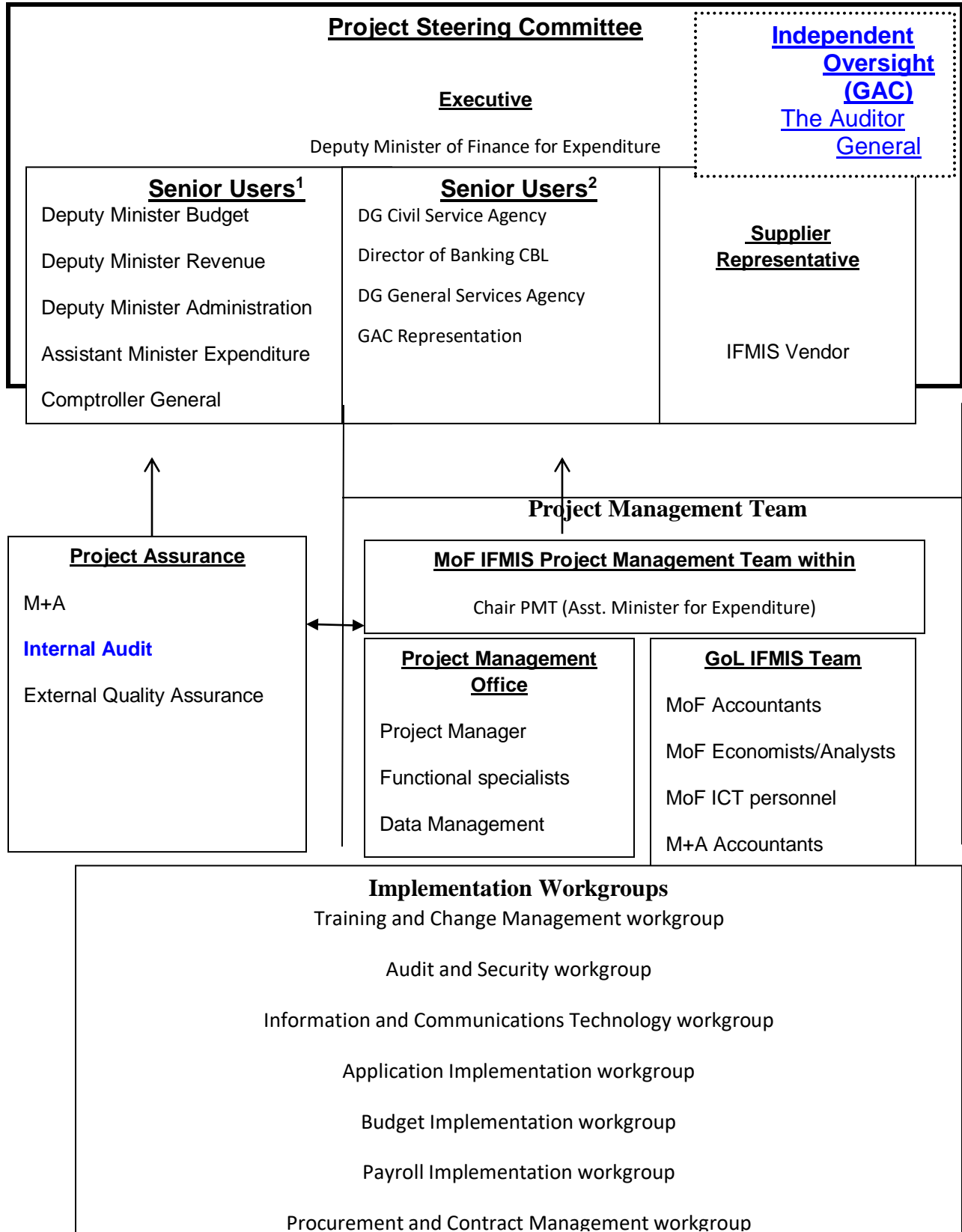
**g) Procurement and Contract Management workgroup**

- Deals with bidding processes including documentation and Contract negotiations and monitoring.

There is an IFMIS Project Office headed by the **IFMIS Project Manager** who is responsible for the day-to-day IFMIS implementation activities in accordance with the project plan. The project office is staffed with a team of competent professionals who report to the Project Manager. The IFMIS Project Manager reports directly to the chair of the Project Steering Committee (PSC).

The diagram below illustrates the IFMIS project management structures;

## IFMIS PROJECT IMPLEMENTATION STRUCTURES



*Configuration Librarian*

**7. What are the Key Implementation Dates?**

No	Activity	From	To
1.	New Chart of Accounts approved		28 Feb 2010
2.	Contract signed with IFMIS Supplier		28 Feb 2010
3.	Functional LAN/WAN		31 May 2010
4.	Business Process Review completed		31 Aug 2010
5.	Installation & configuration of entire IFMIS Application	1 Mar 2010	30 Nov 2010
6.	Initial IFMIS training completed	1 Aug 2010	30 Sep 2010
7.	System testing and fine tuning	1 Sep 2010	31 Oct 2010
8.	Test/Parallel runs	1 Jan 2011	30 Apr 2011
9.	Operational Acceptance of Complete IFMIS	1 May 2011	30 Jun 2011
<b>10.</b>	<b>Complete System Go-Live</b>		<b>1 Jul 2011</b>
11.	Post Go-live implementation support	1 Jul 2011	Sep 2011

**8. What is the Status of the IFMIS Implementation?**

The IFMIS team has made remarkable achievements in number of areas since the beginning of the project. Below is the summary status of the implementation activities;

- Project Steering Committee, Project Management Team and workgroups have been established and are operational.
- Draft Chart of Accounts is awaiting comments from the Auditor General before it is submitted to senior management in Ministry of Finance for final approval.

- Contract for the LAN/WAN was cleared by the World Bank for signature. The contractor is expected to commence work in March 2010.
- Contract for IFMIS application software was signed and the supplier is expected to be in Liberia from 1<sup>st</sup> March 2010 to commence work.
- Business Process Reviews for Bureau of General Accounting (BGA), Comptroller General (CG)'s Office and Procurement were completed. The review of business process at the Department of Budget is currently ongoing. Similar work will be done for GSA and CSA.
- The preparation of the financial statements formats was completed. The formats were issued by the Minister as part of the Liberian Accounting Standard and are consistent with International Public Sector Accounting Standards (IPSAS) and Government Finance Statistics Manual (GFSM) 2001.
- Recruitment for Project staff was completed. Eleven graduates from the Financial Management Training Programme (FMTP) have been assigned to IFMIS. There is need to assign more Government staff to the IFMIS implementation.
- The team is continuously carrying out change management activities to update all stakeholders on the IFMIS implementation progress and the scheduled activities.
- Draft IT Security Policy for IFMIS ready and is awaiting approval by Senior Management of the Ministry of Finance.
- The IFMIS team is currently preparing a training strategy to support the IFMIS implementation. The Ministry of Finance has provided some resources to kick start the IT training. The training will cover basic IT skills, IFMIS Functional, Application training and other areas. Remarkable improvements have been made to the existing system. The improvements are aimed at strengthening internal controls and automating Payment Voucher capture at Bureau of General Accounting (BGA), Cash Management Committee (CMC) listing preparation and bank reconciliation processes.

## 9. What are some of the immediate benefits of IFMIS?

When fully implemented the Integrated Financial Management Information System (IFMIS) is expected to lead to improvements in the following areas:

### a) Reporting

- Timely and online information at the press of a keyboard button.
- More accurate reports hence better decision making by managers.
- Enhanced comparability of financial performance across Ministries and Agencies through use of a uniform Chart of Accounts.

### b) Training and Change Management

- Positive attitude and positive work changes.
- Improvement in basic IT skills.

- IFMIS functional and technical skills to support the system.

**c) ICT Infrastructure**

- Modern Data Centre and Disaster Recovery site.
- Automated Help desk for tracking users logs.
- Internal training facility to support internal capacity building.

**d) Budget Formulation**

- Enhanced accountability and transparency. Ministries and Agencies will be able to easily view budgetary allocations and funds availability status on-line.
- Helps in the move towards output oriented/programme based budgeting (more effective and efficient method of budget).

**e) Budget Execution**

- Improved oversight and internal control through in-built control reports and audit trail.
- Online bank account balances will help Ministries and Agencies to plan and manage their cash better.
- Better commitment and expenditure control through inbuilt budget control functionalities.
- More efficient and timely processing of transactions.
- Automated posting of ledgers.
- Automatic bank account reconciliations.

**10. Where has the IFMIS been successfully implemented?**

A number of countries in Africa have embarked on implementing IFMIS. Some of the successful stories include Tanzania, Mauritius, South Africa, Uganda, The Gambia and Sierra Leone.

**11. What are some of the envisaged challenges and the strategies for addressing them?**

Like any new system challenges are expected especially in the initial IFMIS implementation stages. Some of the potential challenges expected and the mitigation strategies are listed below:

**A. Change**

Change of any type almost always has an impact on the success of a project. Change will frequently create confusion and frustration, increasing the duration of the project. Following is a list of changes that should be avoided or carefully controlled:

- Modification in the project scope or deliverables.
- Time slippages.
- Removing resources such as key users, partners, and project management from the project.
- Political and bureaucratic will – the project spreads over a long term in which key personnel will change at both the political and bureaucratic levels.

The strategies for mitigating the impact of change include:

- Minimizing changes through active involvement of the Project Steering Committee.
- Employing sound project management methodology.
- Developing good information gathering systems for impending changes to enable rapid adaptation if necessary.
- Informing the team members and ensure proper action is taken.
- Controlling introduction of change into the project.
- Ensuring that projects goals and objectives are continually communicated and monitored.
- Consultation and full involvement/participation of users.

## **B. Complexity**

There are substantial risks inherent in complex projects such as the IFMIS implementation.

Complexity could also be introduced into the project from outside constraints such as resource limitations due to other business requirements. To mitigate the impact of complexity the following strategies will be adopted:

- Employ sound project management methodology.
- Divide the project into smaller manageable tasks with identified individuals or responsibility centres for each task.
- Avoid introduction of unnecessary new elements into the project.
- Always follow the project's guidelines.
- Ensure a knowledgeable team is on the project.
- Provide clear definition of the deliverables and the methodology to follow.
- Control the propagation of “noise” and rumours around the project.
- Strive to keep everyone informed
- Have regular (weekly) status meetings with the project management team and the project sponsor.

### **C. Management of expectations**

Managing expectations is one of the most critical aspects of an IFMIS project. Confusion and disappointment often arise from misunderstanding of the requirements or miscommunication of the needs and objectives.

To mitigate for the impact caused by wrong expectations the implementation team will:

- Identify key stakeholders across government and develop an appropriate communication strategy.
- Ensure that the project's objectives and progress are continually communicated at all levels and across government, both central and local.
- Make sure the members of the Project Steering Committee sign off the charter and strongly support the documented approach.
- Ensure all personnel directly impacted by the project are well informed of the objectives and the progress of the project.
- Make sure the issue resolution mechanism is efficient and effective.
- Make sure that communication and distribution of information is properly done.

### **D. Lack of Government support at the highest levels**

A commitment to the purpose and objectives of the IFMIS project at the highest levels across government is critical to the success of the project. To mitigate risks associated with lack of high level Government support, the following strategies will be employed;

- Ensure the Project Steering Committee is fully informed of the project's scope and issues.
- Make sure the members of the Project Steering Committee sign off the charter and strongly support the documented approach.
- Identify key stakeholders across government and develop an appropriate communication strategy.

The IFMIS team has to date received overwhelming support from the top government leadership and this has enabled the team to make great strides in the implementation. Continued support from management and political leaders will become even more critical as the country moves towards the complete go-live of the system.

### **E. Lack of appropriate skills**

Introduction of higher levels of requirements in processes and systems, coupled with the introduction of increasingly complex financial accounting, auditing and reporting requirements will put pressure on existing human resources in the financial management area. Few staff involved in these areas currently have technical or professional training and

qualifications. To minimise the impact of lack of appropriate skills, the following strategies will be employed:

- Ensure that capacity building initiatives to address the current and future needs in financial management are put in place
- Liaise with professional bodies to promote professionalism in financial management and IT.

#### **F. Key stakeholder cooperation**

The IFMIS project has government wide implications. A wide diversity of views and opinions are likely to be encountered. It is anticipated that all stakeholders (Ministries and Agencies) will need to cooperate to implement the IFMIS. The challenges are:

- To ensure that those expressing views and opinions are well informed.
- To ensure that those views and opinions are heard and taken into account.

To maximise key stakeholder cooperation and involvement the implementation team will:

- Identify key stakeholders and develop an appropriate communication strategy.
- Ensure effective communication forums and channels are established and maintained.
- Encourage positive reporting of progress and issues.
- Sensitise and continually educate stakeholders on IFMIS.

#### **G. Continuity of key personnel**

Because of the length of the project, changes in key personnel may occur, but every effort should be made to minimise such changes and lessen the impact, should they occur. To sustain the involvement of key personnel and minimize the impact when changes do occur the implementation team should:

- Ensure that government is committed to the success of the project and appreciates the value of sustained individual contribution.
- Ensure individual contributions to the project are valued and recognized.
- In determining work plans, time frames and deliverables, every effort should be made to make them specific and realistic.
- Foster a learning environment within the project where mistakes are openly acknowledged and learnt from.
- Provide sound orientation and induction processes for new personnel.
- Identify government counterparts that will work closely with external consultants to ensure sustainability.

- Personnel trained in IFMIS should serve for a sufficient period and transfer skills and knowledge to other staff before they are transferred to other schedules.

## **12. What are the Critical Success Factors?**

Systems implementations of this nature are quite challenging and require lot of planning, stakeholder consultation, change management, commitment and support from all the stakeholders. Implementation of the IFMIS by the Government of Liberia is no exception.

Successful implementation will require:

- Sustained commitment and support by top management across government especially in Ministries and Agencies
- Support and cooperation by staff in Ministries and Agencies
- Active participation and involvement of key stakeholders in the design and implementation of the IFMIS
- Effective project management
- Adequate training with the aim of building strong internal technical capacity within Government of Liberia to support to the new system
- Continuous and effective change management

## **Appendix 2: IFMIS IT Security Policy**

**THE REPUBLIC OF LIBERIA**



**Ministry of Finance**

**IT SECURITY POLICY - IFMIS**

**Version 1.2 – June 2009**

## ACRONYMS

<b>BCP</b>	Business Continuity Plan
<b>DRC</b>	Disaster Recovery Center
<b>EFT</b>	Electronic Funds Transfer
<b>GOL</b>	Government of Liberia
<b>IFMIS</b>	Integrated Financial Management Information System
<b>ISN</b>	Information Sharing Network
<b>ISO</b>	International Standards Organization
<b>IT</b>	Information Technology
<b>ITAP</b>	Information Technology Architecture
<b>MOF</b>	Ministry of Finance
<b>PGP</b>	Pretty Good Privacy
<b>SFTP</b>	Secure File Transfer Protocol
<b>CBL</b>	Central Bank of Liberia
<b>CSA</b>	Civil Service Agency
<b>SLA</b>	Service Level Agreement
<b>ICT</b>	Information Communication Technology
<b>NAT</b>	Network Address Translation
<b>CID</b>	Criminal Investigation Division
<b>DCM</b>	Data Center Manager
<b>GAC</b>	General auditing Commission
<b>GEMAP</b>	Governance and Economic Management Assistance Program
<b>PFM</b>	Public Financial Management

## **DEFINITIONS**

### **1. Acceptable Use**

- a. Information/data and systems may only be used by authorized persons to accomplish tasks related to their jobs. Use of the information systems for personal gain, personal business, or to commit fraud is prohibited.
- b. Information not classified as Public document must be protected, and must not be disclosed without authorization. Unauthorized access, manipulation, disclosure, or secondary release of such information constitutes a security breach, and may be grounds for disciplinary action up to and including termination of employment.

### **2. Authorized User**

Individual or entity permitted to make use of IFMIS computer or network resources. Some users may be granted additional authorization to access IFMIS data as authorized by the data owner or custodian.

### **3. Data Custodian**

Data Custodians are representatives of the IFMIS who are assigned responsibility to serve as a steward of IFMIS data in a particular area. They are responsible for developing procedures for creating, maintaining, and using IFMIS data.

### **4. Information Technology Resources**

All IFMIS sites including the data centre, technologies, and information resources used for IFMIS information processing, transfer, storage, and communications. Included in this definition are computers, routers, firewalls, computing and electronic communications devices and services, such as modems, e-mail, networks. This definition is not all inclusive but rather reflects examples of IFMIS equipment, suppliers and services.

### **5. Security Measures**

Processes, software, and hardware used by system and network administrators to ensure the confidentiality, integrity, and availability of the information technology resources and data owned by IFMIS and its authorized users. Security measures may include reviewing files for potential or actual policy violations and investigating security-related issues.

### **6. Access Control**

The process of limiting access to the resources of a system only to authorised programs, processes, or other systems.

## **7. Audit Trail**

A chronological record of system activities that is sufficient to enable the reconstruction, reviewing, and examination of the sequence of environments and activities surrounding or leading to an operation, a procedure, or an event in a transaction from its inception to final results.

## **8. Business Owner**

The Deputy Minister for Expenditure and Debt Management, Ministry of Finance.

## **9. Authenticate**

To verify the identity of a user, device, or other entity in a computer system, often as a prerequisite to allowing access to resources in a system.

## **10. Authorisation**

The granting of access rights to a user, program, or process.

## **11. Username**

A unique symbol or character string that is used by a system to identify a specific user.

## **12. Password**

A protected, private character string used to authenticate an identity

## **13. Virus**

Computer software that replicates itself and often corrupts computer programs and data.

## 1.0 INTRODUCTION

The Government of Liberia (GoL) has commenced the implementation of an Integrated Financial Management Information Systems (IFMIS). In 2006, the Government of Liberia began to implement wide ranging Public Financial Management (PFM) Reforms under the Governance and Economic Management Assistance Program (GEMAP) that to some extent improved the budget preparation and execution process, enacted a procurement law and prevented the accumulation of domestic arrears. However, the Government of Liberia (GoL) agrees that further deeper reforms are necessary to make the budget management process more effective, establish strong internal controls over budget execution and treasury functions, institutionalize internal audit functions and formalize reporting requirements. In order to improve the public financial management systems, the GoL with the support of the World Bank is implementing an IFMIS that will touch on all financial management process and systems pertaining to public expenditure management. The primary purpose of the IFMIS is to deepen and consolidate reforms in public financial management (PFM) aiming at further strengthening and sustaining accountability and transparency in public financial management, improving governance, and maximizing the Government's efforts towards poverty reduction. It is the desire of the Government, to consolidate efforts in implementing an Integrated Financial Management Information System (IFMIS) that would improve financial management practices for improved public service delivery. It is envisaged that IFMIS will serve as a catalyst towards accelerated PFM Reforms.

The use of IT is vital and must be protected from any form of disruption or loss of service and so it is essential that the availability, integrity and confidentiality of the IT system and data are maintained at a level that is appropriate for IFMIS needs. This IT security policy is based on several international accepted standards such as the ISO 17799, and CobiT and best practices developed by the professional organization like the IFAC, ISO, ISACA, IIA, etc. were considered.

Throughout this IT security policy, reference has been sited to the relevant sections of the information security standards ISO 17799 and IT governance and controls framework CobIT. ISO 17799, also known as BS7799, establishes guidelines for implementing an information security management system. ISO standard 17799 is a set of widely used best practices relating basically to information security. The CobIT is a framework for IT governance and control developed by the information System Audit and Control Association (ISACA) which has gained wide acceptance internationally.

### 1.1 PURPOSE

The purpose of this IT Security Policy is to establish a framework for implementing security and control measures of the computerized information systems in IFMIS.

Recognizing that information provided by the computerized systems is key to the operation of the IFMIS business, it is essential that the information and the infrastructure which supports it is secure from destruction, corruption, unauthorized access and breach of confidentiality whether accidental or deliberate.

## 1.2 OBJECTIVE

The main objective of information security is to provide a trusted environment to protect information assets and preventing and minimizing the impact of security incidents. The below Information security management basic objectives must be maintained at all times:

- 1.2.1 **Confidentiality:** ensuring that the IFMIS data is not disclosed or revealed to un-authorized person.
- 1.2.2 **Integrity:** ensuring consistency of the data, i.e. preventing creation, alteration, or destruction of data.
- 1.2.3 **Availability:** ensuring that the legitimate users are not denied authorized access to resources such as information, computing and communication resources when required.
- 1.2.4 **Authorized use:** ensuring that the IT resources are not used by un-authorized persons.
- 1.2.5 **Non-reputation:** ensuring that one does not deny or alter the information sent across the IFMIS network.

## 1.3 SCOPE

- 1.3.1 This information security policy to all users, computer and networks equipment, Data Center, DRS Site, Hardware & Software and all others which directly or indirectly use or support IFMIS, ITAS, HRMIS and all other Systems services and information.
- 1.3.2. In the event that a combination of circumstances creates doubt about which requirement applies, the most rigorous security protection method will be used.

## 1.4 Internal Security Management

**Objective: To manage information security within IFMIS**

- 1.4.1 **Management commitment to Information Security:** IFMIS management shall actively support the IFMIS through clear direction, demonstrated commitment, explicit assignment, and acknowledgment of information security responsibilities.
- 1.4.2 **Information security coordination:** Information security activities shall be co-ordinated by representatives from Information Security Work-Group of IFMIS with relevant roles and job functions.

- 1.4.3. **Allocation of Information security responsibilities:** All information security responsibilities shall be clearly defined within the user manual.
- 1.4.4. **Authorization Process:** a management authorization process for new information processing facilities shall be defined and implemented.
- 1.4.5 **Confidentiality:** Requirements for confidentiality or non-disclosure agreements reflecting the IFMIS needs for protection of information shall be identified and regularly reviewed.
- 1.4.6. **Contact with special interest groups:** Appropriate contacts with special interest groups or service providers shall be maintained.
- 1.4.7. **Internal review of information security:** The IFMIS approach to managing information security and its implementation (i.e. control objectives, controls, policies, processes, and procedures for information security) shall be reviewed internally at planned intervals or when significant changes to security implementation occur.
- 1.4.8 **IFMIS users accessing the system from other sites:** IFMIS users in need of accessing the IFMIS system from a different site shall only be permitted to do so by the Controller from every line Ministry at the very site or confirmation from the IFMIS or from the Manager of the IFMIS system. This is to avoid the possible business risk of unauthorized access of IFMIS resources by officers who have been denied physical access to their offices, for instance when implicated in fraudulent activities.

## 1.5 **STATEMENT OF RESPONSIBILITY IFMIS DC, DRC & SITES**

The protection of all information system resources, such as computer systems hardware, application and systems software, data, documentation, and personnel, is a fundamental responsibility of the Minister of Finance.

**Users:** All users of computer resources on the IFMIS have a responsibility for protecting the security and integrity of information and equipment.

The level of responsibility for management, managers, Application Owners and Users shall be well defined by the business owner.

The IT Administrators shall provide appropriate support and guidance to assist users to fulfil their responsibilities under this policy.

## 1.6 Refer to the User Roles and Responsibilities Manual/documentation

### 1.6.2 User's Right and Responsibilities

IFMIS users are granted access to information technology resources in order to facilitate their job activities. However, by using these resources, users agree to abide by all relevant IFMIS policies and procedures, as well

as all current laws and in accordance to ISO 17799 standards. These include but are not limited to IT security policies and procedures related to sexual harassment and ethic intimidation harassment, plagiarism, commercial use, security, and unethical conduct, and laws prohibiting theft, copyright and licensing infringement, unlawful intrusions, and data privacy laws.

**Responsibilities of Users:**

- i. Reviewing, understanding, and complying with all policies, procedures and laws related to access, acceptable use, and security of IFMIS information technology resources;
- ii. Asking system administrators or data custodians for clarification on access and acceptable use issues not specifically addressed in IFMIS policies, rules, standards, guidelines, and procedures; and
- iii. Reporting possible policy violation to the appropriate entities.
- iv. When granted access to the system, ensure that no authority person users it.
- v. User of the system must sign a confidentiality understanding (specimen attached to this policy)

**1.6.3 Liability for Personal Communications**

Users of the IFMIS information technology resources are responsible for the content of their personal communications. IFMIS management accepts no responsibility or liability for any personal or unauthorized use of its resources by users.

**1.6.4 Privacy and Security Awareness**

Users should be aware that although IFMIS management has put in place security measures to protect IFMIS computing resources and accounts assigned to individuals, IFMIS management does not guarantee absolute security and privacy. Users shall follow the appropriate security procedures prescribed by management from time to time.

IFMIS assigns responsibility for protecting its resources and data to system administrators and data custodians, who treat the contents of individually assigned accounts and personal communications as private and do not examine or disclose the content except:

- i. As required for system maintenance including security measures;
- ii. When there exists reason to believe an individual is violating the law or IFMIS policy; and /or

- iii. As permitted by applicable policy or law.

### **1.6.5 Consequences of Violation**

Access privileges to IFMIS information technology resources will not be denied without cause. If in the course of an investigation, it appears necessary to protect the integrity, security, or continued operation of its IT resources and networks or to protect itself from liability, the Business Owner may temporarily deny access to those resources. Alleged policy violations will be referred to appropriate IFMIS system investigative and disciplinary units. Where an investigation is required, the Business Owner shall appoint an investigative committee comprises of members from GAC, CSA,GSA and MOF. IFMIS may also refer suspected violations of law to appropriate law enforcement agencies. Depending on the nature and severity of the offence, policy violations may result in loss of access privileges, IFMIS disciplinary action, and/or criminal prosecution.

### **1.6.6 IFMIS Business Owner – Deputy Minister for Expenditure and Debt management**

- i. Authorizes users to have the responsibility and authority for IFMIS resources.
- ii. Establishes and disseminates enforceable rules regarding access controls to and acceptable use of information technology resources.
- iii. Implements security policies and measures to protect data and systems.
- iv. Monitors and manages system resource utilization.
- v. Investigates problems and alleged violations of IFMIS information technology policies.
- vi. Ensure that IFMIS security violations, through the Data Center Manager are brought to the attention of the Business Owner.

### **1.6.7 IFMIS Rights and Responsibilities**

The Deputy Minister for Expenditure and Debt Management is the business owner and is responsible for taking necessary measures to ensure the integrity and security of the entire system. In case of violation, it is the responsibility of IFMIS business owner to investigate as needed or directed, and to take necessary actions to protect resources and/or to provide information relevant to an investigation.

### **1.6.8 Role of the Data Center and Disaster Recovery Center personnel**

- i. Create, disseminate and enforce conditions of use that are consistent with IFMIS-wide policies for the facilities and/or resources under their control.
- ii. Monitor the use of IFMIS resources under their control.

- iii. Investigate problems and alleged violations of IFMIS information technology policies.
- iv. Refer IFMIS violations to appropriate authorities such as the Attorney General for resolution or disciplinary action.
- v. Possible policy violations should be reported to the appropriate persons.

#### **1.6.9 Data Custodians**

- i. Grant authorized users' appropriate access to the data and applications for which they are stewards, working with IFMIS data security and network personnel to limit access to authorized users with a legitimate role-based need.
- ii. Review access rights of authorized users on a regular basis.
- iii. Respond to questions from users relating to the use of system/network resources through Help Desk.
- iv. Implement and oversee processes to retain or purge information according to IFMIS records retention schedules.
- v. Determine the critical levels and sensitivity of the data and/or applications for which they are stewards; determine which IFMIS data is public and private based on IFMIS definitions, in consultation with the IFMIS Project Management.
- vi. Ensure that the security measures and standards are implemented and enforced for the data under their control, in a method consistent with IFMIS policies and sound business practices. The security measures implemented should be based on the critically, sensitive, and public or private nature of the data, and may include methodologies, change management, and operational recovery plans.
- vii. Investigate problems and violations of IFMIS information technology policies.
- viii. Refer violations to the business owner for disciplinary action.

#### **1.6.10 System/Network/Security administrator**

This position should be organizationally independent from IT Administration to avoid conflicts of interest when performing IT security functions.

- i. Take action to ensure the authorized use of the IFMIS resources.
- ii. Provide security of equipment, data, networks, and the communications links.

- iii. Participate and advise as requested in developing conditions of use or authorized use procedures
- iv. Respond to questions from users relating to appropriate use of system/network resources.
- v. Cooperate with appropriate IFMIS personnel and/or law enforcement officials in investigating alleged violations of policy law.
- vi. Maintain the IT Security Policy and ensure all IFMIS users are aware of it.
- vii. Routinely check for improper access rights to IT system.
- viii. Sign off on all major IT program changes, and
- ix. Escalate major IT Security issues and Policy breaches to senior MOF management for resolution.

#### **1.6.11 Information Security Policy**

- i. The IT security policy document shall be approved by management, published and communicated to all employees and relevant external parties.
- ii. The IT security policy shall be reviewed at planned intervals or if significant changes occur to ensure its continuing suitability, adequacy, and effectiveness.

#### **1.6.12 Internal Organization**

- i. Management shall actively support security within the IFMIS through clear direction, demonstrated commitment, explicit assignment, and acknowledgement of IT security responsibilities.
- ii. IT security activities shall be coordinated by IT security administrator/person in-charge of network security and representatives from different parts of the organization with relevant roles and job functions.

### **1.7 Violation of POLICY**

**1.7.1** Violation of IFMIS resources will result in corrective action by management in accordance with GOL policy on Information Management and Security.

**1.7.2** Disciplinary action will be consistent with the severity of the incident, as determined by an investigation and the policy stated in the standing Instructions and Code of Conduct regarding violations.

### **1.8 ACCEPTABLE USE POLICY**

- i. Avoid food, candy or drinks in computer areas.

- ii. Seek permission from the system administrators for assistance to adjust equipment or settings, and report problems immediately.
- iii. Use only your personal account and password, and protect your password.
- iv. Lost, stolen or problems with accounts and passwords should be reported immediately to the IT resources.
- v. Use only software programs licensed and authorized by the IFMIS. Ref to the IT Software Library.
- vi. Accept the responsibility for Internet sites visited, files in your home directory, and all material received under your account.
- vii. Comply with legal and IFMIS restrictions regarding plagiarism and the citation of information resources.
- viii. Work in ways that do not violate the privacy of, nor interfere with, the productivity or other users.
- ix. Email and personal use of computers should not deprive other users of resources required for official duties.
- x. Conserve consumable resources such as stationery.
- xi. Avoid giving out personal information; passwords, name, address etc.
- xii. Log off from the workstation after you have finished, and leave the work area tidy.

## **1.9 UNACCEPTABLE USE POLICY**

USERS are not supposed to use IFMIS IT resources in inappropriate ways that:

- i. Are disruptive or intended to cause problems for other users
- ii. Are illegal or libellous
- iii. Interfere with the normal operations of the IFMIS systems
- iv. Incite hatred or violence
- v. Jeopardize the safety or well being of others
- vi. Encourage the use of drugs/bands substances
- vii. Are pornographic or obscene
- viii. Promote dangerous or antisocial behaviour
- ix. Are threatening or insulting
- x. Would tarnish the reputation of IFMIS

## **1.10 IT SECURITY ORGANIZATIONAL STRUCTURE**

Adequate personnel and resources shall be provided for the IT security policy to function. The GOL shall provide IT Security governance structure. There shall be a Central Security Group established by management, with one of the senior managers as members to give IT security a high profile in the IFMIS organizational charts and job descriptions.

## **1.11 CENTRAL SECURITY GROUP**

This cross functional steering Committee should be chair by senior member of management who is not part of IT Administration. This group should meet at least once a month, have a charter and maintain minutes. The IT security administration will be a key member of this group.

The Group will have the following responsibilities;

- i. Oversee the overall implementation of the IT Security Policy.
- ii. Make recommendation to senior MOF management regarding violation of IT Security Policy.
- iii. Make recommendations to revise the IT Security Policy.

## **1.12 PERSONNEL POLICIES**

- i. The personnel Policy shall be in accordance with the employment guidelines of the CSA
- ii. Only qualified personnel shall be recruited on the IFMIS. Ref to TOR for contracts and job description.
- iii. Activities of users on the IFMIS shall be monitored regularly.
- iv. Background checks and reference verification prior to appointment, code of ethics and obligation shall abide by security practices of IFMIS and should be mentioned in the job description and employment contract.
- v. Users' access rights of persons going on leave and about to be terminated on the IFMIS system shall be disabled temporarily or permanently depending on circumstances the person is away.

## **1.13 PROCESS APPROACH**

This IT security policy is based on ISO 17799 and adopts a process approach for establishing, implementing, operating, monitoring, reviewing, maintaining and improving IFMIS' information security.

The process approach for information security management presented in this policy encourages IFMIS users to emphasize the importance of:

- i. Understanding IFMIS' information security requirements and the need to establish policy and objectives for information security;
- ii. Implementing and operating controls to manage IFMIS' information security risks in the context of IFMIS overall business risks;
- iii. Monitoring and reviewing the performance and effectiveness of the information security management system; and
- iv. Continual improvement based on objective measurement.

#### **1.14 RESPONSIBILITY FOR ASSETS**

To achieve and maintain appropriate protection of IFMIS assets

- i. Inventory of assets: All assets shall be clearly identified by being engraved or other forms of identification and an inventory of all assets drawn up and maintained in a fixed assets registry.
- ii. Ownership of assets: All information and assets associated with information processing facilities shall be owned by IFMIS.
- iii. Acceptable use of assets: Rules for acceptable use of information and assets associated with information processing facilities shall be identified, documented and implemented.

#### **1.15 INFORMATION CLASSIFICATION**

To ensure that information receives an appropriate level of protection.

- i. Information shall be classified in terms of value, legal requirements, sensitivity and criticality to the IFMIS.
- ii. An appropriate set of procedures for information labelling and handling shall be developed and implemented in accordance with the classification scheme adopted by IFMIS.

#### **1.16 IT SECURITY AWARENESS**

All employees on IFMIS and where relevant, contractors and third party users shall received appropriate awareness training and regular updates in policies and procedures, as relevant for their job function.

### **2.0 IFMIS TECHNICAL POLICIES**

## **2.1 USERNAMES AND PASSWORD**

- 2.1.1 Scope:** The use of information systems shall be protected by access controls to ensure that only authorized users have access. This access shall be restricted to only those capabilities that are appropriate to each employee's job duties. Therefore all users, vendors and service providers shall require usernames and passwords to access IFMIS computer resources.
- 2.1.2 Super Administrative Access:** The business owner or his designee shall authorize persons to hold such passwords to the IFMIS system.
- 2.1.3 Audit Trails:** Activities of all users on the IFMIS system shall be monitored and audited on a regular basis.
- 2.1.4 Default Passwords:** All default passwords shall be changed upon implementation of the equipment on the IFMIS network.
- 2.1.5 IT responsibilities:** The IFMIS IT Administrators shall be responsible for the administration of access controls to all IFMIS computer systems.
- 2.1.6 Managing Passwords:** The selection of passwords, their use and management as a primary means to control access to systems shall strictly adhere to the password. In particular, passwords shall not be shared with any other person for any reason.
- 2.1.7 Password Aging and Expiration:** IFMIS system and user passwords shall be configured to expire after period of one month interval and thus forcing users to change their passwords. The password age is variable depending on outstanding circumstances on which the user is created.
- 2.1.8 Password History:** The system shall be configured in such away that passwords already used on the IFMIS system are not re-used.
- 2.1.9 Password Complexity:** IFMIS Passwords shall be a combination of both alpha/numeric characters and the minimum password length shall be set.
- 2.1.10 User responsibilities:** IFMIS users shall be responsible for all computer transactions that are made with his/her User ID and password.
- 2.1.11 Automatic Locking:** The Computers shall be configured in such away to automatically lock after 10 minutes of inactivity.
- 2.1.12** Users should log out of the computer when leaving a workstation for an extended period.
- 2.1.13** See Appendix ii for User Creation Approval

## **2.2 IFMIS NETWORK**

- 2.2.1 Configuring IFMIS Network:** The IFMIS network shall be designed and configured to deliver high performance and reliability to meet the needs of the business whilst providing a high degree of access control and a range of privilege restrictions.
- 2.2.2 Managing Network:** Professionally qualified staff shall manage the IFMIS network, and preserve its integrity in collaboration with the nominated individual system owners.
- 2.2.3 Accessing IFMIS Network Remotely:** remote access to the IFMIS network and resources shall only be permitted provided authorized users are authenticated, data is encrypted across the network, and privileges are restricted.
- 2.2.4 Defending IFMIS Network Information from Malicious Attack:** IFMIS System hardware, operating and application software, the networks and communication systems must all be adequately configured and safeguarded against both physical attack and unauthorized network intrusion.

## **2.3 SECURITY ADMINISTRATION**

- 2.3.1 IFMIS Security Policy** will govern the security implementation on IFMIS resources.
- 2.3.2** The implementation of the IT Security policy is the responsible of IFMIS management.

## **2.4 TESTING AND TRAINING**

- 2.4.1 Controlling IFMIS Test Environments:** Formal change control procedures shall be employed for all amendments to IFMIS system. All changes to programs must be properly authorized and tested in a test environment before moving to the IFMIS live environment.
- 2.4.2 Using Live Data for Testing:** The use of IFMIS data for testing new system or system changes shall only be permitted where adequate controls for the security of the data are in place.
- 2.4.3 Testing Software before transferring to a Live Environment:** Formal change control procedures shall be utilized for all amendments to the IFMIS systems. All changes to environment before moving to the live environment.
- 2.4.4 Capacity Planning and Testing of New Systems:** New IFMIS systems shall be tested for capacity, peak loading and stress testing. They must demonstrate a level of performance and resilience, which meets or exceed the technical and business needs and requirements of IFMIS.

**2.4.5 IFMIS Parallel Running:** Normal System Testing procedures shall incorporate a period of parallel run where necessary.

**2.4.6 Separation of development, test and operational facilities:** Development, test and operational facilities shall be separated to reduce the risks of unauthorized access or changes to the operational system.

## 2.5 PHYSICAL SECURITY

**2.5.1 Securing Physical Protection of Computer Premises:** IFMIS computer premises shall be safeguarded against unlawful and unauthorized physical intrusion.

**2.5.2 Physical Access Control to secure Areas:** The IFMIS Data Centre shall be protected from unauthorized access using a biometric system as well as physical locks.

**2.5.3 Managing On-Site Data:** Data capture shall be secured and IFMIS computers/terminals shall be secured.

**2.5.4 Working in secure areas:** Physical protection and guidelines for working in secure areas shall be designed and applied by the Audit and Security Work Group.

## 2.6 EQUIPMENT SECURITY

**2.6.1 Equipment Protection:** Equipment shall be sited or protected to reduce the risks from environmental threats and hazards, and opportunities for unauthorized access.

**2.6.2 Supporting utilities:** IFMIS equipment shall be protected from power failures and other disruptions caused by failures in supporting utilities.

**2.6.3 Equipment Maintenance:** Equipment shall be correctly maintained to ensure its continued availability and integrity.

**2.6.4 Security of equipment off premises:** Security shall be applied to off-site equipment taking into account the different risks of working outside the IFMIS' sites.

**2.6.5 Secure disposal/reuse of equipment:** All items of equipment containing storage media shall be checked to ensure that any sensitive data and licensed software has been removed or securely over-written and certified by the IT and Audit Security Work Groups prior to disposal.

**2.6.6 Removal of property:** Equipment, information or software shall not be taken off site without prior authorization.

## 2.7 OPERATIONAL PROCEDURES AND CHANGE MANAGEMENT

- 2.7.1 **Quality:** It is the policy of GOL and IFMIS that all equipment and software shall be at all times of high quality based on a Cost Benefit-Analysis.
- 2.7.2 **Segregation of duties:** Duties and areas of responsibility shall be segregated to reduce opportunities for unauthorized or unintentional modification or misuse of IFMIS assets.
- 2.7.3 **Maintenance:** All hardware equipment shall have maintenance as agreed in the SLA with the service provider.
- 2.7.4 **Software:** All software shall be regularly upgraded as detailed in software SLA.
- 2.7.5 **Software Upgrade:** All major software will have to undergo the Change Management procedures.
- 2.7.6 **Documented operating procedures:** Operating procedures shall be documented, maintained, and made available to all users who need them.
- 2.7.7 **Change Management:** All system changes shall be controlled and approved by the IFMIS business owner.
- 2.7.8 All changes shall follow detailed and agreed upon procedures.
- 2.7.9 See Appendix iii for procedures on changes.

## 2.8 INFORMATION SYSTEMS PROCUREMENT

- 2.8.1 To maintain consistent quality and adhere to IFMIS security standards and guidelines, all IFMIS additional hardware and software procurements shall be processed with the help of IT personnel according to agreed procurement procedures.
- 2.8.2 Service Level Agreements for all IT related equipments shall be adhere to.

## 2.9 VALIDITY AND REVIEW DATES

- 2.9.1 This shall remain valid until such a time that it is repealed by the Minister of Finance.
- 2.9.2 The policy shall be reviewed from time to time but at a minimum of once a year.

## 2.10 SECURITY INCIDENT MANAGEMENT

All IFMIS users shall be responsible for reporting any suspected security Breaches or violations within 24 hours. Security incident management is broken down into three steps:

- i. Incident reporting
- ii. Incident recording
- iii. Incident response

### 2.10.1 INCIDENT REPORTING

It is important that information security incidents are reported quickly to ensure that action is taken to minimise the impact of the incident and prevent its recurrence.

IFMIS users who suspect a security breach or violation should communicate their concerns to the relevant authorities within 24 hours.

Security incidents shall be escalated to respective authorities in an efficient and timely manner.

#### Types of Incidents:

- i. Actual Incident
- ii. Potential/Likely Incident

The table below gives examples of the reportable incidents:

	Confidentiality	Integrity	Availability	Authenticity
Actual Incidents	Unauthorised access	Computer hacking	Unscheduled system loss	Deliberate dissemination of false information
	Theft or deliberate Leakage of information	Computer virus infection	Theft of equipment	Inability to identify a User
	Mis-direction of Sensitive mail	Suspicious hardware or software malfunctions	Sabotage or vandalism affecting IT services	Unauthorised modification of data
	Accidental broadcast Of sensitive mail	Fraudulent activities		
	Confidentiality	Integrity	Availability	Authenticity

<p>Potential Incidents</p>	<p>Loss of diskettes, papers or laptops</p> <p>Logged on terminal or PC Left unattended</p>	<p>Absence of Change control</p> <p>Operational use software not tested</p> <p>Failure to follow</p>	<p>Loss or failure to restore backup information from storage media such as disks, tapes, etc</p> <p>Damage to fallback facility or service</p> <p>Email chain</p>	<p>Inability to identify the originator of the email</p> <p>Changes to data with no obvious reason or authorisation</p>
	<p>Identified security flaws in IT systems</p> <p>Discovery of unprotected documents or media</p> <p>Multiple reject attempts to access IT resources</p> <p>Exposure of passwords</p>	<p>Operational procedures</p> <p>Virus detected on incoming diskette</p> <p>Use of unauthorised software (eg. Games)</p>	<p>Letters</p> <p>Fire, flooding or power failures</p> <p>Operation errors</p>	

	Inadequate protection of classified information		Unusual application or operating system activity	
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### 2.10.2 INCIDENT RECORDING

All reported incidents shall be captured and recorded using some agreed upon structured security reporting format. For any reported incident the following information should be included:

#### **Actual Incident**

- i. Date of incident
- ii. Time of incident
- iii. Place of incident
- iv. Name of reporter
- v. Incident Reference Indicator
- vi. Telephone/Extension
- vii. User email
- viii. Description of the incident
- ix. Action taken to limit the damage
- x. Review/comments by Head Section

#### **Potential / Likely Incident**

- i. Date of suspected incident
- ii. Time of suspected incident
- iii. Place of suspected incident
- iv. Name of reporter
- v. Incident Reference Indicator
- vi. Telephone/Extension

- vii. User email
- viii. Description of the incident
- ix. Action taken to limit the damage
- x. Review/comments by Head Section

### 2.10.3 Incidence Response

The IFMIS Helpdesk shall handle all reported incidents and forward them to management for further investigation/resolution. Depending on the severity of the incident the following tasks shall be carried out:

- i. **Escalation:** If the incident is of high impact to IFMIS operations it is escalated to IFMIS management.
- ii. **Responsibilities** and procedures: Management responsibilities and procedures shall be established to ensure a quick, effective, and orderly response to information security incidents.
- iii. **Follow up:** measures shall be documented to improved effectiveness of response, identification of fault systems and management of the resources. Major incidents such as prolonged power outages should have a ‘post event review’ carried out.
- iv. **Disseminating learning:** knowledge from past incidents is passed on to staff to raise their awareness and appreciation of why their involvement in identifying information security incidents and system malfunctions is crucial for the continuity of MOF operations.
- v. **Incident Reporting procedures:** Information security events shall be reported through appropriate management channels as quickly as possible.

### 2.10.4 INFORMATION SECURITY INCIDENTS

- i. Responsibilities and procedures: Management responsibilities and procedures shall be established to ensure a quick, effective, and orderly response to information security incidents.
- ii. Learning from security Incidents: There shall be mechanisms in place to enable the types and volumes of information security to be documented into Lesson Learnt.
- iii. Collection of evidence: Evidence shall be collected, retained, and presented according to set procedures.

## 3.0 IFMIS ADMINISTRATION POLICIES

### 3.1 IFMIS SYSTEM ADMINISTRATION

- 3.1.1 Managing IFMIS System Operations:** The IFMIS systems shall be operated and administered using documented procedures in a manner, which is both efficient but also effective in protecting the system's information security. The service provider shall provide the system baseline documentation and High peak network performance documentation.
- 3.1.2 IFMIS System documentation:** The IFMIS System documentation shall be required and shall be kept up-to-date and be available whenever need arises.
- 3.1.3 Monitoring Error Logs:** Error logs shall be reviewed and managed by the assigned IT staff. Error Logs shall be reviewed on as a need basis depending on the criticality of the errors.
- 3.1.4 Error Logs:** Shall be kept for a period of at least 12 months.
- 3.1.5 Scheduling Changes to Routine Systems Operations:** Changes to routine IFMIS system operations shall be fully tested and approved before being implemented.
- 3.1.6 Approval of changes:** Authority shall be obtained from the Business Owner before changes are effected. See Appendix iii.

### 3.2 SECURING IFMIS DATA

- 3.2.1 Data Encryption:** Sensitive and confidential data shall always be transmitted in encrypted form. Prior to transmission, consideration must always be given to the procedures to be used between the sending and recipient parties and any possible issues from using encryption techniques.
- 3.2.2 Fire Risks to IFMIS systems:** All IFMIS data and information shall be protected against the risk of fire damage at all times. The level of protection must always reflect the risk of fire and the value and classification of the information as well as property being safeguarded.
- 3.2.3 Licensed Software:** To comply with legislation and to ensure software vendor support, the terms and conditions of all End User License Agreements shall be strictly adhered to on the IFMIS network systems.
- 3.2.4 Defending against Hackers, Stealth-and Techno-Vandalism:** Risks to the IFMIS systems and information shall be minimized by fostering staff awareness, encouraging staff vigilance, and deploying appropriate protective systems and devices.
- 3.2.5 Applying 'Patches' to Software:** Patches to resolve software bugs shall only be applied where verified as necessary and with management

authorization. They must be reputable source and shall be thoroughly tested before use on the IFMIS network systems.

- 3.2.6 **Upgrading IFMIS Software:** IFMIS software upgrades shall be properly tested before they are used in a live production environment.
- 3.2.7 **Defending against Virus Attack:** Without exception, Anti Virus Software shall be deployed across the IFMIS network with regular virus definition updates and scanning across servers, PCs and laptop computers.
- 3.2.8 **Installing Virus Scanning Software:** Anti virus software shall be chosen and installed on the IFMIS network systems from a proven leading supplier.
- 3.2.9 **Operating System Software Upgrades:** Upgrades to the Operating System of IFMIS computer systems must have the associated risks identified and be carefully planned, as well as incorporating testing fallback procedures.

### 3.3 ACCESS TO IFMIS INFORMATION AND SYSTEMS

- 3.3.1 **Managing Access Control Standards:** IFMIS Access control standards for information systems shall be established in a manner that carefully balances restrictions to prevent unauthorized access against the need to provide unhindered access in accordance with the needs of the GOL.
- 3.3.2 **Managing User Access:** Access to IFMIS systems shall be authorized by the system administrator, including the appropriate access rights (or privileges) and must be recorded in an Access Control List. The lists shall reflect the level of confidentiality, sensitivity and value of the data and be safeguarded accordingly.
- 3.3.3 **Managing Network Access Controls:** Access to the resources on the IFMIS network shall be strictly controlled to prevent unauthorized access. Access to all computing and information systems and peripherals shall be restricted unless explicitly authorized.
- 3.3.4 **Controlling Access to Operating System Software:** IFMIS Administrator access rights to operating system shall be restricted to those persons who are authorized to perform systems administration /management functions.
- 3.3.5 **Securing against Unauthorized Physical Access:** Physical access to high security areas (Data Centre/DRC) shall be controlled by effective identification and authentication techniques. Staff members with authorization to enter such areas are to be provided with information on the potential security risks involved. See appendix i.

**3.3.6 Controlling Remote User Access:** IFMIS Remote access control procedures must provide adequate safeguards through robust identification, authentication and encryption techniques.

### **3.4 SYSTEM LOGS & AUDIT TRAILS**

**3.4.1** All IFMIS information systems shall have facilities to monitor security breaches and failures. Specifically the following shall be important features:

**3.4.2 Audit Trails:** IFMIS management shall ensure that the system provides the Audit trails showing the following information:

- a. User Name
- b. User ID of the person effecting the change
- c. Information before change
- d. Information after change
- e. Time of logging in
- f. Time duration of login
- g. Terminal used to log in

**3.4.3 Protection of log information:** logging facilities and log information shall be protected against tampering and unauthorized access.

**3.4.4 Administrator and operator logs:** System administrator and system operator activities shall be logged.

**3.4.5 Fault Logging:** faults shall be logged, analyzed and appropriate action taken.

**3.4.6 Fault Logging Escalation:** All faults logged in the system shall be escalated to higher authority for immediate action.

**3.4.7 Security Event Logging:** All security related events shall be escalated to IFMIS Helpdesk for forward and action.

**3.4.8 Monitoring System Use:** Procedures for monitoring use of information processing facilities shall be established and the results of the monitoring activities reviewed regularly. i.e System usage and utilization shall be monitored on a daily basis by system administrators.

**3.4.9 Review:** All system logs shall be reviewed on a weekly basis, otherwise crucial ones shall be reviewed instantly as on a need basis.

### **3.5 LICENSES**

- 3.5.1 It shall be IFMIS' policy for licenses to comply with all laws regarding intellectual property.
- 3.5.2 Non-compliance shall expose IFMIS and the responsible persons to civil and /or criminal penalties.
- 3.5.3 The IT personnel shall maintain records of software licenses in the software library and periodically scan computers to verify that only authorized software is installed.

### 3.6 **SECURING HARDWARE, PERIPHERALS**

**Objective:** To prevent unauthorized access to Hardware

- 3.6.1 **Managing and Maintaining Backup Power Generators:** Secondary and backup power generators shall be employed where necessary to ensure the continuity of IFMIS services during power outages.
- 3.6.2 **Installing and Maintaining Network Cabling:** IFMIS Network cabling shall be installed and maintained by qualify personnel to ensure the integrity of both the cabling and the wall-mounted sockets. Any unused network wall socket should be sealed-off and their status formally noted.
- 3.6.3 **Maintaining a Hardware Inventory or Register:** IFMIS formal Hardware Inventory of all equipment must be maintained and kept up to date at all times.

### 3.7 **NETWORK ACCESS CONTROL**

**Objective:** To prevent unauthorized access to networked services

- 3.7.1 **Policy on use of network services:** Users shall only be provided with access to services that they have been specifically authorized to use.
- 3.7.2 **User authentication for external connections:** Appropriate authentication methods shall be used to control access by remote users.
- 3.7.3 **Equipment Identification in networks:** Automatic equipment identification shall be considered as a means to authenticate connections from specific locations and equipment.
- 3.7.4 **Remote diagnostic and configuration port protection:** Physical and logical access to diagnostic and configuration ports shall be controlled.
- 3.7.5 **Segregation in networks:** Groups of information services, users, and information systems shall be segregated on networks.
- 3.7.6 **Network connection control:** The capability of users to connect to the network shall be restricted, inline with the access control policy and requirements of the IFMIS business applications.

**3.7.7 Network routing control:** Routing controls shall be implemented for networks to ensure that computer connections and information flows do not breach the access policy of the IFMIS business applications.

### **3.8 NETWORK SECURITY MANAGEMENT**

**Objective:** To ensure protection of information on IFMIS network and the protection of the supporting infrastructure.

**3.8.1 Network Controls:** IFMIS network shall be adequately managed and controlled, in order to be protected from threats, and to maintain security for the systems and applications using the network, including information in transit.

**3.8.2 Security of Network services:** Security features, service levels, and management requirements of all network services shall be identified and included in any network services agreement, whether these services are provided in-house or out-sourced.

**3.8.3 Routers and Switches:** All routers and switches connected to IFMIS production networks shall be monitored and audited.

**3.8.4 Passwords for Routers and switches:** Passwords for Routers and switches on the IFMIS network shall be changed regularly in accordance with the IFMIS Password policy.

**3.8.5 Configurations:** Routers and switches configurations shall comply with ISO standards and policies compliant to deployed protocols.

**3.8.6 Memory of network devices:** memory on the routers and other network devices shall be upgraded when need arises.

### **3.9 SERVER SECURITY POLICY**

- i. This policy applies to all server equipment owned and /or operated by IFMIS.
- ii. All security-related events on critical or sensitive systems must be logged and audit trails monitored.
- iii. Security-related events shall be reported to IT security personnel, who will review logs and report incidents to management.
- iv. Audits shall be performed on a regular basis by authorized team within the GOL Audit team.
- v. Operating System configuration should be in accordance with approved operating guidelines.

### **3.10 VIRUS PREVENTION AND DETECTION**

**3.10.1** The IFMIS Security Administrator shall periodically communicate and sensitise all Users on the network about the hazards of viruses. The sensitisation shall include the potential damage that can be caused to both

their personal information and also the impact on the rest of the IFMIS operations.

**3.10.2** The IFMIS Security Administrator shall maintain up-to-date anti-virus software on all systems on the IFMIS network at any given time.

**3.10.3** The guidelines below shall be strictly followed to reduce on the incidents of information/data loss and/or corruption due to virus infection:

- i. A file arriving by email from an unknown source should not be opened unless the accompanying email message identifies the sender as a known contact.
- ii. Users shall not install programs from any source and this includes freeware, shareware and any software which has not been vetted and cleared by the Security Administrator.
- iii. If users have to use any media to transfer documents from workstation to workstation they must be scanned with anti-virus software.
- iv. All virus incidents and cases of virus detection must be promptly reported to the IFMIS technical helpdesk.

### **3.11 IFMIS SYSTEMS AUDIT**

**Objective:** To maximize the effectiveness of and to minimize interference to/from the information systems audit.

**3.11.1 Information systems audit:** Audit requirements and activities involving checks on operational systems shall be carefully planned and agreed to minimize the risk of disruptions to IFMIS business processes.

**3.11.2 Protection of Information systems audit tools:** Access to information systems audit tools shall be protected to prevent any possible misuse or compromise.

### **3.12 FRAUD AND CYBER CRIME POLICY**

**3.12.1** Fraud and cyber Crime will be guided by the IFMIS ICT Policy

**3.12.2** Fraud control policy and awareness program shall be carried out on regular basis to all users.

**3.12.3** Any form of fraud detected shall be reported to management and investigation procedures will follow.

## **4.0 BUSINESS CONTINUITY PLANNING**

**Objective:** To counteract interruptions to IFMIS business activities and to protect critical business processes from the effects of major failures of information systems and disasters and ensure their timely resumption.

## 4.1 IFMIS BACKUP, RECOVERY AND ARCHIVING

**Objective:** To maintain the integrity and availability of information processing facilities.

- 4.1.1 **Restarting or Recovering System:** IFMIS management shall ensure that adequate back up and system recovery procedures are in place.
- 4.1.2 **Backing up Data:** IFMIS information and data stored shall be backed up regularly.
- 4.1.3 **Full Backups:** shall be done at the initial setup of the production environment and incremental Backups shall be done on regularly basis. Back-up copies of information and software shall be taken and tested regularly in accordance with the agreed back-up policy.
- 4.1.4 **Managing Backup and Recovery Procedures:** Backup of the IFMIS data files and the ability to recover such data is a top priority. Management members are responsible for ensuring that the frequency of such backup operations and the procedures for recovery meet the needs of the IFMIS business.
- 4.1.5 **Recovery and Restoring of Data Files:** Management shall ensure that the integrity of IFMIS data files during the recovery and restoration of the files is maintained.
- 4.1.6 **Fallover:** Redundancy shall be put in place in all critical single point of failures. Fallover will be configured on communication links as well as Application servers to ensure high availability.

## 4.2 DISASTER RECOVERY Center (DRC)

**Objective:** To ensure IFMIS system availability at all times.

- 4.2.1 **DRC:** A disaster recovery off site similar in terms of equipment and technology to the Data Center shall be set up in a distance of at least 20 miles away from the main Data Center. However in a short time, the DRC shall be located in Monrovia
- 4.2.2 **Information security in business continuity:** A managed process shall be developed and maintained for business continuity throughout the organization that addresses the information security requirements needed for the IFMIS' business continuity.
- 4.2.3 **Business Continuity:** Events that can cause interruptions to IFMIS business processes shall be identified, along with the probability and impact of such interruptions and their consequences for information security.
- 4.2.4 **Developing and implementing BCP:** Plans shall be developed and implemented to maintain or restore operations and ensure availability of

information at the required level and in the required time scales following interruption to, or failure of critical IFMIS business processes.

**4.2.5 Business Continuity Plan (BCP):** A single framework of business continuity plans shall be maintained to ensure all plans are consistent in addressing information security requirements, and to identify priorities for testing and maintenance.

4. **Testing and maintaining BCP:** BCP shall be tested and updated regularly to ensure that they are up to date and effective.

#### 4.3 **IFMIS INTERCONNECTION POLICIES**

**4.3.1** The IFMIS systems to be accessed by the users on other networks shall be identified by the GOL.

**4.3.2** The IFMIS management on behalf of GOL shall only permit required protocols and data to be accessed on other networks.

**4.3.3** Network Address Translation – NAT shall be implemented by GOL between the IFMIS and other interconnecting networks.

**4.3.4** Both IFMIS and other inter-connected networks shall deploy strict anti-virus procedures to avoid one network infecting the other.

**4.3.5** All users on both networks shall be required to use unique User-IDs and passwords to access the network resources and shall be given limited access privileges.

**4.3.6** Both IFMIS and other inter-connected networks shall deploy strict administrative security management measures to ensure safety of both networks.

**4.3.7** In the event that other inter-connected networks cause a security breach or loss to IFMIS, the other networks shall be responsible for the damage caused and vice-versa.

**4.3.8** Internet connection to the IFMIS shall be through high capacity well configured firewalls.

**4.3.9** All connections between IFMIS and other inter-connected networks shall be through well configured firewalls.

#### 4.4 **RISK ASSESSMENT**

**4.4.1** Refer to the IFMIS Risk Assessment manual.

**4.4.2 Risk assessments:** shall be conducted on any entity within IFMIS or any outside entity that has signed a Third Party Agreement with IFMIS

**4.4.3** Risk assessments shall be conducted on any information system, to include applications, servers, and networks and any process or procedure by which these systems are administered and/or maintained.

4. Periodic risk assessment exercises and determination of countermeasures on the IFMIS system shall be carried out.

## **5.0 ELECTRONIC FUNDS TRANSFER (EFT)**

### **5.1 NON DISCLOSURE OF INFORMATION**

**5.1.1** Supplier/Employee account information shall not be disclosed to unauthorized persons.

**5.1.2** Personal information shall be shared with Suppliers/Employees if that information is required to provide the product or service requested:

- i. Where it is necessary for completing the electronic transfers;
- ii. In response to any administrative order or other legal process which we believe requires IFMIS compliance;
- iii. To any IFMIS personnel conducting a legitimate credit/debt inquiry to verify the existence or condition of an account for a third party such as the Police, CID and Attorney General.
- iv. Suppliers/Employees will agree that IFMIS management will not be responsible for the release of any information to anyone not authorized by the information owner who obtain identify characteristics such as Supplier ID or Employee ID.

### **5.2 RIGHT TO FEEDBACK**

**5.2.1** Electronic Funds Transfer transactions shall be reflected on the monthly account statements in accordance with terms of the transactions.

### **5.3 BUSINESS DAY**

**5.3.1** The business days are Monday through Friday, excluding Holidays.

### **5.4 RIGHT TO STOP PAYMENT**

**5.4.1** In case of error or fraud, the payment shall be stopped in accordance with the law.

### **5.5 ERROR RESOLUTION NOTICE**

**5.5.1** The IFMIS Database/System administrators shall resolve any errors whenever possible, through the Help Desk System.

### **5.6 POLICY ON PGP KEYS (Pretty Good Privacy)**

- 5.6.1 Both CBL and MOF shall generate new public keys every 3 months and expire previously used keys.
- 5.6.2 Previously used keys cannot be re-used.
- 5.6.3 Both CBL and MOF shall exchange these keys through the use of SFTP link that has available been established.
- 5.6.4 Both Parties will verify that they have received the keys through email.
- 5.6.5 The exchanged public keys shall be signed using the private keys of both parties so as to enable file verification upon decryption.
- 5.6.6 Both CBL and MOF shall name persons who will be responsible for the key generation, key signing and keys verification. It is these named persons that will be given the necessary rights to generate, sign and verify the keys.
- 5.6.7 In case of a security breach e.g. leakage of a private or public key, the keys shall be immediately terminated and a new key generated.
- 5.6.8 All audit trails for key generation and other PGP activities shall be recorded and maintained.

**5.7 POLICY ON SFTP KEYS**

- 5.7.1 STFP Keys that have been created to enable terminal authentication shall be maintained permanently unless there is a need to be changed.
- 5.7.2 Both Access and Incident SFTP logs shall be recorded and maintained.

APPENDIX I

**DATA CENTER /DRC VISISTORS' PASS**

1. Name of visitor: \_\_\_\_\_
2. Date of visit: \_\_\_\_\_
3. Time in: \_\_\_\_\_
4. Time out: \_\_\_\_\_
5. Purpose of Visit: \_\_\_\_\_
6. Visited DC Personnel: \_\_\_\_\_

Authorized by DCM: \_\_\_\_\_

Signature: \_\_\_\_\_

**NOTE: I \_\_\_\_\_ (Name & signature of visitor) agree to abide by the**

**rules and procedures of the operations of the Data Center.**

**APPENDIX II**

**The Republic of Liberia**

**IFMIS COMPUTER USER FORM**

*(Paragraph 14 of the manual procedures to the IFMIS system)*

Our Ref.....

Ministry/Agency/Local Govt.....

Date.....

To: THE DME

Please update our IFMIS user profile, as set out below.

Name of employee
User name
Job description
Position
Responsibilities assigned to user
Remarks
Action required (include effective date when action is to be taken)

Signed.....

Signed.....

**Head of Department**

**Comptroller**

**APPENDIX III**

**CHANGE REQUEST FORM**

<b>Change Requestor</b>		<b>Date</b>		<b>Version</b>
<b>MOF Contact</b>				
<b>Change ref number</b>				

<b>Scope of Change</b>	
------------------------	--

Detail Description of Change	
------------------------------	--

Assigned to	
Other parties to be involved	

Timeline							
	Change Preparation				Change implementation	Acceptance/	
Change Phases	Scope / Task Description	Resources/Planning	Contingency Plan	Acceptance Criteria	Delivery	Acceptance	
Owner (HP)							
Date							
Owner MOF							

Date							

Downtime Window	
-----------------	--

Goals & Objectives – Scope of Change

--

Resources – Planning

Contingency Plan

Tests Definition – Acceptance Criteria

--

Detailed Description of the tasks to be implemented		
Owner	Tasks Description	Estimated Time

Approval – Sign-off				
Organization	Name & Surname	Approved Reject	/ Date	Signature
Data Center				


**APPENDIX IV**

**EQUIPMENT MOVEMENT AUTHORIZATION**

Name of Person Requesting to move equipments: \_\_\_\_\_

Date: \_\_\_\_\_

Reasons for Move: \_\_\_\_\_

Move From: \_\_\_\_\_

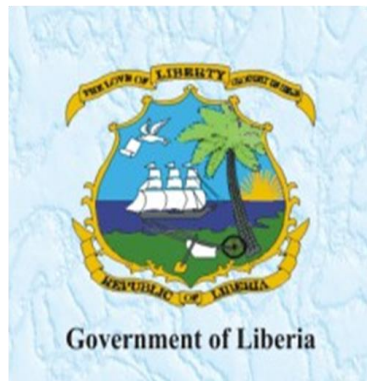
Temporally or Permanent Move: \_\_\_\_\_

Authorizing Officer: \_\_\_\_\_

Signature: \_\_\_\_\_

\_\_\_\_\_  
**DATA CENTER MANAGER**

## Appendix 3: Chart of Accounts



# CLASSIFICATIONS AND CHART OF ACCOUNTS

March 2010

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## 2. FOREWORD

The Government of the Republic of Liberia (GOL) began to implement wide-ranging Public Financial Management (PFM) reforms in 2006. The GOL is committed to continue to improve the effectiveness and efficiency of all fiscal and public financial management processes and systems through better budget preparation, execution, monitoring and control, reporting and auditing.

Section 35(4) of the Public Finance Management Act 2009 provides that ‘The Minister, in consultation with the Auditor General, shall issue the chart of accounts, which will conform to the structure prescribed for budgetary classifications specified in this Act and/or accompanying regulations’. This Chart of Accounts (CoA) has been developed in fulfillment of this requirement.

The COA has been developed for use by all Ministries and Agencies and conforms to International Public Sector Accounting Standards (IPSAS) and the Government Finance Statistics (GFS). The COA format also accommodates various types of reporting requirements prescribed under the Public Financial Management (PFM) Act of 2009.

The development of the new chart followed a consultative process that involved key stakeholders collaborating in the design and formulation stages. During the design phase of the project, the ministry and other stakeholders ensured that the new chart of accounts fully supports the government’s economic, accounting and statistical reporting requirements for the medium to long term.

I hope that the chart will be easy to use and will enable the finance and accounts staff of Ministries and Agencies, and County administrative units to keep proper books of accounts and other records and balance their accounts every year within the required statutory period. I strongly believe that the chart will significantly improve the standard of financial management in government.

I would like to express my sincere gratitude to all the stakeholders who have contributed in one way or another to the development of this CoA. We are especially grateful to our development partners, particularly the World Bank, for their financial and material support towards the development of the chart of accounts.

.....  
Hon. Augustine Kpehe Ngafuan  
**MINISTER OF FINANCE**

March 2010

### 3. STRUCTURE OF THE CHART OF ACCOUNTS

No	Segment	Description	No. of Digits	Format
1.	Agency	Ministry/Agency	3	<b>XXX-XX-XX</b>
		Department	2	
		Section	2	
		<b><u>Total of digits</u></b>	<b><u>7</u></b>	
2.	Spare Segment	Spare	2	<b>XX</b>
3.	Fund	Budget Classification	1	<b>X-XX-XXX</b>
		Fund Type	2	
		Funding Source	3	
		<b><u>Total No of digits</u></b>	<b><u>6</u></b>	
4.	Projects	Projects	4	<b>XXXX</b>
5.	Program	Objective	2	<b>XX-XX-XX</b>
		Output	2	
		Activity	2	
		<b><u>Total No of digits</u></b>	<b><u>6</u></b>	
6.	Function	1 <sup>st</sup> Level/Division	2	<b>XX-X-X</b>
		Group	1	
		Class	1	

		<b><u>Total No of digits</u></b>	<b>4</b>	
<b>7.</b>	<b>Location</b>	County	2	<b>XX-XX</b>
		District	2	
		<b><u>Total No of digits</u></b>	<b>4</b>	
<b>8.</b>	<b>Economic Classification</b>	Account Class	1	<b>X-X-X-X-XX</b>
		Item	1	
		Sub Item	1	
		Sub-Sub-Item	1	
		Sub-Sub-Sub-Item	2	
		<b><u>Total No of digits</u></b>	<b>6</b>	
		<b><u>Total</u></b>	<b><u>39</u></b>	

## 4. DESCRIPTION OF THE STRUCTURE

### i) Agency

The segment identifies a Ministry/Agency/department/section that receives funds from the Consolidated Fund/other funds. Under this segment the first three (3) digits represent a Ministry/Agency e.g. Ministry of Internal Affairs (105); the next two (2) digits represent a department e.g. the department of Administration and Management (05) under the Ministry of Internal Affairs. The last two (2) digits represent a section under a department.

### ii) Spare Segment

This Segment provides for two (2) spare digits to cater for Government of Liberia future classification and reporting requirements.

### iii) Fund Segment

For identifying the budget classification (first digit), fund type (next 2 digits) and funding source (last 3 digits). When coding transactions, the budget classification represents the type of budget e.g. recurrent/development, fund type indicates whether the funds are from the consolidated fund or any other fund and the funding source captures the source of funds e.g. Government of Liberia or Multi-lateral/bi-lateral sources.

**iv) Projects**

The segment is used to identify project transactions.

**v) Program Segment**

This segment will be used capture objectives, activities and outputs after full implementation of the Medium Term Expenditure Framework (MTEF) and output based budgeting by the Government of Liberia. Appropriate codes for populating this segment will be developed in the future.

**vi) Function Segment**

The function segment is used for coding transactions in line with the Classification of Functions of Government (COFOG) as per the Government Finance Statistics Manual, 2001. It is a detailed classification of the functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays. Examples include General Public Services (01), Defense (02), Health (07), Education (09) etc.

**vii) Location Segment**

The location segment is used for capturing County/district information at the transaction level. The first two (2) digits represent a County and the last two (2) digits represent a district.

**viii) Economic Classification Segment**

This segment identifies the General Ledger account for asset, liability, equity/deficit, revenue and expense for the Government of Liberia.

## LIST OF SECTORS

Sector	Description	Ministry/Agency Range
1	Public and Administrative Services Sector	101- 199
2	Rule of Law and Public Safety Sector	201- 299
3	Social and Community Services Sector	301- 399
4	Economic Services Sector	401 – 499

## LIST OF MINISTRIES/AGENCIES

Code	Ministry /Agency
<b>Public and Administrative Services Sector</b>	
101	National Legislature
102	Ministry of State for Presidential Affairs
103	Office of the Vice President
104	Ministry of Finance
105	Ministry of Internal Affairs
106	Ministry of Planning and Economic Affairs
107	Civil Service Agency
108	General Services Agency
109	Ministry of Information Culture and Tourism
110	General Auditing Commission
111	Ministry of Foreign Affairs
112	Liberia Institute of Public Administration
113	National Elections Commission
114	Liberia Institute of Statistics and Geo-Information Services
115	Bureau of State Enterprises

<b>Code</b>	<b>Ministry /Agency</b>
116	National Investment Commission
117	Governance Commission
118	Public Procurement and Concessions Commission
119	Center for National Documents, Records and Archives
120	Environmental Protection Agency
121	Liberia Broadcasting System
122	Truth and Reconciliation Commission
123	Liberia Anti-Corruption Commission
124	Liberia Extractive Industries Transparency Initiative
125	Land Commission
<b>Rule of Law and Public Safety Sector</b>	
201	Judiciary
202	Ministry of Justice
203	Ministry of National Defense
204	National Security Agency
205	Special Security Services
206	Ministry of National Security
207	National Bureau of Investigation
208	Human Rights Commission
209	Law Reform Commission
<b>Social and Community Services Sector</b>	
301	Ministry of Education
302	University of Liberia
303	Monrovia Consolidated School System
304	Booker Washington Institute

<b>Code</b>	<b>Ministry /Agency</b>
305	Forestry Training Institute
306	Cuttington University
307	National Commission on Higher Education
308	William V.S. Tubman University
309	West African Examination Council
310	Ministry of Health and Social Welfare
311	John F. Kennedy Medical Center
312	Phebe Hospital and School of Nursing
313	Liberia Institute of Bio-Medical Research
314	Ministry of Youth and Sports
315	National Food Assistance Agency
316	Agricultural and Industrial Training Bureau
317	Ministry of Gender and Development
318	Monrovia City Corporation
319	Liberia Refugee Repatriation and Resettlement Commission
320	National Commission on Disarmament and Reintegration
321	National Commission on Disabilities
322	National Veteran Bureau
323	Liberia Agency for Community Empowerment
324	National Housing Authority
325	National Aids Commission
<b>Economic Services Sector</b>	
401	Ministry of Agriculture
402	Ministry of Lands, Mines and Energy
403	Ministry of Commerce and Industry

<b>Code</b>	<b>Ministry /Agency</b>
404	Ministry of Post and Telecommunications
405	Cooperative Development Agency
406	Ministry of Transport
407	Forestry Development Authority
408	Ministry of Labour
409	Ministry of Public Works
410	Liberia Industrial Property System
411	Liberia Copyright Office
412	Liberia Produce Marketing Corporation
413	National Transit Authority
414	Liberia Water and Sewer Corporation
415	Liberia Electricity Corporation
416	Monrovia Transit Authority
417	Liberia Telecommunications Corporation
418	National Housing and Savings Bank
419	Liberia Industrial Free Zone Authority
420	Liberia-Libyan Holding Company
421	National Insurance Corporation of Liberia
422	Liberia Rubber Development Authority
423	National Lottery

## LIST OF MINISTRY/AGENCY DEPARTMENTS

Code	Department Name
<b>101</b>	<b>National Legislature</b>
10101	Office of the President Pro Tempore
10102	The Liberian Senate
10103	Office of the Speaker
10104	Office of the Deputy Speaker
10105	House of Representatives
<b>102</b>	<b>Ministry of State for Presidential Affairs</b>
10201	Office of the President
10202	Financial Management
10203	Unity Conference Center
10204	Domestic and Special Services
10205	National Security Council Secretariat
10206	Presidential Advisory Board
10207	Technical Services
10208	Ministry of State without Portfolio
10209	Public Affairs and Communication Technology
10210	Finance, Economic and Legal Affairs
10211	Administration and Management
<b>103</b>	<b>Office of the Vice President</b>
10301	Group of 77
10302	Administration and Management
<b>104</b>	<b>Ministry of Finance</b>
10401	Revenue
10402	Expenditure and Debt Management

<b>Code</b>	<b>Department Name</b>
10403	Budget
10404	Administration and Management
<b>105</b>	<b>Ministry of Internal Affairs</b>
10501	Urban Affairs
10502	Operations
10503	Research and Development Planning
10504	Administration and Management
10505	Direction and Management
10506	County Administration
1050601	Bomi County
1050602	Bong County
1050603	Gbarpolu County
1050604	Grand Bassa County
1050605	Grand Cape Mount County
1050606	Grand Gedeh County
1050607	Grand Kru County
1050608	Lofa County
1050609	Margibi County
1050610	Maryland County
1050611	Montserrado County
1050612	Nimba County
1050613	River Cess County
1050614	River Gee County
1050615	Sinoe County
<b>106</b>	<b>Ministry of Planning and Economic Affairs</b>

<b>Code</b>	<b>Department Name</b>
10601	Sectoral and Regional Planning
10602	Economic Affairs and Policy
10603	Administration and Management
<b>107</b>	<b>Civil Service Agency</b>
10701	Classification, Selection and Standard
10702	Public Employment
10703	Planning and Manpower
10704	Rural Civil Service
10705	Administration and Management
<b>108</b>	<b>General Services Agency</b>
10801	Mobile Equipment and Vehicles
10802	Public Building Maintenance
10803	Management Information Systems
10804	Administration and Management
<b>109</b>	<b>Ministry of Information, Culture and Tourism</b>
10901	Technical Services
10902	Information Services
10903	Culture and Tourism
10904	Foreign Missions
10905	Administration and Management
<b>110</b>	<b>General Auditing Commission</b>
11001	Administration and Management
11002	Audit Services
<b>111</b>	<b>Ministry of Foreign Affairs</b>
11101	Foreign Missions

<b>Code</b>	<b>Department Name</b>
1110101	Permanent Mission, United Nations
1110102	Liberian Embassy, Washington D.C.
1110103	Consulate General, New York
1110104	Liberian Embassy, Paris
1110105	Liberian Embassy, Brussels
1110106	Liberian Embassy, London
1110107	Liberian Embassy, Rome
1110108	Liberian Embassy, Berlin
1110109	Liberian Embassy, Riyadh
1110110	Liberian Embassy, Beijing
1110111	Liberian Embassy, Tokyo
1110112	Liberian Embassy, Rabat
1110113	Liberian Embassy, Tripoli
1110114	Liberian Embassy, Cairo
1110115	Liberian Embassy, Addis Ababa
1110116	Liberian Embassy, Pretoria
1110117	Liberian Embassy, Abuja
1110118	Liberian Embassy, Accra
1110119	Liberian Embassy, Abidjan
1110120	Liberian Embassy, Conakry
1110121	Consulate General, N'Zerekore
1110122	Liberian Embassy, Freetown
1110123	Liberian Embassy, Dakar
1110124	Liberian Embassy, Yaoundé
11102	Administration and Management

<b>Code</b>	<b>Department Name</b>
<b>112</b>	<b>Liberia Institute of Public Administration</b>
11201	Training and Manpower Development
11202	Research and Consultancy
11203	Administration and Management
<b>113</b>	<b>National Elections Commission</b>
11301	Administration and Management
<b>114</b>	<b>Liberia Institute for Statistics &amp; Geo-information Services</b>
11401	Census
11402	Surveys
11403	Decentralization
11404	Administration and Management
<b>115</b>	<b>Bureau of State Enterprises</b>
11501	Administration and Management
<b>116</b>	<b>National Investment Commission</b>
11601	Administration and Management
<b>117</b>	<b>Governance Commission</b>
11701	Administration and Management
<b>118</b>	<b>Public Procurement and Concessions Commission</b>
11801	Administration and Management
<b>119</b>	<b>Center for National Documents, Records and Archives</b>
11901	Administration and Management
<b>120</b>	<b>Environmental Protection Agency</b>
12001	Administration and Management
<b>121</b>	<b>Liberia Broadcasting System</b>
12101	Administration and Management

<b>Code</b>	<b>Department Name</b>
<b>122</b>	<b>Truth and Reconciliation Commission</b>
12201	Administration and Management
<b>123</b>	<b>Liberia Anti-Corruption Commission</b>
12301	Education and Prevention Division
12302	Enforcement Division
12303	Administration and Management
<b>201</b>	<b>Judiciary</b>
20101	Office of the Chief Justice
20102	Supreme Court
20103	Montserrado Courts
20104	Other County Courts
20105	Administration and Management
<b>202</b>	<b>Ministry of Justice</b>
20201	Liberia National Police
20202	Bureau of Immigration and Naturalization
20203	National Fire Service
20204	National Police Training Academy
20205	Drug Enforcement Agency
20206	Rehabilitation
2020601	Palace of Correction
20207	Codification
20208	Prosecution
20209	Administration and Management
2020901	Economic Affairs
<b>203</b>	<b>Ministry of National Defense</b>

<b>Code</b>	<b>Department Name</b>
20301	Armed Forces of Liberia
20302	Administration and Management
<b>204</b>	<b>National Security Agency</b>
20401	Security Operation
<b>205</b>	<b>Special Security Services</b>
20501	Protective Services
<b>206</b>	<b>Ministry of National Security</b>
20601	Intelligence Coordination
20602	Administration and Management
<b>207</b>	<b>National Bureau of Investigation</b>
2070100	Administration and Management
<b>208</b>	<b>Human Rights Commission</b>
2080100	Administration and Management
<b>301</b>	<b>Ministry of Education</b>
30101	Instructional Services
3010101	Direction and Management
3010102	Regional Supervision
3010103	Curriculum Development
3010104	Professional Services
3010105	Liberia/Swedish Vocational Training Center
3010106	Voinjama Multilateral High School
3010107	Zwedru Multilateral High School
3010108	Kakata Rural Teacher Training Institute
3010109	Zorzor Rural Teacher Training Institute (ZRTTI)
3010110	Teacher Education and Accreditation

<b>Code</b>	<b>Department Name</b>
3010111	Primary Education Project
3010112	Webbo Rural Teacher Training Institute
3010113	Sinoe Multilateral High School (S.M.H.S)
3010114	Harbel Multilateral High School
3010115	Secondary Education
3010116	Advanced Vocational Technical Program
30102	Planning and Development
3010201	Direction and Management
3010202	Educational Research and Planning
3010203	Educational Facilities Unit
3010204	Education Management Information Service (E.M.I.S)
30103	Subsidies and Scholarships
30104	Administration and Management
<b>302</b>	<b>University of Liberia</b>
30201	Administration and Management
<b>303</b>	<b>Monrovia Consolidated School System</b>
30301	Administration and Management
<b>304</b>	<b>Booker Washington Institute</b>
30401	Administration and Management
<b>305</b>	<b>Forestry Training Institute</b>
30501	Administration and Management
<b>306</b>	<b>Cuttington University</b>
30601	Administration and Management
<b>307</b>	<b>National Commission of Higher Education</b>
30701	Administration and Management

<b>Code</b>	<b>Department Name</b>
<b>308</b>	<b>W.V.S. Tubman University</b>
30801	Administration and Management
<b>309</b>	<b>West African Examination Council</b>
30901	Administration and Management
<b>310</b>	<b>Ministry of Health and Social Welfare</b>
31001	Curative Services
31002	Preventive Services
31003	Social Welfare
31004	Planning, Research and Development
31005	Health and Vital Statistics
31006	Administration and Management
<b>311</b>	<b>J.F.K. Medical Center</b>
31101	Administration and Management
<b>312</b>	<b>Phebe Hospital and School of Nursing</b>
31201	Administration and Management
<b>313</b>	<b>Liberia Institute of Bio-Medical Research</b>
31301	Administration and Management
<b>314</b>	<b>Ministry of Youth and Sports</b>
31401	Youth Services
31402	Sports Services
31403	Vocational/Technical Services
3140301	Monrovia Vocational Training Centre
3140302	Direction and Management
3140303	Youth Agricultural Training Centre
3140304	Business and Domestic Occupational Training Center

<b>Code</b>	<b>Department Name</b>
3140305	Youth on Job Training Centre
31404	Administration and Management
<b>315</b>	<b>National Food Assistance Agency</b>
31501	Administration and Management
<b>316</b>	<b>Agricultural and Industrial Training Bureau</b>
31601	Administration and Management
<b>317</b>	<b>Ministry of Gender and Development</b>
31701	Planning
31702	Research and Technical Services
31703	Administration and Management
<b>318</b>	<b>Monrovia City Corporation</b>
31801	Administration and Management
<b>319</b>	<b>Liberia Refugee Repatriation and Resettlement Commission</b>
31901	Administration and Management
<b>320</b>	<b>National Commission on Disarmament, Demobilization, Rehabilitation and Reintegration</b>
32001	Administration and Management
<b>321</b>	<b>National Commission on Disabilities</b>
32101	Administration and Management
<b>322</b>	<b>National Veteran Bureau</b>
32201	Administration and Management
<b>323</b>	<b>Liberia Agency for Community Empowerment</b>
32301	Administration and Management
<b>324</b>	<b>National Housing Authority</b>
32401	Administration and Management

<b>Code</b>	<b>Department Name</b>
<b>401</b>	<b>Ministry of Agriculture</b>
40101	Regional Development and Extension
4010101	Poverty Reduction Strategy (PRS) Value Addition
40102	Technical Services
40103	Planning and Development
40104	Central Agricultural Research Institute
40105	National Fisheries
40106	Administration and Management
<b>402</b>	<b>Ministry of Lands, Mines and Energy</b>
40201	Mines
40202	Lands, Survey and Cartography
4020201	Land Bank
40203	Mineral Exploration and Research
40204	Energy
40205	Planning and Development
40206	Office of Precious Minerals
40207	Administration and Management
<b>403</b>	<b>Ministry of Commerce and Industry</b>
40301	Bureau of Trade Services
40302	Bureau of Industrial Services
40303	Bureau of Administration and Management
<b>404</b>	<b>Ministry of Post and Telecommunications</b>
40401	Postal Services
40402	National Communications and Policy
40403	Administration and Management

<b>Code</b>	<b>Department Name</b>
<b>405</b>	<b>Cooperative Development Agency</b>
40501	Field Operations
40502	Training and Research
40503	Administration and Management
<b>406</b>	<b>Ministry of Transport</b>
40601	Land Transport and Rail Transport Services
40602	Insurance Services
40603	Liberia Domestic Airport Agency
40604	Administration and Management
<b>407</b>	<b>Forestry Development Authority</b>
40701	Research and Development
40702	Commercial Forestry
40703	Community Forestry
40704	Conservation
40705	Administration and Management
<b>408</b>	<b>Ministry of Labour</b>
40801	Labour Standards
40802	Planning and Human Resource
4080201	Employment Initiatives
40803	Administration and Management
<b>409</b>	<b>Ministry of Public Works</b>
40901	Design and Supervision
40902	Construction Services
40903	Highway Maintenance
40904	Planning and Programming

<b>Code</b>	<b>Department Name</b>
40905	Rural Development and Community Services
40906	Administration and Management
<b>410</b>	<b>Liberia Industrial Property System</b>
41001	Administration and Management
<b>411</b>	<b>Liberia Copyright Office</b>
41101	Administration and Management
<b>412</b>	<b>Liberia Produce Marketing Corporation</b>
<b>413</b>	<b>National Transit Authority</b>
<b>414</b>	<b>Liberia Water and Sewer Corporation</b>
<b>415</b>	<b>Liberia Electricity Corporation</b>
<b>416</b>	<b>Monrovia Transit Authority</b>
<b>417</b>	<b>Liberia Telecommunications Corporation</b>
<b>418</b>	<b>National Housing and Savings Bank</b>
<b>419</b>	<b>Liberia Industrial Free Zone Authority</b>
<b>420</b>	<b>Liberia-Libyan Holding Company</b>
<b>421</b>	<b>National Insurance Corporation of Liberia</b>
<b>422</b>	<b>Liberia Rubber Development Authority</b>
423	National Lottery

## 5. SPARE SEGMENT

<b>Code</b>	<b>Description</b>
00	For future use

A provision of two (2) digits for the spare segment to cater for future Government classification and reporting requirements.

## 6. FUND SEGMENT BUDGET CLASSIFICATION

Code	Description
1	Recurrent
2	Development
3	Revenue
4	Other

### FUND TYPE

Code	Description
01	Consolidated Fund
02	Contingency Fund

### FUNDING SOURCES

Code Range	Funding Source Categories
001 – 099	Domestic - Government of Liberia
100 – 199	Domestic - Commercial Banks
200 – 299	Other Domestic Funding Sources
201 – 229	Finance Entities other than Commercial Banks
230 – 259	Non-Financial Entities
260 – 299	Other Entities
300 – 399	Foreign Commercial Banks
400 – 499	Multi-Lateral Development Institutions
500 – 599	Bilateral Development Partners
600 – 699	Other Foreign Sources Of Funds

## FUNDING SOURCES - DETAILS

Code	Fund Source
<b>001 – 099</b>	<b>Domestic - Government of Liberia</b>
001	Central Government of Liberia Sources
002	Local Government Sources
003	Central Bank of Liberia
004	Other Government Sources
<b>100 – 199</b>	<b>Domestic - Commercial Banks</b>
101	Ecobank Liberia Ltd
102	Liberian Bank for Development and Investment
103	First International Bank Liberia Ltd
104	International Bank Liberia Ltd
105	Guaranty Trust Bank Ltd
106	United Bank of Africa Liberia Ltd
107	Bank PHB Group Ltd
108	Access Bank Liberia Ltd
109	Agriculture Cooperative and Development Bank
110	National Housing and Savings Bank
<b>200 – 229</b>	<b>Domestic Finance Entities other than Commercial Banks</b>
<b>230 – 259</b>	<b>Non-financial Entities</b>
<b>260 – 299</b>	<b>Other Entities</b>
<b>300 – 329</b>	<b>Foreign Commercial Banks</b>
<b>400 – 499</b>	<b>Multilateral Development Institutions</b>
401	Africa Development Bank (ADB)
402	Africa Development Fund (ADF)
403	Arab Bank for Economic Development in Africa (BADEA)

<b>Code</b>	<b>Fund Source</b>
404	Commonwealth Development Corporation (CDC)
405	European Union (EU)
406	European Development Fund (EDF)
407	European Investment Bank
408	International Bank for Reconstruction and Development (IBRD)
409	International Development Association (IDA)
410	International Fund for Agriculture and Development (IFAD)
411	International Finance Corporation (IFC)
412	International Monetary Fund (IMF)
413	Islamic Development Bank (IDB)
414	Organization of Petroleum Exporting Countries (OPEC)
415	Nordic Development Fund
416	Shelter Afrique
417	Kuwaiti Fund for Economic Development (KFAED)
418	Saudi Development Fund (SDF)
419	Japanese Government Corporation on Technical Assistance (JGCTA)
420	United Nations International Children's Education Fund (UNICEF)
421	Nigeria Trust Fund (NTF)
422	World Wildlife Fund/Wermer Senegal
423	Gates Foundation
424	GEP/United Nations Environmental Programme
425	United Nations Development Programme (UNDP)
426	United Nations Population Fund (UNFPA)
427	United States Agency for International Development (USAID)
428	FIBA

<b>Code</b>	<b>Fund Source</b>
429	ECOWAS Bank for Investment and Development (EBID)
430	EXIM Bank of India
431	ING Bank N.V
<b>500-599</b>	<b>BILATERAL DEVELOPMENT PARTNERS</b>
501	Abu Dhabi
502	Algeria
503	Argentina
504	Australia
505	Austria
506	Belgium
507	Brazil
508	Bulgaria
509	Canada
510	China (PR )
511	Cuba
512	Czech Republic
513	Denmark
514	Egypt
515	Federal Republic of Germany
516	Finland
517	France
518	Ghana
519	Greece
520	Iceland
521	India

<b>Code</b>	<b>Fund Source</b>
522	Indonesia
523	Iraq
524	Islamic Republic of Iran
525	Israel
526	Italy
527	Japan
528	Kuwait
529	Libya
530	Luxembourg
531	Malaysia
532	Mauritius
533	Morocco
534	Netherlands
535	New Zealand
536	Nigeria
537	North Korea (PDR)
538	Norway
539	Pakistan
540	Republic of Ireland
541	Russia
542	Saudi Arabia
543	Singapore
544	South Africa
545	South Korea
546	Spain

<b>Code</b>	<b>Fund Source</b>
547	Sudan
548	Sweden
549	Switzerland
550	Syria
551	Taiwan
552	Thailand
553	Tunisia
554	Turkey
555	United Arab Emirates
556	United Kingdom
557	United States of America
558	Yemen
559	Department for International Development (DFID)
<b>600-699</b>	<b>OTHER FOREIGN SOURCES OF FUNDS</b>
601	Highly Indebted Poor Countries (HIPC)
602	Other Foreign Sources of Funds

## 7. PROJECTS

Code	Description
<b>0001-3000</b>	<b>PROJECTS</b>
0001	Public Financial Management Reforms
0002	Institutional Support Project
0003	Labor-Based Public Works Project
0004	Emergency Caterpillar Response
0005	Agriculture Sector Rehabilitation Project
0006	Monrovia Water Supply and Sanitation Rehabilitation
0007	Water Sector Reforms Study
0008	Monrovia 3 County Capitals Water Supply and Sanitation Study
0009	Urban Water Supply and Sanitation Project
0010	Improved Food Security and Nutrition -Econ Empowerment of Women
0011	Danish Support to the Attainment of MDG3 in Liberia
0012	Strengthening the Criminal Justice System
0013	9.ACP.LBR.15- Support to education sector
0014	9.ACP.LBR.09- Electricity Grid Rehabilitation Monrovia
0015	9.ACP.LBR.17- Ceiling increase for 9.ACP.LBR.09
0016	DCI - Food- Food Security Thematic Programme
0017	DCI - Food- Food Security Thematic Programme, Crisis Response
0018	Food Security Programme
0019	ENV- Strengthening Forest Management
0020	9.ACP.LBR.20- Institutional Support and Capacity Building
0021	9.ACP.LBR.21- Ceiling increase for 9.ACP.LBR.20
0022	9.ACP.LBR.03- Post Conflict Rehabilitation and Capacity Building

<b>Code</b>	<b>Description</b>
0023	9.ACP.LBR.07-Ceiling increase for 9.ACP.LBR.07
0024	RRM- Support to National Police Academy
0025	9.ACP.LBR.18- Community Development Programme
0026	9.ACP.LBR.16- Technical Cooperation Facility
0027	9.ACP.LBR.19- Macroeconomic Stabilization
0028	INFCO- Helping Liberia Helping Herself
0029	Biodiversity Conservation Around SAPO National Park
0030	Support the Liberia Media
0031	Initiative Esther
0032	Support Given to the Nurses and Mid-Wives Phebe Hosp
0033	Liberia National Police (LNP) Equipment
0034	Liberia National Police (LNP) Training
0035	BIN
0036	Credit Line for the Liberian Private Sector
0037	LRTF 08 01-Liberia Reconstruction Trust Fund
0038	TC RAM - Poverty Reduction through Decent Emp. Creation
0039	Misean Cara
0040	DEN-0801 Good Governance and Peace Consolidation
0041	UNDP 0804 Enhancing Police Reform
0042	IRC 0804- Involving Men in Preventing Gender Based Violence
0043	Trocaire MAPS - Multi Annual Programme Scheme
0044	MER-0801 Improve the Health Status- Grand Bassa County
0045	MER-0801 Improve the Health Status - Montserrado County
0046	IRC 0803 - Primary Health Care
0047	MOH 0801 - Transitional Health Sector Pooled Fund

<b>Code</b>	<b>Description</b>
0048	Sight Savers
0049	Concern MAPS - Multi Annual Programme Scheme
0050	Support for the Implementation of the National Health Plan
0051	Civil Society Fund
0052	LRTF 08 01-Liberia Reconstruction Trust Fund
0053	WASH 0801- The Water and Sanitation Consortium
0054	Partnership Forum
0055	PLWA Support
0056	NAC Secretariat
0057	Business Coalition
0058	NSF Developed
0059	HIV Conferences
0060	CRIS
0061	Directory of Organization
0062	HIV Awareness
0063	HIV Reference Center
0064	HIV Mainstreaming
0065	Model Law
0066	Partnership Forum- UNAIDS Project
0067	LBR - 1011-LBR - 07/014-Millennium Development Villages (MDG)
0068	Save the Children UK
0069	LBR - 1005-LBR - 07/010-EPP II Monrovia - Paynesville Extension
0070	LBR - 1005-LBR - 08/007-EPP II Gaps Monrovia
0071	Fast Track Study of Generating Alternatives
0072	International Centre for Transitional Justice (ICTJ)

<b>Code</b>	<b>Description</b>
0073	The Clinton Foundation HIV/AIDS Initiative (CHAI)
0074	Restructuring and Training of the Liberian National Police (LNP)
0075	Liberia National Police (LNP) Development:
0076	Accelerated Learning Programme (ALP 2008 - 2010) Phase II
0077	Information, Counseling and Legal Assistance (ICLA)
0078	Women's Colloquium Liberia
0079	Women's Rights through Information Sensitization and Education (WISE)
0080	UNDP Bridging Fund CBRT/CST
0081	NRC YEP
0082	Save the Children UK Rewrite the Future
0083	Liberia Dujar Education Programme
0084	NRC
0085	Forum Syd, Liberia Dujar
0086	LO-TCO, NTAL Organizational Development
0087	FAO Humanitarian Projects
0088	Swedish Church, Liberia Post-War Integrated Rehab. and dev.
0089	LRDC Secretariat
0090	Forum Syd, Elderly Center
0091	FIAS, Investment Climate
0092	PMU Health Project
0093	ICRC Humanitarian Programmes
0094	IFRC Humanitarian Programmes
0095	MSF Basic health Care
0096	Swedish Red Cross (IFRC, LRCS)
0097	ICRC

<b>Code</b>	<b>Description</b>
0098	Forum Syd, Liberia Dujar-2
0099	Swedish Church, Panta Kpai Rehabilitation Programme
0100	Swedish Church, Student Palaver Management Liberia
0101	Swedish Church, Trauma healing and reconciliation
0102	LRTF 08 01-Liberia Reconstruction Trust Fund
0103	West Africa Humanitarian Consolidated Appeals process 2009
0104	UNICEF Humanitarian Programme
0105	Advisor to Ministry of Finance
0106	Training and Reintegration of Ex-combatants
0107	Revitalization of Curran School of Nursing and Midwifery.
0108	Health Pool Fund
0109	Ministry of Health and Social Welfare Office of Financial Management
0110	NGO Support to Health Services
0111	Civil Service Reform
0112	Civil Society Oversight of SSR
0113	Security Sector Reform Trust Fund
0114	LRTF 08 01-Liberia Reconstruction Trust Fund
0115	WASH 0801- The Water and Sanitation Consortium
0116	Building an Inclusive Financial Sector in Liberia
0117	Food Security and Nutrition
0118	Aid Coordination
0119	Decentralization and Local Development
0120	Gender Project
0121	Public Administration Reform and Civic Engagement
0122	Strengthening Rule of Law and Administration of Justice

<b>Code</b>	<b>Description</b>
0123	Economic Policy and Management
0124	Capacity Building for Sustainable land Management
0125	Capacity Assessment of National Biodiversity Strategy
0126	National Youth Volunteer Service
0127	Youth Employment and Empowerment
0128	Capacity Building to the TRC
0129	Capacity Development
0130	Community Based Recovery and Development
0131	FISTULA
0132	Strengthening capacity for HIV and AIDS Prevention
0133	Care and Maintenance
0134	Peace Building
0135	Local Integration
0136	Reintegration
0137	Access to Quality Primary Education and Gender Parity
0138	Implementation of Quality Improvement Initiative
0139	Child Justice
0140	Maternal and Child Health
0141	Maternal and Child Nutrition
0142	Training of Health Professionals in Malaria Case Management
0143	Child Survival Program
0144	Monitoring and Evaluation
0145	Social Protection for Vulnerable Children
0146	Water, Sanitation & Hygiene(WASH)
0147	Business Enabling Environment, Private Sector Capacity

<b>Code</b>	<b>Description</b>
0148	Accelerated Learning Program PLUS (ALP PLUS)
0149	Liberia Teacher Training Project (LTTP)
0150	Basic Education
0151	Early Grade Reading Assessment Plus for Liberia (EGRA- PLUS)
0152	Higher Education
0153	Participant Training Program
0154	Basic ED Mechanism-1 Youth Livelihood
0155	Basic ED Mechanism 2, Teacher Training
0156	Liberia Energy Assistance Program (LEAP)
0157	Emergency Power Project
0158	Liberia Energy Sector Support Program (LESSP)
0159	Governance and Economic Management
0160	Agriculture Sector Policy/ Regulation Reform
0161	Agricultural Sector Capacity
0162	Liberian Integrated Assistance Program (LIAP)
0163	Food Security and Crisis Mitigation
0164	Civilian Conservation Corps
0165	Value Chains for Agriculture and Enterprises
0166	TA to the MOA (TASMOA) Changed to Bilateral Agreement
0167	Increase Productivity and Profitability
0168	Community Forestry Technical Assistance for Liberia (COFTAL)
0169	Liberia Forestry Initiative (LFI)
0170	Natural Resources Management (NRM) Design
0171	Building Reform and Recovery
0172	Civil Society Strengthening

<b>Code</b>	<b>Description</b>
0173	Enhancing Access to Justice
0174	Justice Sector Support for Liberia (JSSL)
0175	Senior Executive Service (SES)
0176	Legislative Strengthening & Political Processes
0177	Justice system mechanism
0178	Interim Follow-on Legislative Strengthening
0179	Legislative Strengthening Program
0180	Building Sustainable Election Management
0181	Civic Participation
0182	Media Freedom
0183	Malaria Control
0184	HIV Prevention Program - Action for West Africa
0185	Liberia Improved Community Health Project (LICHIP)
0186	Polio Eradication in Africa
0187	Military Security Sector Reform (SSR) Programme
0188	Special Security Service (SSS)
0189	Contribution to United Nations Civilian Police Unit
0190	Training & Equipments for the Liberia National Police
0191	Micro-Enterprise Productivity
0192	Liberia Community Infrastructure Program II (LCIP II)
0193	Miscellaneous
0194	Water Distribution System Program
0195	Emergency Food Crisis Response
0196	Energy (IDA)
0197	MoF Resource Management Unit (TF 057740)

<b>Code</b>	<b>Description</b>
0198	Budget Support
0199	Liberia Debt Preparation
0200	Transitional Support Fund II
0201	Integrated Financial Management Information System
0202	Emergency Food Crisis Response Public Works
0203	Agriculture and Infrastructure Development Project
0204	Growth/Agriculture (IDA)
0205	Forestry Reform Project (TF 057090)
0206	SAPO National Park Conservation ( TF 055668)
0207	COPAN EXTENSION
0208	Support to Liberia EITI Process (TF - 091608)
0209	Consolidation of Liberia Protected Area Network Project
0210	REDD Readiness Plan
0211	FCPF - Forest Carbon Partnership Agreement
0212	TA for Civil Service Reform (TF090873
0213	Capacity Building for Judicial Services
0214	Economic Governance and Institutional Reform Project
0215	Senior Executive Service/ Civil Service Reform (TF 091041)
0216	Health Systems Reconstruction
0217	Emergency Monrovia Urban Sanitation (EMUS)
0218	Adolescent Sexual and Reproductive Health
0219	Economic Empowerment of Adolescent Girls
0220	Emergency Food Crisis Response: Agric. Support (TF605001)
0221	Public Procurement Reform (TF 05654)
0222	Support to PRS Preparation (TF091296)

<b>Code</b>	<b>Description</b>
0223	Infrastructure Technical Assistance (TF 054564)
0224	Community Empowerment Project II
0225	Emergency Infrastructure Project
0226	Community Empowerment Project (TF054782)
0227	Infrastructure Rehabilitation Project (TF 605001)
0228	Urban and Rural Infrastructure Rehabilitation Project (URIRP)
0229	Urban and Rural Infrastructure Rehabilitation Project
0230	Budget Support (IDA)
0231	Re-engagement and Reform Support Program I
0232	Support to Education in Liberia, (Dev. 10733.0)
0233	Food Assistance for Relief and Recovery
0234	Food Assistance for Relief and Recovery (PRRO-10454.0)
0235	Purchase for Progress (P4P)
0236	Maternal and Child Health- WHO Project
0237	Basic Support for Institutionalizing Child Survival
0238	Grants Solicitation and Management (GSM)- orphans & vulnerable children & Youth Reproduction Health Activities
0239	Core Education Skills for Liberian Youth Project (CESLY) ALP plus follow-on
0240	Support for human right culture in Liberia
0241	Supporting the modernization and development of the Legislature as a co-equal branch of government
0242	Liberia Civil Society & Media Capacity Advocacy & Partnership Program
0243	Transfer of Knowledge Through Expatriate National (TOKTEN)
0244	Rule of Law Program
0245	Land Right and Community Forestry Program

## 8. PROGRAM SEGMENT

Code	Programme Description
00-00-00	To be Populated

A provision of six (6) digits has been made for program segment. When the Government of Liberia starts full implementation of the Output based budgeting, this segment of the Chart of Accounts will be populated with appropriate codes.

**Objectives**    **XX**

**Outputs**        **XX**

**Activities**     **XX**

## 9. FUNCTION SEGMENT

Code	Functions
<b>01</b>	<b>General Public Services</b>
<b>011</b>	<b>Executive and legislative organs, financial and fiscal affairs, external affairs (CS)</b>
0111	Executive and legislative organs (CS)
0112	Financial and fiscal affairs (CS)
0113	External affairs (CS)
<b>012</b>	<b>Foreign economic aid</b>
0121	Economic aid to developing countries and countries in transition (CS)
0122	Economic aid routed through international agencies (CS)
<b>013</b>	<b>General services</b>
<b>0131</b>	General personnel services (CS)
<b>0132</b>	Overall planning and statistical services (CS)
<b>0133</b>	Other general services (CS)

<b>Code</b>	<b>Functions</b>
<b>0140</b>	<b>Basic research (CS)</b>
<b>0150</b>	<b>Research &amp; development (CS)</b>
<b>0160</b>	<b>General public services n.e.c (CS)</b>
<b>0170</b>	<b>Public debt transactions (CS)</b>
<b>0180</b>	<b>Transfers of a general character between different levels of Government (CS)</b>
<b>02</b>	<b>Defense</b>
0210	Military defense (CS)
0220	Civil defense (CS)
0230	Foreign military aid (CS)
0240	R&D Defense (CS)
0250	Defense n.e.c. (CS)
<b>03</b>	<b>Public Order and safety</b>
0310	Police services (CS)
0320	Fire protection services (CS)
0330	Law courts (CS)
0340	Prisons (CS)
0350	R&D Public order and safety (CS)
0360	Public order and safety n.e.c. (CS)
<b>04</b>	<b>Economic affairs</b>
0411	General economic and Commercial Affairs (CS)
0412	General labor affairs (CS)
<b>042</b>	<b>Agriculture, forestry, fishing and hnting</b>
0421	Agriculture (CS)
0422	Forestry (CS)
0423	Fishing and hunting (CS)

<b>Code</b>	<b>Functions</b>
<b>043</b>	<b>Fuel and energy</b>
0431	Coal and other solid mineral fuels (CS)
0432	Petroleum and natural gas (CS)
0433	Nuclear fuel (CS)
0434	Other fuels (CS)
0435	Electricity (CS)
0436	Non-electric energy (CS)
<b>044</b>	<b>Mining, manufacturing and construction</b>
0441	Mining of mineral resources other than mineral fuels (CS)
0442	Manufacturing (CS)
0443	Construction (CS)
<b>045</b>	<b>Transport</b>
0451	Road transport (CS)
0452	Water transport (CS)
0453	Railway transport (CS)
0454	Air transport (CS)
0455	Pipeline and other transport (CS)
<b>0460</b>	<b>Communication</b>
<b>047</b>	<b>Other industries</b>
0471	Distributive trades, storage and warehousing (CS)
0472	Hotels and restaurants (CS)
0473	Tourism (CS)
0474	Multipurpose development projects (CS)
<b>048</b>	<b>R &amp; D Economic affairs</b>
0481	R & D General economic, commercial and labor affairs (CS)

<b>Code</b>	<b>Functions</b>
0482	R & D Agriculture, forestry, fishing and hunting (CS)
0483	R & D Fuel and energy (CS)
0484	R & D Mining, manufacturing, and construction (CS)
0485	R & D Transport (CS)
0486	R & D Communication (CS)
0487	R & D Other industries (CS)
<b>0490</b>	<b>Economic Affairs n.e.c (CS)</b>
<b>05</b>	<b>Environmental protection</b>
0510	Waste management (CS)
0520	Waste water management (CS)
0530	Pollution abatement (CS)
0540	Protection of biodiversity and landscape (CS)
0550	R&D Environmental protection (CS)
0560	Environmental protection n.e.c. (CS)
<b>06</b>	<b>Housing and community amenities</b>
0610	Housing development (CS)
0620	Community development (CS)
0630	Water supply (CS)
0640	Street lighting (CS)
0650	R&D Housing and community amenities (CS)
0660	Housing and community amenities n.e.c. (CS)
<b>07</b>	<b>Health</b>
<b>071</b>	<b>Medical products, appliances and equipment</b>
0711	Pharmaceutical products (IS)
0712	Other medical products (IS)

<b>Code</b>	<b>Functions</b>
0713	Therapeutic appliances and equipment (IS)
<b>072</b>	<b>Outpatient services</b>
0721	General medical services (IS)
0722	Specialized medical services (IS)
0723	Dental services (IS)
0724	Paramedical services (IS)
<b>073</b>	<b>Hospital services</b>
0731	General hospital services (IS)
0732	Specialized hospital services (IS)
0733	Medical and maternity center services (IS)
0734	Nursing and convalescent home services (IS)
<b>0740</b>	<b>Public health services (IS)</b>
<b>0750</b>	<b>R &amp; D Health (CS)</b>
<b>0760</b>	<b>Health n.e.c. (CS)</b>
<b>08</b>	<b>Recreation, culture and religion</b>
0810	Recreational and sporting services (IS)
0820	Cultural services (IS)
0830	Broadcasting and publishing services (CS)
0840	Religious and other community services (CS)
0850	R&D Recreation, cultural, and religion (CS)
0860	Recreation, culture, and religion n.e.c. (CS)
<b>09</b>	<b>Education</b>
<b>091</b>	<b>Pre-Primary and Primary Education</b>
0911	Pre-Primary and Primary Education (IS)
<b>092</b>	<b>Secondary Education</b>

<b>Code</b>	<b>Functions</b>
0921	Lower-secondary education (IS)
0922	Upper-secondary education (IS)
<b>0930</b>	<b>Postsecondary Non-Tertiary Education (IS)</b>
<b>094</b>	<b>Tertiary Education</b>
0941	First stage of tertiary education (IS)
0942	Second stage of tertiary education (IS)
<b>0950</b>	<b>Education not Definable by Level (IS)</b>
<b>0960</b>	<b>Subsidiary Services to Education (IS)</b>
<b>0970</b>	<b>R&amp;D Education (CS)</b>
<b>0980</b>	<b>Education n.e.c. (CS)</b>
<b>10</b>	<b>Social Protection</b>
<b>101</b>	<b>Sickness and Disability</b>
1011	Sickness (IS)
1012	Disability (IS)
<b>1020</b>	<b>Old age (IS)</b>
<b>1030</b>	<b>Survivors (IS)</b>
<b>1040</b>	<b>Family and children (IS)</b>
<b>1050</b>	<b>Unemployment (IS)</b>
<b>1060</b>	<b>Housing (IS)</b>
<b>1070</b>	<b>Social exclusion n.e.c. (IS)</b>
<b>1080</b>	<b>R &amp; D Social protection (CS)</b>
<b>1090</b>	<b>Social protection n.e.c. (CS)</b>

## 10. LOCATION COUNTIES AND DISTRICTS

Code	County/District/Foreign Mission
<b>01</b>	<b>BOMI COUNTY</b>
01	Klay
02	Suehn Mecca
03	Senjeh
04	Dowein
<b>02</b>	<b>BONG COUNTY</b>
01	Boinsen
02	Fuamah
03	Jorquelleh
04	Kokoyah
05	Kpaai
06	Panta
07	Salala
08	Sanoyeah
09	Suakoko
10	Tukpahblee
11	Yeallequelleh
12	Zota
<b>03</b>	<b>GBAPOLU</b>
01	Belleh
02	Bokomu
03	Bopolu
04	Gbarma

<b>Code</b>	<b>County/District/Foreign Mission</b>
05	Gounwolaila
06	Kongba
07	Koninga
<b>04</b>	<b>GRAND BASSA</b>
01	Commonwealth-B
02	District No 1
03	District No 2
04	District No 3
05	District No 4
06	Neekreen
07	Owensgrove
08	St. John River City
<b>05</b>	<b>GRAND CAPE MOUNT</b>
01	Commonwealth-C
02	Garwula
03	Golakonneh
04	Porkpa
05	Tewor
<b>06</b>	<b>GRAND GEDEH</b>
01	B'hai
02	Cavala
03	Gbao
04	Gboe-Ploe
05	Glio-Twarbo
06	Konobo

<b>Code</b>	<b>County/District/Foreign Mission</b>
07	Putu
08	Tchien
<b>07</b>	<b>GRAND KRU</b>
01	Barclayville
02	Bleebo
03	Bolloh
04	Buah
05	Dorbor
06	Dweh
07	Felo-Jekwi
08	Fenetoe
09	Forpoh
10	Garraway
11	Gee
12	Grand Cess Wedabo
13	Kpi
14	Lower Jloh
15	Nrokwia-Wesldow
16	Trenbo
17	Upper Jloh
18	Wlogba
<b>08</b>	<b>LOFA</b>
01	Foya
02	Kolahun
03	Salayea

<b>Code</b>	<b>County/District/Foreign Mission</b>
04	Vahun
05	Voinjama
06	Zorzor
<b>09</b>	<b>MARGIBI</b>
01	Firestone
02	Gibi
03	Kakata
04	Mambah Kaba
<b>10</b>	<b>MARYLAND</b>
01	Gwelekpoken
02	Harper
03	Karluway
04	Nyorken
05	Pleebo/Sodoken
06	Whojah
<b>11</b>	<b>MONTSERRADO</b>
01	Careysburg
02	Commonwealth
03	Greater Monrovia
04	St. Paul River
05	Todee
<b>12</b>	<b>NIMBA</b>
01	Boe & Quilla
02	Buu-Yao
03	Doe

<b>Code</b>	<b>County/District/Foreign Mission</b>
04	Garr-Bain
05	Gbehlay-Geh
06	Gbi & Doru
07	Gbor
08	Kparblee
09	Leewehpea-Mahn
10	Meinpea-Mahn
11	Sanniquellie Mahn
12	Twan River
13	Wee-Gbehyi-Mahn
14	Yarmein
15	Yarpea Mahn
16	Yarwein Mehnsomnoh
17	Zoe-Gbao
<b>13</b>	<b>RIVER GEE</b>
01	Chedepo
02	Gbeapo
03	Glaro
04	Karforh
05	Nanee
06	Nyenawliken
07	Nyenebo
08	Potupo
09	Sarbo
10	Tuobo

<b>Code</b>	<b>County/District/Foreign Mission</b>
<b>14</b>	<b>RIVERCESS</b>
01	Beawor
02	Central Rivercess
03	Doedain
04	Fen River
05	Jo River
06	Norwein
07	Sam Gbalor
08	Zarflahn
<b>15</b>	<b>SINOE</b>
01	Bodae
02	Bokon
03	Butaw
04	Dugbe River
05	Dugbe River
06	Greenville
07	Jaedae
08	Juarzon
09	Kpayan
10	Kulu Shaw Boe
11	Plahn Nyarn
12	Pynes Town
13	Sanquin Dist
14	Seekon
15	Wedjah

## 11. ECONOMIC CLASSIFICATION REVENUES

Class 1	Revenues
<b>11</b>	<b>TAX REVENUES</b>
<b>111</b>	<b>Taxes on Income and Profits</b>
<b>1111</b>	<b>Individual Taxes on Income and Profits</b>
111101	Withholding on Salary and Wages
111102	Withholding on Self-employed Income
111103	Withholding on Rental Income
111104	Withholding on Game-lotto Winnings
111105	Withholding - Non Residents
<b>1112</b>	<b>Payable by Corporate Entities</b>
111201	Corporate Income Tax
111202	Presumptive Income Tax
111203	Rubber Sales Tax Income
<b>1113</b>	<b>Taxes on Unallocable Income and Profits</b>
111301	Other Taxes on Income and Profits
<b>112</b>	<b>Taxes on Payroll and Workforce</b>
<b>113</b>	<b>Property Taxes</b>
<b>1131</b>	<b>Taxes on Immovable Properties</b>
113101	Taxes on Buildings
113102	Taxes on Lands
<b>114</b>	<b>Taxes on Goods and Services</b>
<b>1141</b>	<b>General Taxes on Goods and Services</b>
<b>11411</b>	<b>Value Added Taxes</b>

<b>Class 1</b>	<b>Revenues</b>
<b>11412</b>	<b>Sales Taxes</b>
114121	Domestic GST
114122	Airline Ticket Tax
114123	Hotel Service Tax
114124	Restaurants Service Tax
114125	Cinema and Video Tax
114126	Pre-shipment Inspection
114127	Other GST
<b>1142</b>	<b>Excise Taxes</b>
<b>11421</b>	<b>Excise Taxes – Domestic</b>
114211	Alcoholic and Non-Alcoholic Beverages
114212	Tobacco and Tobacco Products
114213	Cosmetics
114214	Jewelry
114215	Luxury Goods – Vehicles
114216	Other Luxury Goods
<b>11422</b>	<b>Excise Taxes – Imported</b>
114221	Alcoholic and Non-Alcoholic Beverages
114222	Tobacco and Tobacco Products
114223	Cosmetics
114224	Jewelry
114225	Luxury Goods – Vehicles
114226	Other Luxury Goods
<b>1143</b>	<b>Taxes on Profits of Fiscal Monopolies</b>

<b>Class 1</b>	<b>Revenues</b>
114301	Government Parastatals
114302	Local Government owned Corporations
<b>1144</b>	<b>Taxes on Specific Services</b>
114401	GSM Service Tax
114402	Airport Service and Landing Fees/Charges
114403	Land Service Charge
114404	Seaport Service/Harbour Dues
<b>1145</b>	<b>Taxes on use of Goods and on Permission to use Goods or Perform Activities</b>
<b>11451</b>	<b>Taxes on Motor Vehicles</b>
114511	License Plates
114512	Annual Vehicle Registration Stickers
114513	Road Maintenance
114514	Other Motor Vehicle Fees
<b>11452</b>	<b>Other Taxes on use of Goods and on Permission to use Goods or Perform Activities</b>
114521	Professional License Fees
114522	Business Registration Fees
114523	Registration Fees - Petty Traders
114524	GSM License Fees
114525	Operating Licenses and Land/Rail Service Charge
114526	Exploration Fees
114527	Quarry License Fees
114528	Gold License
114529	Diamond License
114530	Scrap Metals License

<b>Class 1</b>	<b>Revenues</b>
114531	Other Mining Fees
114532	Other Fees/Licenses
<b>1146</b>	<b>Other Taxes on Goods and Services</b>
<b>11461</b>	<b>Maritime Revenue</b>
114641	Registration Charges
114642	Tonnage Tax
114643	Deputy Commissioner Operations (DCO) – Distribution
114644	Small Water Crafts
114645	Registration /Name Change
<b>115</b>	<b>Taxes on International Trade</b>
<b>1151</b>	<b>Taxes and Duties on Imports</b>
<b>11511</b>	<b>Import Duties</b>
115111	Essential Goods
115112	Rice
115113	Petroleum
115114	ECOWAS Trade Levy
115115	International GST
115116	Others Import Duties
<b>11512</b>	<b>Customs Surcharge and Other Duties on Imports</b>
115121	Petroleum Sales Tax
115122	Transshipment
115123	Fish Levy
115124	Special Tax on Agricultural Products
115125	Custom User Fees

<b>Class 1</b>	<b>Revenues</b>
115126	Customs Penalties and Fines
<b>1152</b>	<b>Taxes on Exports</b>
115201	Cocoa and Coffee
115202	Rubber
115203	Other Agriculture Products
115204	Scrap Materials
115205	Forest Products - Log Exports
115206	Other Exports
<b>116</b>	<b>Other Taxes</b>
<b>1161</b>	<b>Payable Solely by Business</b>
116101	Arcelor Mittal
116102	Western Cluster
116103	Bong Mines/China Union
116104	National Oil Company of Liberia
116105	Billiton
116106	Putu Range
116107	Zwedru
116108	Klekle
116109	Kpo Resources
116110	Bea Mountain
116111	Libinc Oil Palm Inc
116112	Liberia Forest Products (EBF)
116113	Firestone Plantation Company
116114	ADA Commercial Inc

<b>Class 1</b>	<b>Revenues</b>
116115	Cestos
116116	Buchanan Power
116117	Buchanan Renewables
116118	American Liberian Mining Company
116119	Social Development Fund Revenue
<b>1162</b>	<b>Payable other than Business Or Identifiable</b>
116201	Regular Overdue
116202	Other Overdue
<b>12</b>	<b>SOCIAL CONTRIBUTIONS</b>
<b>121</b>	<b>Social Security Contributions</b>
<b>1211</b>	<b>Employee Contributions</b>
<b>1212</b>	<b>Employer Contributions</b>
<b>1213</b>	<b>Self-employed or Non-employed Contributions</b>
<b>1214</b>	<b>Unallocable Contributions</b>
<b>122</b>	<b>Other Social Contributions</b>
<b>1221</b>	<b>Employee Contributions</b>
<b>1222</b>	<b>Employer Contributions</b>
<b>1223</b>	<b>Imputed Contributions</b>
<b>13</b>	<b>GRANTS</b>
<b>131</b>	<b>From Foreign Governments</b>
<b>1311</b>	<b>Current</b>
131101	Grants - Foreign Governments (Current)
<b>1312</b>	<b>Capital</b>
131201	Grants - Foreign Governments (Capital)

<b>Class 1</b>	<b>Revenues</b>
<b>132</b>	<b>From International Organizations</b>
<b>1321</b>	<b>Current</b>
132101	Grants – International Organisations (Current)
<b>1322</b>	<b>Capital</b>
132201	Grants – International Organisations (Capital)
<b>133</b>	<b>Grants from other General Government Units (Domestic Government Transfers)</b>
<b>1331</b>	<b>Grants from other Government Units -Current</b>
133101	Transfers Received by Ministries from MoF (Current)
133102	Transfers Received by Agencies from MoF (Current)
133103	County Conditional Grants (Current)
133104	County Unconditional Grants (Current)
133105	Transfers Received from Other Government Units (Current)
133106	Transfers Received by MoF (Current)
<b>1332</b>	<b>Grants from Other Government Units - Capital</b>
133201	Transfers Received by Ministries from MoF (Capital)
133202	Transfers Received by Agencies from MoF (Capital)
133203	County Conditional Grants (Capital)
133204	County Unconditional Grants (Capital)
133205	Transfers Received from other Government Units (Capital)
133206	Transfers Received by MoF (Capital)
<b>14</b>	<b>OTHER REVENUE: NON – TAX REVENUES</b>
<b>141</b>	<b>Property Income</b>
<b>1411</b>	<b>Investment Income</b>
141101	Interest from Private Entities – Domestic

<b>Class 1</b>	<b>Revenues</b>
141102	Interest from Private Entities – Foreign
141103	Interest from other Government Units
141104	Interest on GoL Balances at Central Bank of Liberia
<b>1412</b>	<b>Dividends</b>
141201	Dividends from Shares in Public Enterprises
141202	Dividends from Shares in Banks and Insurance Companies
141203	Dividends from Shares in other companies
141204	Transfers from Other Regulatory Authorities
<b>1413</b>	<b>Withdrawal from Income of Quasi-corporations</b>
<b>1414</b>	<b>Property Income attributable to Insurance Policy Holders</b>
<b>1415</b>	<b>Rent</b>
141501	Surface Rental
141502	Stumpage Fees
141503	Chainsaw Lumber
141504	Non-Timber Forest Products/Fees
141505	Mineral Royalties
141506	Other Concessionary Income
141507	Sign-on Bonus
141508	Rent and Rates - Non-produced Assets from Private entities
141509	Rent and Rates - Non-produced Assets from other Government units
141510	Royalties
141511	Miscellaneous Rental Fees
<b>1416</b>	<b>Other Property Income</b>
141601	Sale of Produced/Constructed Government Properties/Assets

<b>Class 1</b>	<b>Revenues</b>
141602	Sale of Non-produced Government Properties/Assets
<b>142</b>	<b>Sale of Goods and Services</b>
<b>1421</b>	<b>Sale by Market Establishments</b>
142101	Rent and rates – Produced Assets (from Private Entities)
142102	Rates – Produced Assets (from Private Entities)
142103	Utilities (to Private Entities)
142104	Sale of Publications (to Private Entities)
142105	Sale of Drugs (to Private Entities)
142106	Sale of Petroleum Products (to Private Entities)
142107	Rent and rates – Produced assets (from other Government Units)
142108	Rates – Produced Assets (from other Government Units)
142109	Utilities (from other Government Units)
142110	Sale of Publications (from other Government Units)
142111	Sale of Drugs (from other Governments Units)
142112	Sale of Petroleum Products (from other Governments Units)
<b>1422</b>	<b>Administrative Fees and Licenses (User Fees, Charges &amp; Permits)</b>
142201	Park Fees (including Street Parking)
142202	Migration Permits
142203	Refuse collection charges/Public convenience
142204	Property Related Duties/Fees
142205	Advertisements/Bill Boards
142206	Animal & Crop Husbandry related Levies
142207	Registration (e.g. Births, Deaths, Marriages, etc.) Fees
142208	Registration of Businesses

<b>Class 1</b>	<b>Revenues</b>
142209	Educational/Instruction Related Levies
142210	Driving Permits/Licenses
142211	Agency Fees
142212	Court Filing Fees
142213	Fees from Court Appeals
142214	Other Court Fees
142215	Other Fees and Charges
<b>1423</b>	<b>Incidental Sales by Non-market Establishments</b>
<b>1424</b>	<b>Imputed Sales of Goods and Services</b>
<b>143</b>	<b>Fines, Penalties and Forfeits</b>
<b>1431</b>	<b>Court Fines and Penalties</b>
143101	Court Fines and Penalties (from Private Individuals and Entities)
143161	Court Fines and Penalties (from other Government Units)
<b>1432</b>	<b>Other fines and Penalties</b>
143201	Other Fines and Penalties (Private Entities)
143261	Other Fines and Penalties (from other Government Units)
<b>144</b>	<b>Voluntary Transfers other than Grants(NGOs)</b>
<b>1441</b>	<b>Current</b>
<b>1442</b>	<b>Capital</b>
<b>145</b>	<b>Miscellaneous and Unidentified revenue</b>
145001	Windfall Gains
145002	Reimbursements by other Bodies
145003	Miscellaneous Receipts/income

## EXPENSES

Class 2	Expenses
<b>21</b>	<b>COMPENSATION OF EMPLOYEES</b>
<b>211</b>	<b>Wages and salaries</b>
<b>2111</b>	<b>Wages and Salaries - Cash</b>
211101	Basic Salary - Civil Service
211102	Basic Salary - Military Service
211103	Basic Salary - Paramilitary Service
211104	Honorarium
211111	Wages
211121	General Allowance
211122	Special Allowance
211123	Allowance for Uniforms
211124	Transport Reimbursement Allowance
211125	Meals Reimbursement Allowance
211126	Professionals Fees
211127	Non-professionals (Casual Workers)
211128	Training Stipend for New Recruits
211129	Overtime
211130	Residential Rental and Lease Allowance
<b>2112</b>	<b>Wages and Salaries in Kind</b>
<b>212</b>	<b>Social Contributions</b>
<b>2121</b>	<b>Actual Social Contributions</b>
212101	Social Security Contributions
212102	Pension for General Civil Service

<b>Class 2</b>	<b>Expenses</b>
212103	Pension for Teachers
212104	Pension for Military Service
<b>2122</b>	<b>Imputed Social Contributions</b>
212201	Social Security Contributions – Imputed
<b>213</b>	<b>Other Employee Costs</b>
213001	Medical Expenses – To Employees
213002	Incapacity, Death Benefits and Funeral Expenses
213003	Severance Costs
<b>22</b>	<b>USE OF GOODS AND SERVICES</b>
<b>221</b>	<b>General Expenses</b>
<b>2211</b>	<b>Travel Expenses</b>
221101	Foreign Travel - Means of travel
221102	Foreign Travel - Daily Subsistence Allowance
221103	Foreign Travel - Incidental Allowance
221104	Domestic Travel - Means of Travel
221105	Domestic Travel - Daily Subsistence Allowance
221106	Domestic Travel - Incidental Allowance
221107	Carriage, Haulage, Freight and Transport Hire
<b>2212</b>	<b>Utilities</b>
221201	Electricity
221202	Water and Sewage
221203	Telecommunications, Internet, Postage and Courier
221204	Refuse Collection
221205	Other Utilities
<b>2213</b>	<b>Rent</b>

<b>Class 2</b>	<b>Expenses</b>
221301	Land Rental and Lease
221302	Residential Rental and Lease
221303	Office Buildings Rental and Lease
221304	Equipment Rental and Lease
221305	Vehicle Rental and Lease
<b>2214</b>	<b>Fuel and Lubricants</b>
221401	Fuel and Lubricants - Vehicles and Motor Cycles
221402	Fuel and Lubricants – Generators
<b>2215</b>	<b>Repairs and Maintenance</b>
221501	Repairs and Maintenance – Civil
221502	Repairs and Maintenance - Vehicles and Motor Cycles
221503	Repairs and Maintenance – Generators
221504	Repairs & Maintenance – Machinery, Equipment & Furniture
221505	Repairs and Maintenance – ICT Equipment
221506	Repairs and Maintenance – Other
<b>2216</b>	<b>Office Materials, Consumables &amp; Services</b>
221601	Cleaning Materials and services
221602	Stationery
221603	Printing, Binding and Publications Services
221604	Newspapers, Books and Periodicals
221605	Tools and Small Equipment
221606	Computer Supplies and IT Services
221607	Other Office Materials and Consumables
<b>2217</b>	<b>Consulting /Advisory services/Audit</b>
221701	Consultancy Services

<b>Class 2</b>	<b>Expenses</b>
221702	Expert/Specialist services
221703	Audit Fees
<b>2218</b>	<b>Specialized Materials and Services</b>
221801	Laboratory Consumables
221802	Military Materials, Supplies and Services
221803	Police Materials and Supplies
221804	Uniforms and Specialized Clothing
221805	Drugs and Medical Consumables
221806	Special Presidential Donations
221807	Agricultural Supplies and Inputs
221808	Intelligence Services
221809	Security Operations
221810	Jury Sequestration
<b>2219</b>	<b>Education and Training Related</b>
221901	Training Equipment and Tools
221902	Consumable Training Materials
221903	Text books
221904	Other Educational Materials and Supplies
221905	Training – Local
221906	Training – Foreign
221907	Training Allowance
221908	Study Tours
221909	Scholarships – Local
221910	Scholarships – Foreign
<b>222</b>	<b>Other Expenses</b>

<b>Class 2</b>	<b>Expenses</b>
<b>2221</b>	<b>Other General Expenses</b>
222101	Celebrations, Commemorations and State Visits
222102	Workshops, Conferences and Seminars
222103	Food and Catering Services
222104	Office Kitchen Appliances
222105	Entertainment Representation and Gifts
222106	Employee Awards
222107	Recruitment Expenses
222108	Advertising and Public Relations
222109	Operational Expenses
222110	Subscriptions
222111	Commissions and Related Charges
222112	IFMIS Recurrent Costs
222113	Guard and Security Services
222114	Bad Debts
222115	Financial Loss and Related Costs
222116	Bank Charges and other Bank Related Costs
222117	Exchange Gains and Losses
222118	Discounts Allowed
222119	Legal Dues and Compensations
222120	Legal Retainer Fees
222121	Other Legal Fees
222122	Compensation Ordered by Courts
222123	Other Compensations
<b>223</b>	<b>Insurance and Other Charges/Fees</b>

<b>Class 2</b>	<b>Expenses</b>
223201	Personnel Insurance
223202	Residential Property Insurance
223203	Office Building Insurance
223204	Equipment Insurance
223205	Land Insurance
223206	Vehicle Insurance
223207	Shipping, Storage and Handling
223208	Other Fees and Charges
<b>23</b>	<b>CONSUMPTION OF FIXED CAPITAL</b>
<b>231</b>	<b>Depreciation</b>
<b>2311</b>	<b>Depreciation Charge</b>
231111	Non-residential Buildings
231121	Residential Buildings
231131	Roads and Bridges
231141	Other Buildings and Structures
231151	Transport Equipment
231161	Machinery and other Equipment
231171	Furniture and Fixtures
231181	ICT infrastructure, Hardware, Networks and Facilities
231191	Other Fixed Assets
<b>232</b>	<b>Fixed Assets Acquisition</b>
<b>2321</b>	<b>Buildings and structures</b>
232101	Non-residential buildings
232111	Residential Buildings
232121	Roads and Bridges

<b>Class 2</b>	<b>Expenses</b>
232131	Other Structures
<b>2322</b>	<b>Machinery, Furniture and Equipment</b>
232201	Transport Equipment
232211	Machinery and other Equipment
232221	Furniture and Fixtures
<b>2323</b>	<b>ICT Infrastructure</b>
232301	ICT infrastructure, Hardware, Networks and Facilities
<b>2324</b>	<b>Other Fixed Assets</b>
232401	Other Fixed Assets
<b>233</b>	<b>Inventories</b>
<b>2331</b>	<b>Strategic Stocks</b>
233101	Petroleum Products
233102	Food Stuffs
<b>2332</b>	<b>Other Inventories</b>
233201	Materials and Supplies
233202	Work-In-Progress ( Including Cultivated Assets)
233203	Finished Goods
233204	Goods for Resale
<b>234</b>	<b>Valuables</b>
<b>2341</b>	<b>Precious Valuables</b>
234101	Precious Metals and Stones
234102	Antiques and other Art Objects
<b>235</b>	<b>Non-Produced Assets</b>
235101	Land
<b>24</b>	<b>INTEREST AND OTHER CHARGES</b>

<b>Class 2</b>	<b>Expenses</b>
<b>241</b>	<b>To Non-residents</b>
<b>2411</b>	<b>Loan Interest and Commitment Charges</b>
241101	Loan Interest - Bi-lateral
241102	Loan Interest - Multi-lateral
241103	Loan Interest - Private Entities and Other
241104	Commitment Charges - Bi-lateral
241105	Commitment Charges - Multi-lateral
241106	Commitment Charges - Private Entities and Other
<b>2421</b>	<b>To Residents other than General Government</b>
242101	Interest on Treasury Bills
242102	Interest on Bonds
242103	Interest on other Domestic Debt
<b>243</b>	<b>To other General Government Units</b>
<b>25</b>	<b>SUBSIDIES</b>
<b>251</b>	<b>To Public Corporations</b>
<b>2511</b>	<b>To Non-financial Public Corporations</b>
251101	Non-financial Public Corporations
<b>2512</b>	<b>To Financial Public Corporations</b>
251201	Financial Public Corporations
<b>252</b>	<b>To Private Enterprises</b>
<b>2521</b>	<b>To Non-Financial Private Enterprises</b>
252101	Education Facilities
252102	Health Facilities
<b>2522</b>	<b>To Financial Private Enterprises</b>
<b>26</b>	<b>Grants</b>

<b>Class 2</b>	<b>Expenses</b>
<b>261</b>	<b>To Foreign Governments</b>
<b>2611</b>	<b>Current</b>
<b>2612</b>	<b>Capital</b>
<b>262</b>	<b>To International Organizations</b>
<b>2621</b>	<b>Current</b>
262101	Contributions to International Organisations
<b>2622</b>	<b>Capital</b>
262201	Contributions to International Organisations
<b>263</b>	<b>To other General Government Units</b>
<b>2631</b>	<b>Current</b>
263101	Transfers to Ministries
263102	Transfers to Agencies
263103	Transfers to Counties – Conditional
263104	Transfers to Counties – Unconditional
263105	Transfers to other Government Units
263106	Transfers to Ministry of Finance
<b>2632</b>	<b>Capital</b>
263201	Transfers to Ministries
263202	Transfers to Agencies
263203	Transfers to Counties – Conditional
263204	Transfers to Counties – Unconditional
263205	Transfers to other Government Units
263206	Transfers to Ministry of Finance
<b>264</b>	<b>To Resident Non-government Units</b>
<b>2641</b>	<b>Current</b>

<b>Class 2</b>	<b>Expenses</b>
264101	Education Facilities
264102	Health Facilities
264103	National Sports Associations
264104	Youth, Women and Community Initiatives
264105	Contingency Transfers
<b>2642</b>	<b>Capital</b>
264201	Education Facilities
264202	Health Facilities
264203	National Sports Associations
264204	Youth, Women and Community Initiatives
264205	Contingency Transfers
<b>27</b>	<b>SOCIAL BENEFITS</b>
<b>271</b>	<b>Social Security benefits</b>
271101	Social Security benefits in Cash
271102	Benefits - Former Elected Officials
271103	Retirement Benefits
<b>2712</b>	<b>Social Security Benefits in kind</b>
<b>272</b>	<b>Social Assistance Benefits</b>
<b>2721</b>	<b>Social Assistance Benefits in Cash</b>
<b>2722</b>	<b>Social Assistance Benefits in Kind</b>
<b>273</b>	<b>Employer Social Security Benefits</b>
<b>2731</b>	<b>Employer Social Security Benefits in Cash</b>
273101	Medical Expenses – General Public
273102	Incapacity, Death Benefits and Funeral Expenses
273103	Severance Costs

<b>Class 2</b>	<b>Expenses</b>
2732	Employer Social Security Benefits in Kind
28	<b>OTHER EXPENSES</b>
281	Property Expense other than Interest
2811	Dividends - Public Corporations only
2812	Withdrawals of Income of Quasi- corporations
2813	Property Expense - Insurance Policy holders
2814	Rent
281401	Rental Non-Produced Assets
282	Miscellaneous other Expenses
2821	Current
282101	Donations
282121	Disposal of Assets - Loss/Gain
282131	Extra-ordinary Items - Losses/Gains

## ASSETS

<b>Class 3</b>	<b>Assets</b>
31	<b>NON-FINANCIAL ASSETS</b>
311	<b>Non-produced Assets</b>
3111	<b>Land</b>
311101	Land
3112	Subsoil Assets
3113	Other Naturally occurring Assets
3114	Intangible Non-produced Assets
312	<b>FIXED ASSETS</b>

<b>Class 3</b>	<b>Assets</b>
<b>3121</b>	<b>Buildings and Structures (Construction &amp; Finished)</b>
312101	Non-Residential Buildings
312102	Residential Buildings
312103	Roads and Bridges
312104	Other Buildings and Structures
312105	Taxes on Buildings and Structures
<b>3122</b>	<b>Machinery, Furniture &amp; Transport Equipment</b>
312201	Transport Equipment – Vehicles
312202	Transport Equipment – Other
312203	Furniture and Fixtures
312204	Taxes on Machinery, Furniture & Transport Equipment
<b>3123</b>	<b>ICT Infrastructure</b>
312301	ICT infrastructure, Hardware, Networks and Facilities
312302	Taxes on ICT Infrastructure
<b>3124</b>	<b>Other Fixed Assets</b>
312401	Other Fixed Assets
312402	Cultivated Assets
312403	Intangible Fixed Assets
<b>313</b>	<b>Valuables</b>
<b>314</b>	<b>Inventories (Stocks And Stores)</b>
<b>3141</b>	<b>Strategic Stock</b>
314101	Petroleum Products
314102	Food Stuffs
314103	Precious Metals and Minerals
<b>3142</b>	<b>Other Inventories</b>

<b>Class 3</b>	<b>Assets</b>
314201	Materials and Supplies
314202	Work in Progress
314203	Finished Goods
314204	Goods for Resale
<b>32</b>	<b>FINANCIAL ASSETS</b>
<b>321</b>	<b>Domestic</b>
<b>3211</b>	<b>Currency and Deposits (Cash and Bank)</b>
321101	The Consolidated Fund account
321102	Revenue Bank Accounts
321103	Expenditure Bank Accounts
321104	Project Bank Accounts
321105	Contingency Fund Account
321106	Collection Bank Accounts
321107	Cash in Transit
321108	Cash at Hand – Imprest
321109	Others
321110	Holding Accounts
<b>3212</b>	<b>Securities other than equity (Short-Term)</b>
321201	Corporate Bonds
321202	Promissory Notes
321203	Debentures
321204	Fixed Time Deposits
321205	Other Securities
<b>3213</b>	<b>Loans (Short-Term)</b>
321301	Government on lending - State Enterprises

<b>Class 3</b>	<b>Assets</b>
321302	Government on Lending – Agencies
321303	Government on Lending - Private Entities
<b>3214</b>	<b>Transfers To other Government Units-Clearing Grants</b>
321401	Transfers to Non-Financial Public Corporations
321402	Transfers to Financial Public Corporations
321403	County Conditional Transfers
321404	County Unconditional Transfers
321425	Contingency transfers
<b>3215</b>	<b>Advances</b>
321501	Staff Advances
321502	Departmental Advances
321503	Advances to other Government units (e.g. Foreign Missions and Embassies)
321504	Other Advances
<b>3216</b>	<b>Other accounts receivable</b>
321601	Trade Debtors
321602	Sundry Debtors
321603	Revenue Collection
321604	Domestic Arrears (Budgeting)
321605	External Debt repayment (Budgeting)
321606	Utility arrears (Budgeting)
321607	Pension General Service Arrears (Budgeting)
321608	Teachers Pensions arrears (Budgeting)
321609	Military Pensions arrears (Budgeting)
321610	Water Arrears (Budgeting)
321611	Telephone Arrears (Budgeting)

<b>Class 3</b>	<b>Assets</b>
321612	Electricity Arrears (Budgeting)
<b>3217</b>	<b>Securities other than Shares (Long-Term)</b>
321701	Corporate Bonds
321702	Promissory Notes
321703	Debentures
<b>3218</b>	<b>Shares and other equity</b>
321801	Shares in Public Corporations
321802	Shares in other Entities
<b>3219</b>	<b>Financial Derivatives</b>
<b>322</b>	<b>Foreign</b>
<b>3221</b>	<b>Currency and Deposits</b>
322101	Cash at Bank
<b>3222</b>	<b>Securities other than shares</b>
322201	Corporate Bonds
322202	Promissory Notes
322203	Debentures
<b>3223</b>	<b>Loans</b>
<b>3224</b>	<b>Shares and other equity</b>
<b>3225</b>	<b>Insurance technical reserves</b>
<b>3226</b>	<b>Financial derivatives</b>
<b>3227</b>	<b>Other accounts receivable</b>
<b>323</b>	<b>Monetary Gold and SDRs</b>

## LIABILITIES

Class 4	Liabilities
<b>41</b>	<b>DOMESTIC LIABILITIES</b>
<b>411</b>	<b>Currency and deposits</b>
<b>412</b>	<b>Securities other than shares</b>
412001	Treasury Bills
412002	Government Bonds
412003	Promissory Notes
<b>413</b>	<b>Loans</b>
413001	Commercial Banks
413002	Interest Payable
413003	Other
<b>414</b>	<b>Shares and other equity (Public Corporations)</b>
<b>415</b>	<b>Accounts payable</b>
415001	Trade Creditors
415002	Sundry Creditors
415003	Committed Creditors – Accruals
415004	Accountable Advances
415005	Withholding Tax Payable
415006	Deposits Received
415007	Advances from other Government Units
<b>416</b>	<b>Clearing Transfers from other Government Units</b>
416001	County Unconditional grants
416002	County Conditional grants
416003	Transfers to Non Financial Public Corporations

<b>Class 4</b>	<b>Liabilities</b>
416004	Transfers to Financial Public Corporations
416005	Ministerial /County Transfers
<b>417</b>	<b>Miscellaneous accounts payable</b>
<b>418</b>	<b>Pension Liabilities</b>
418001	Pension arrears – General public service
418002	Pension arrears – Education service
418003	Pension arrears – Military service
<b>42</b>	<b>FOREIGN</b>
<b>421</b>	<b>Currency Deposits</b>
<b>422</b>	<b>Securities other than Shares</b>
<b>423</b>	<b>Loans</b>
423001	Multi-laterals Loans
423002	Bi-lateral Loans
423003	Other Loans
423004	Interest Payable
<b>424</b>	<b>Shares and other Equity (public corporations)</b>
<b>427</b>	<b>Other Accounts Payable</b>
<b>428</b>	<b>Accumulated Depreciation</b>
<b>4281</b>	<b>Accumulated Depreciation – Buildings and Structures</b>
428101	Non-Residential Buildings
428102	Residential Buildings
428103	Roads and Bridges
428104	Other Structures
<b>4282</b>	<b>Accumulated Depreciation – Machinery, Furniture and Vehicles</b>
428201	Transport Equipment

<b>Class 4</b>	<b>Liabilities</b>
428202	Machinery and other Equipment
428203	Furniture and Fixtures
428204	ICT Infrastructure, Hardware, Network & Facilities
428205	Other Fixed Assets

## RESERVES

<b>Class 5</b>	<b>Reserves</b>
<b>51</b>	<b>GOL EQUITY FUNDS</b>
<b>511</b>	<b>Central Government Reserves</b>
<b>5111</b>	<b>Capital Reserves</b>
511101	Consolidated Fund
511102	Contingency Fund
<b>5112</b>	<b>Revenue Reserves</b>
511201	Revenue reserves
<b>512</b>	<b>Local Government Reserves</b>
<b>5121</b>	<b>Capital Reserves</b>
512101	Capital reserves
512102	Revaluation reserves
<b>5122</b>	<b>Revenue Reserves</b>
512201	Revenue reserves
<b>513</b>	<b>Equity</b>
513001	Accumulated Fund

## 13. EXPLANATORY NOTES

### CLASS 1 – REVENUES

#### 11: TAX REVENUE

##### 111: Individual Taxes on Income, Profits and Capital Gains

##### 1111: Payable by Individuals

##### 111101: Withholding on Salaries and Wages

This account shall be credited with remittances from employers in respect of deductions from employees for tax (Pay As You Earn) on Salaries, Wages and Allowances.

##### 111102: Withholding on self-employed Income

This account shall be credited with taxes on income from the self-employed.

##### 111103: Withholding on Rental Income

This account shall be credited with the remittance of ten percent (10%) of the rental proceeds on rented properties.

##### 111104: Withholding on Game-lotto Winnings

This account shall be credited with the amounts withheld and remitted to Government from lottery and other game winnings.

##### 111105: Withholding-Non Residents

This account shall be credited with amounts withheld and remitted to Government from income earned by non-residents.

##### 1112: Payable by Corporate Entities

##### 111201: Corporate Income Tax

Under this account shall be remittances in respect of taxes paid on company profits for current period. Prior year taxes shall also be credited on this account.

##### 111202: Presumptive Income Taxes

This account shall be credited with amounts deducted as advance part payments of corporation tax from

corporate entities/bodies.

**111203: Rubber Sales Tax Income**

This account shall be credited with taxes withheld and remitted to Government from the sale of natural rubber.

**1113: Unallocable Income and Profits**

This section will cater for other Unallocable taxes on Income, profits and capital gains.

**113101: Other Taxes on Income and Profits**

This account shall be credit with other taxes on Income and Profits.

**112: Taxes on payroll and workforce**

This section will cater for taxes on payroll and workforce. .

**113: Property Taxes**

**1131: Recurrent Taxes on Immovable Properties**

**113101: Taxes on Buildings**

This account shall be credited with taxes on the use, ownership, or transfer of buildings. This is normally based on the value of the building at a particular time but are deemed to accrue continuously over the entire year or the portion of the year that the building is owned, if less than the entire year.

**113102: Taxes on Land**

This account shall be credited with receipts in respect of premium/lease fee on land.

**114: Taxes on Goods and Services.**

**1141: General Taxes on goods and services**

Items under this category include all taxes, other than customs and other import duties and taxes on exports, levied on the production, leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. Such taxes may be levied regardless of whether the goods or services are produced domestically or imported, and they may be imposed at any stage of production or distribution.

**11411:** Range for Value Added Taxes (VAT) for future use.

**11412: Sales Taxes**

This category includes all general taxes levied at one stage only, whether at manufacturing or production stages or on wholesale or retail trade.

**114121: Domestic Goods and Service Tax (GST)**

This account shall be credited with general taxes levied on wholesale or retail trade of domestic goods and services.

**114122: Airline Ticket Tax**

This account shall be credited with general taxes levied on the sale of airline tickets.

**114123: Hotels Service Tax**

This account shall be credited with taxes levied on the sale hotel services.

**114124: Restaurant Service Tax**

This account shall be credited with taxes levied on the sale restaurant services.

**114125: Cinema and Video Tax**

This account shall be credited with taxes levied on sale of cinema and video services.

**114126: Pre-shipment Inspection**

This account shall be credited with pre-shipment inspection charges/fees.

**114127: Other GST**

This account shall be credited with other taxes levied on sale of goods and services.

**1142: Excise Duty**

Excises are taxes levied on particular products that are not classifiable under general taxes on goods and services; profits of fiscal monopolies; customs and other import duties; or taxes on exports. Excises may be imposed at any stage of production or distribution and are usually assessed by reference to the value, weight, strength, or quantity of the products. They may include special taxes on individual products such as sugar, matches, or chocolates.

**11421: Excise Taxes – Domestic**

The below taxes pertains to all such taxes collected by the Bureau of Internal Revenue on domestically produced goods.

**114211: Alcoholic and Non-Alcoholic Beverages**

This account shall be credited with excise duty on locally produced Alcoholic and Non-Alcoholic Beverages.

**114212: Tobacco and Tobacco Products**

This account shall be credited with excise duty on tobacco and tobacco products.

**114213: Cosmetics**

This account shall be credited with excise duty on cosmetics.

**114214: Jewelry**

*This account shall be credited with excise duty on jewelries.*

**114215: Luxury Goods - Vehicles**

This account shall be credited with excise duty on luxury vehicles.

**114216: Other Luxury Goods**

This account shall be credited with Excise duty on other luxury goods.

**11422: Excise taxes - Imported**

The below taxes pertains to all such duties collected on imported goods by the Bureau of Customs and Excise

**114221: Alcoholic and Non-Alcoholic Beverages**

This account shall be credited with excise duty on imported alcoholic and non-alcoholic beverages.

**114222: Tobacco and Tobacco Products**

This account shall be credited with excise duty on imported tobacco and tobacco products.

**114223: Cosmetics**

This account shall be credited with excise duty on imported cosmetics.

**114224: Jewelries**

This account shall be credited with excise duty on imported jewelries.

**114225: Luxury Goods - Vehicles**

This account shall be credited with excise duty on imported luxury vehicles.

**114226: Other Luxury Goods**

This account shall be credited with excise duty on other imported luxury goods.

**1143: Profits on Fiscal Monopolies****114301: Government Parastatals**

Under this account, shall be Profits (after tax) transferred to Government from Central Government owned Public Corporations or Public Quasi-Corporations that exercise monopoly powers over the production or distribution of a particular kind of good or service.

**114302: Local Government owned Corporation**

Under this account, shall be Profits (after tax) transferred to Government from Local Government owned Public Corporations or Public Quasi-Corporations that exercise monopoly powers over the production or distribution of a particular kind of good or service.

**1144: Taxes on Specific Services****114401: GSM Service Tax**

This account shall be credited with taxes levied on GSM services (airtime).

**114402: Airport Service & landing Fees/Charges**

This account shall be credited with taxes levied on airport service including landing fees/charges.

**114403: Land Service Charge**

This account shall be credited with taxes levied with respect to land service.

**114404: Seaport Service/Harbour Dues**

This account shall be credited with taxes levied on seaport service and/or harbour dues.

**1145: Taxes on use of Goods and on Permission to use Goods or Perform Activities.**

**11451: Taxes on Motor Vehicles**

This category includes taxes on the use of motor vehicles or permission to use motor vehicles. It does not include taxes on motor vehicles as property or net wealth or Tolls for use of roads, bridges, and tunnels.

**114511: License Plates**

This account shall be credited with fees received for issue of license plates for vehicles, motorbikes etc.

**114512: Annual Vehicle Registration Stickers**

This account shall be credited with fees received annually for vehicle registration stickers.

**114513: Road Maintenance Tax**

This account shall be credited with fees received for road maintenance.

**114514: Other Motor Vehicle Fees**

This account shall be credited with other motor vehicles fees (not specified) received.

**11452: Other Taxes on use of Goods and on Permission to use Goods or Perform Activities****114521: Professional License Fees**

This account shall be credited with proceeds in respect of fees on the issue of professional licenses.

**114522: Business Registration Fees**

This account shall be credited with receipts in respect of trading licenses to operate/conduct commercial and business services e.g. professional offices, shops, businesses, etc.

**114523: Registration Fees - Petty Traders**

This account shall be credited with receipts in respect of registration for petty businesses.

**114524: GSM License Fees**

This account shall be credited with receipts in receipt of licenses issued to GSM operators.

**114525: Operating Licenses & Land /Rail Service Charge**

This account shall be credited with fees received from sales of licenses to operate land and rails.

**114526: Exploration Fees**

This account shall be credited with fees received to grants permissions to carry out exploration.

**114527: Quarry License Fees**

This account shall be credited with quarry license fees received.

**114528: Gold License**

This account shall be credited with Gold license fees received.

**114529: Diamond License**

This account shall be credited with diamond license fees received.

**114530: Scrap Metals License**

This account shall be credited with Scrap Metals license fees received from sale scrap metals.

**114531: Other Mining License Fees**

This account shall be credited with other mining fees received.

**114532: Other Fees/Licenses**

This account shall be credited with any other fees received on use of Goods and on Permission to use Goods or Perform Activities.

**1146: Other Taxes on Goods and Services**

This section caters for other taxes on goods and services other than those included in the above sections. \

**11461: Maritime Revenue****114641: Registration Charges**

This account shall be credited with maritime registration revenues received by Government.

**114642: Tonnage Tax**

This account shall be credited with tonnage taxes received.

**114643: Deputy Commissioner Operations (DCO) - Distribution**

This account shall be credited with revenues received from the Deputy Commissioner Operations - distribution.

**114644: Small Water Crafts**

This account shall be credited with fees received from operators of small water crafts.

**114645: Registration/Name Change**

This account shall be credited with fees received for registration and name change.

**115 Taxes on International Trade****1151: Taxes and Duties on Imports****11511: Import Duties**

**115111: Essential Goods**

This account shall be credited with duties levied on imported essential goods entering the country.

**115112: Rice**

This account shall be credited with duties levied on rice imports entering the country.

**115113: Petroleum**

This account shall be credited with duties levied on Petroleum imports entering the country.

**115114: ECOWAS Trade Levy**

This account shall be credited with ECOWAS trade levies.

**115115: International GST**

This account shall be credited with general services tax on international goods.

**115116: Other Import Duties**

This account shall be credited with duties levied on other imported goods entering the country.

**11512: Customs Surcharge and other Duties on Imports****115121: Petroleum Sales Tax**

This account shall be used to receipt revenues from levies on petroleum sales.

**115122: Transshipment**

This account shall be credited with revenues from levies on transshipment.

**115123: Fish Levy**

This account shall consist of revenues from levies on fish imports.

**115124: Special Tax on Agricultural Products**

This account shall consist of revenues from special levies on agricultural products.

**115125: Customs User Fees**

This account shall be credited with customs user fees.

**115126: Customs Penalties and Fines**

This account shall consist of revenues from penalties and fines levied on imports.

**1152: Taxes on Exports**

This category covers taxes on goods exported out of the country.

**115201: Cocoa and Coffee**

This account caters to taxes levied on Cocoa and Coffee exports.

**115202: Rubber**

This account caters to taxes levied on Rubber exports.

**115203: Other Agriculture Products**

This account caters to taxes levied on other agricultural product exports.

**115204: Scraps**

This account caters to taxes levied on exported scrap materials.

**115205: Forest Products-Log Exports**

This account caters to taxes levied on exported forest products.

**115206: Other Exports**

This account caters to taxes levied on other exported products.

**116: Other Taxes**

This is revenue from unidentified taxes and interest penalties collected for late payment of taxes but not identifiable by tax category. These taxes are levied predominantly on a base or bases other than those described under the preceding tax headings.

**1161: Payable Solely by Business****116101: Arcelor Mittal****116102: Western Cluster****116103: Bong Mines/China Union****116104: National Oil Company of Liberia****116105: Billiton****116106: Putu Range****116107: Zwedru****116108: Klekle****116109: Kpo Resources****116110: Bea Mountain****116111: Libinc Oil Palm Inc****116112: Liberia Forest Products (EBF)****116113: Firestone Plantation Company****116114: ADA Commercial Inc****116115: Cestos****116116: Buchanan Power**

**116117: Buchanan Renewable**

**116118: American Liberian Mining Company**

**116119: Social Development Fund Revenue**

**1162: Payable by other than business or identifiable**

**116201: Regular Overdue**

**116202: Other Overdue**

**12: SOCIAL CONTRIBUTIONS**

**121: Social Security Contributions**

**1211: Employee Contributions**

This category shall contain actual receipts of contributions paid directly by employees or are deducted from employees' wages and salaries and transferred on their behalf by employers to secure entitlement to social benefits for the contributors, their dependants, or their survivors.

**1212: Employer Contributions**

This category shall contain actual receipts paid directly by employers, on behalf of employees to secure entitlement to social benefits for the employees, their dependants, or their survivors.

**1213: Self-employed or Non-employed contributions**

This category shall be credited with receipts from self-employed or non-employed persons on their own behalf that secure entitlement to social benefits for the contributors, their dependants, or their survivors.

**1214: Unallocable Contributions**

This category is for contributions whose source cannot be determined.

**122: Other Social Contributions**

This category covers actual and imputed contributions to social insurance schemes operated by Governments as employers on behalf of their employees that do not provide retirement benefits.

**1221: Employee Contributions**

This category contains amounts paid directly by employees or transferred from wages and salaries and other compensation by employers on behalf of employees.

**1222: Employer Contributions**

This category is credited with amounts paid by employers on behalf of employees.

**1223: Imputed Contributions**

This category covers the value of employer's social contributions that would be needed to secure the de facto entitlements to the social benefits.

### **13: GRANTS**

In general, Grants are non-compulsory current or capital transfers received by one Government unit from either another Government unit or an international organisation.

#### **1311: Current**

##### **131101: Grants - Foreign Governments (Current)**

This account shall include contributions (other than loans) from one Government unit to another Government unit for purposes of current expenses and not linked to or conditional to the acquisition of assets by the recipient.

#### **1312: Capital**

##### **131201: Grants - Foreign Governments (Capital)**

This account shall comprise contributions (other than loans) from one Government unit to another Government unit for purposes of acquiring assets by the recipient and may consist of a transfer of cash that the recipient is expected or required to use to acquire an asset or assets (other than inventories), the transfer of an asset (other than inventories and cash), the cancellation of a liability by mutual agreement.

#### **132: Grants from International Organizations**

##### **1321: Current**

##### **132101: Grants - International Organisations (Current)**

This account shall include contributions (other than loans) from an international organization (multilateral development partner) to a Government or Government unit for the purposes of current expenditures and not linked to or conditional to the acquisition of assets by the recipient.

##### **1322: Capital**

##### **132201: Grants International Organisations (Capital)**

This account shall include contributions (other than loans) from an international organization (multilateral development partner) to a Government or Government unit for the purposes of acquiring assets by the recipient and may consist of a transfer of cash that the recipient is expected or required to use to acquire an asset or assets (other than inventories), the transfer of an asset (other than inventories and cash), the cancellation of a liability by mutual agreement.

#### **133: From other general Government Units (Domestic Government Transfers)**

**1331: Grants from other Government units – Current****133101: Transfers Received by Ministries from Ministry of Finance (Current)**

This account shall contain transfers received by central Government Ministries and Projects from the Ministry of Finance in respect of recurrent expenses.

**133102: Transfers Received by Agencies from Ministry of Finance (Current)**

This account shall be posted with transfers received by entities from the Ministry of Finance, which are part of central Government other than Ministries.

**133103: County Conditional Grants (Current)**

This account shall include transfers received by County authorities to finance programmes agreed upon between the central Government and the County authorities; and these funds shall be for recurrent expenses.

**133104: County Unconditional Grants (Current)**

This account shall include transfers received by County authorities (without any conditions) to finance recurrent expenditure.

**133105: Transfers Received from Other Government units (Current)**

This account shall be credited with transfers received by Government units for recurrent activities. These will be received from Government units other than the Ministry of Finance.

**133106: Transfers Received by Ministry of Finance (Current)**

This account shall be credited with transfers received by Ministry of Finance from Government units.

**1332: Grants from other Government Units – Capital****133201: Transfers Received by Ministries from Ministry of Finance (Capital)**

This account shall be credited with transfers received by central Government Ministries and Projects for Capital expenditure purposes (acquisition of fixed assets).

**133202: Transfers Received by Agencies from Ministry of Finance (Capital)**

This account shall consist of transfers received by entities other than Ministries and Projects, which are part of central Government for Capital expenditure purposes (acquisition of fixed assets).

**133203: County Administration - Conditional Grants (Capital)**

This account shall consist of transfers received by the County authorities for asset acquisitions as agreed with central Government.

**133204: County Administration - Unconditional Grants (Capital)**

This account shall comprise transfers received by the County authorities, which when received and accounted for would have been identified as having been expended on assets.

**133205: Transfers received from other Government units – Capital**

This account shall contain transfers of a capital nature received by a Government unit from another Government unit. These are transfers between Government units without passing through the Treasury.

**133206: Transfers received by Ministry of Finance (Capital)**

This account shall be credited with transfers received by Ministry of Finance from Government units.

**14: Other Revenues: Non-Tax Revenues*****141: Property income***

This includes revenue earned by a general Government unit when it places financial and/or non-produced asset that it owns, at the disposal of other units.

**141101: Interest from Private Entities – Domestic**

This account shall contain interest earned on financial assets other than shares, loans and accounts receivable from domestic non Government entities. E.g. interest on project bank accounts, deposits, and other operational accounts held by Government units, within the country.

**141102: Interest from private entities – Foreign****1412: Dividends****141201: Dividends from Shares in Public Corporations**

This account shall be credited with receipts in respect of distributed profits of Public Corporation in which Government Units have shareholding or ownership.

**141202: Dividends from shares in Banks and Insurance Companies**

This account shall be credited with receipts in respect of distributed profits of Banks and Insurance Companies in which Government units have shareholdings or ownership.

**141203: Dividends from Shares in other companies**

This account shall be credited with receipts in respect of distributed profits of other companies in which Government units have shareholdings or ownership.

**141204: Transfers from Other Regulatory Authorities**

This account shall be credited with receipts in respect of contribution from independent regulatory authorities, lodged with the Central Government's Treasury.

**1413: Withdrawals from Income of Quasi-corporations**

**1414: Property income attributable to insurance policy holders**

**1415: Rent**

The accounts 141501 to 141506 below (specific headers) will be credited with property income received from certain leases of land, subsoil assets, and other naturally occurring assets.

**141501: Surface Rental**

**141502: Stumpage Fees**

**141503: Chainsaw Lumber**

**141504: Non-Timber Forest Products/Fees**

**141505: Mineral Royalty**

**141506: Other Concessionary Income**

**141507: Sign on Bonus**

This account shall be used to capture all sign on bonuses paid to the Government by private entities.

**141508: Rent and Rates - Non-produced Assets from Private Entities**

This account shall be used to capture all rentals and rates arising out of hire of naturally occurring assets from private entities e.g. rent for use of Government forests for lumbering, etc.

**141509: Rents and Rates- Non-produces Assets from other Government Units**

This account shall be used to capture all rentals and rates arising out of hire of naturally occurring assets from other Government Units, e.g. rent for the use of Government forests for lumbering, etc. Whereas, it is revenue to one unit, it will be an expense to the other unit. At consolidation, the revenue and expenditure would cancel out.

**141510: Royalties**

This account will include proceeds from the sale of rights to third parties or to other Government units to access future economic benefits out of another Government unit's asset, franchise, and sale of patents and copyrights.

**141511: Miscellaneous Fees**

This account will be credited with income received from other subsoil assets and other naturally occurring assets not identified above.

## **1416: Other Property Income**

### **141601: Sale of Produced/Constructed Government Properties/Assets**

Income received from disposal of produced/constructed Government properties/assets, proceeds from liquidated enterprises, sale of Government stores, sale of houses, sale of scrap and sale of vehicles and plants. This code should only be used if the sold property has not already been captured in the assets for the entity. In case it already exists in the assets, then the transaction is simply transformation of the asset to cash where the difference between the selling price and asset value will be a profit/(loss) on disposal.

### **141602: Sale of Non-produced Government Properties/Assets**

Income received from disposal of non-produced/constructed Government properties/assets such as land, forests, water and mineral deposits. This code should only be used if the sold property has not already been captured in the assets for the entity. In case it already exists in the assets, then the transaction is simply transformation of the asset to cash where the difference between the selling price and asset value will be a profit/(loss) on disposal.

## **142: Sale of Goods and Services**

### **1421: Sale by market establishments**

This category consists of the sales of all market establishments that are part of the units for which statistics are being compiled. A market establishment within a Government unit is an establishment that sells or otherwise disposes of all or most of its output at prices that are economically significant.

#### **142101: Rent and Rates - Produced Assets (from Private Entities)**

This account shall contain receipts in respect of income from lease/hire of residential and non-residential buildings, plants, vehicles, canteens rent, accommodation charge, hire of stadiums and parks, rent of state lodges and staff houses, offices and halls received from entities that are not Government units.

#### **142102: Rates - Produced Assets (from Private Entities)**

This account shall comprise charges for use of produced Government assets received from entities that are not Government units. E.g. charges for real property, etc.

#### **142103: Utilities (to Private Entities)**

This account shall comprise income from provision of utility services such as water, electricity, gas, other fuels, received from entities that are not Government units etc.

#### **142104: Sale of Publications (to Private Entities)**

This account will be credited with proceeds from the sale of in-house publications to non – Government units including books, newspapers, photos, magazines, forms, record books and any other publications by Government units.

#### **142105: Sale of Drugs (to Private Entities)**

This account shall comprise proceeds from the sale of pharmaceuticals, veterinary drugs, herbicides and related drugs to non Government units.

**142106: Sale of Petroleum Products (to Private Entities)**

This account shall be credited with proceeds from the sale of petroleum products to non Government units, including aviation fuel, diesel, kerosene, motor oils and others.

**142107: Rent & rates – Produced assets (from other Government Units)**

This account shall contain receipts in respect of income from lease/hire of residential and Non-residential buildings, plants, vehicles, canteens rent, accommodation charges, hire of stadiums and parks, rent of Government lodges and staff houses, letting of offices and institutional housing rent received from Government units.

**142108: Rates – Produced assets (from other Government Units)**

This account shall comprise rates and charges for use of produced Government assets received from Government units. E.g. rates for real property, etc

**142109: Utilities (from other Government Units)**

This account shall comprise income from provision of utility services such as water, electricity, gas, other fuels, received from Government units etc.

**142110: Sale of Publications (from other Government Units)**

This account will be credited with proceeds from the sale of in-house publications to Government units including books, newspapers, photos, magazines, forms, record books and any other publications by Government units.

**142111: Sale of Drugs (from other Government Units)**

This account shall comprise proceeds from the sale of pharmaceuticals, veterinary drugs, herbicides and related drugs to Government units.

**142112: Sale of Petroleum Products (from other Government Units)**

This account shall be credited with proceeds from the sale of petroleum products to Government units, including aviation fuel, diesel, kerosene, motor oils and others.

**1422: Administrative Fees and Licenses (User Fees, Charges & Permits)**

**142201: Park Fees (include street parking)**

This account will be credited with receipts from taxi, motor cycle park fees, Taxi/bus park fees,

and other commercial transport.

**142202: Migration Permits**

This account shall comprise receipts in respect of visa fees, immigration fees, renewal of passports, passport fees, work permits and fees charged for temporary passes.

**142203: Refuse collection charges/Public convenience**

This account shall contain fees for public convenience facilities and refuse collection.

**142204: Property related Duties/Fees**

This account will include receipts in respect of; administrator of estates fees, land premium, land survey, building permits survey, property transfer fees, land fees, and sketch plan.

**142205: Advertisements/Bill Boards**

This account will be posted with billboard placements in and around towns/cities, and advertising income from television, radio and newspapers.

**142206: Animal & Crop Husbandry Related Levies**

This account will contain receipts from cattle branding, movement of livestock permits, quarantine charges, slaughter fees, crop husbandry and the like.

**142207: Registration (e.g. Births, Deaths, Marriages, etc.) Fees**

This account will comprise receipts issue of birth certificates, death certificates, marriage certificates and any other certifications of similar nature.

**142208: Registration of Businesses**

This account will be credited with registration of business, companies, business names, documents, transfer fees, alterations, patents, and trademarks.

**142209: Educational/Instruction Related Levies**

This account will contain receipts from the Registration of schools, driving school operations, admission fees and tuition fees in Government institutions such in tertiary institutions.

**142210: Driving Permits**

This account shall be credited with proceeds from driving test, form fees, fees for provisional driving permits, fees for replacements of driving permits, fees for new and duplicate driving permits, and renewals of driving permits. NOTE that fines arising out of evasion of driving permit duties should be captured under 143201 (Other fines and penalties).

**142211: Agency Fees**

This account shall contain agency fees, valuations, agents' fees and tender fees.

**142212: Court Filing Fees**

This account shall be used to capture all fees and charges for filing cases in courts of law, within the Republic of Liberia.

**142213: Fees from Court Appeals**

This account will contain income from fees in respect of appeals of all nature.

**142214: Other Court Fees**

This account shall contain other court fees not classified elsewhere above.

**142215: Other Fees and Charges**

This account shall contain other fees and charges not classified elsewhere above.

**1431: Court Fines and Penalties**

**143101: Court Fines and penalties (from Private Individuals and Entities)**

This shall include income raised through court bails and income from court rulings requiring guilty parties (which are not Government units) to make payments as part of the fines for offences committed.

**143161: Court Fines and Penalties (from other Government Units)**

This shall include income raised through court bails and income from court rulings requiring guilty parties (Government units) to make payments as part of the fines for offences committed.

**1432: Other Fines and Penalties**

**143201: Other fines and penalties (Private Entities)**

This account shall be used to record proceeds from tax default charges and fines from private entities e.g. Surcharge on income tax, surcharge on corporation tax, etc.

**143261: Other fines and Penalties (from other Government Units)**

This account will be used to record proceeds from tax default charges and fines from Government units.

**144: Voluntary Transfers other than Grants( NGOs)**

Gifts and voluntary donations from individuals, private Non-Profit institutions, Non-Governmental foundations, corporations and any other source other than Government and international organisations.

**1441: Current**

Gifts and voluntary donations from individuals, private Non-Profit institutions, Non-Governmental foundations, corporations and any other source other than Government and international organisations received to finance current expenditures.

**1442: Capital**

Gifts and voluntary donations from individuals, private Non-Profit institutions, Non-Governmental foundations, corporations and any other source other than Government and international organisations received to finance capital expenditures or expenditures of capital nature.

**145: Miscellaneous and Unidentified Revenue****145001: Wind Fall Gains**

This account shall be used to capture unexpected/fortunate gains.

**145002: Reimbursements by other Bodies**

This account shall be used to capture income from payments for damage of Government property other than payments from judicial processes.

**145003: Miscellaneous Receipts/Income**

This account shall be used to capture all other income from payment not mentioned or that do not fit in any other category.

## **CLASS 2 – EXPENSES**

### **21: COMPENSATION OF EMPLOYEES**

Compensation to employees is measured by the value of remuneration in cash or kind an employee is entitled to receive from an employer for work done during the relevant period, whether paid in advance, simultaneously, or in arrears of the work itself.

#### **2111: Wages and Salaries - Cash**

This encompasses all compensation of Government employees

##### **211101: Basic Salary - Civil Service**

This account shall include salaries of all personnel regardless of designation, level or duration of employment as long as their remuneration qualifies as part of the Government of Liberia Wage Bill. This will include staff engaged in managing, coordinating and supervising the work of others as well as those engaged in clerical duties and those engaged in duties/activities of a manual nature. A few examples include Ministers, Heads of Agencies and other bodies in similar categories, Heads of Sections, Units etc). The lower levels will include Accounts Clerks, Accounts Assistants, Financial Analysts, Revenue Analysts, Messengers, General Clerks, Secretaries, Typists, Drivers, Cleaners, etc.

##### **211102: Basic Salary - Military Service**

This account shall include salaries and wages of military personnel regardless of designation, level or tenure of employment provided their remuneration qualifies as part of the Government of Liberia wage bill.

##### **211103: Basic Salary – Paramilitary**

This account shall include salaries and wages of paramilitary personnel regardless of designation, level or tenure of employment provided their remuneration qualifies as part of the Government of Liberia wage bill.

##### **211104: Honorarium**

Charged to this account shall be lump sum cash payments (not aggregated as part of basic salaries (211101, 211102 or 211103 above) for Honoraria.

##### **211111: Wages**

This consists of payments in cash to employees in return for services rendered, before deduction of withholding taxes and employees' contribution to social security schemes.

##### **211121: General Allowances**

This account captures lump sum cash payments of regular period (monthly) to all staff of Ministries and

Agencies.

**211122: Special Allowance**

This account is populated with lump sum cash payments of regular period (monthly) to those holding appointed positions as well as those designated by the Ministers (or equivalent) to receive such allowance.

**211123: Allowance for uniforms**

Charged to this account shall be lump sum payments for official uniforms to be used by employees of Government in the discharge of their functions (e.g. Customs or Immigration Officers).

**211124: Transport Reimbursement Allowance**

Charged to this account shall be lump sum payments (as per approved ordinances) made to officials or other employees of Government, who use their own vehicle, cash or otherwise in transporting themselves on official engagements.

**211125: Meals Reimbursement Allowance**

Charged to this account shall be lump sum payments (as per approved ordinances) made to employees of Government who use their own resources in feeding themselves while on official duty.

**211126: Professionals Fees**

This account captures remuneration paid to contracted staff for which skills are not identified among the regular Government employees. Included in this category Lawyers, Accounting experts, and other experts.

**211127: Non-Professionals (Casual Workers) Pay**

This account captures remuneration paid to contracted staff who do not qualify as professionals (211126).

**211128: Training Stipend for New Recruits**

This account captures remuneration paid to new recruits and other personnel.

**211129: Overtime**

This account shall be debited with payments made to employees of Government for approved extra time worked on Government-related assignments. The calculation of overtime starts with any time in excess of the statutory work period.

**211130: Residential Rental and Lease Allowance**

This account is to capture allowances paid to officials and other designated beneficiaries for residential rental and lease.

**2112: Wages and Salaries in kind**

This category consists of payments in kind to employees in return for services rendered.

**212: SOCIAL CONTRIBUTIONS**

**2121: Actual Social Contributions**

This account shall record actual payments made by the Government to social insurance schemes to obtain entitlements to social benefits for the employees, including pensions and other retirement benefits.

**212101: Social Security Contributions**

This account shall record the employer's portion of social security contributions paid directly to a social security scheme on behalf of its employees' welfare. Examples are old age security payments, unemployment benefits, disability protection, pension payments gratuities, etc.

**212102: Pension for General Civil Service**

This account shall record pension payments for former members of the General Civil Service. It excludes pension payments for Teachers and Military.

**212103: Pension for Teachers**

This account shall be charged with pension payments to the former Teachers.

**212104: Pension for Military Service**

This account shall be charged with pension payments to the former military officers.

**2122: Imputed Social Contributions**

Social contributions equal in value to the amount of social contributions that would be needed to secure the de facto entitlements should be imputed.

**212201: Social Contributions - Imputed**

Where there is no social security scheme and the employer pays the various benefits directly to the employee at the agreed time, the monthly equivalent of such payments prior to the date of payment, shall be charged on this account (and not on account 212101).

**213: Other Employee Costs****213001: Medical expenses - To employees**

This account shall be charged with expenses incurred on drugs and other medical supplies purchased by staff either on an individual or group basis from local chemists/pharmacies or hospitals and clinics. Included here too shall be the cost of medical treatment and hospitalization including surgical operation. Included here too, shall be contributions for staff in respect of a medical insurance scheme. This will cover expenditures incurred within the country and abroad. If similar costs are incurred for the benefit of any person who is not a Ministry/Agency member of staff, they should not be coded to this account but rather to 273101.

**213002: Incapacity, Death Benefits and Funeral Expenses**

Payments/benefits paid directly to staff or their dependants incapacitated through injury, prolonged sickness or death. This account shall also be charged with funeral and burial expenses: e.g. cost of coffin,

transportation of body to burial place, cost of transporting mourners, etc. If similar costs are incurred for the benefit of any person who is not a Ministry/Agency member of staff, they should not be coded to this account but rather to 273102.

### **213003: Severance Costs**

This account shall be charged with payments in respect of the termination or redundancy of employees in accordance with the law or express contractual arrangements that the employer might have established or other voluntary agreement reached between the employer and a particular employee. (Amounts that might be included are Ex-gratia, Transport, Gratuity, Notice,

Untaken leave, etc.) If similar costs are incurred for the benefit of any person who is not a Ministry/Agency member of staff, they should not be coded to this account but rather to 273103.

## **22: USE OF GOODS AND SERVICES**

### **221: General Expenses**

#### **221101: Foreign Travel - Means of Travel**

This account shall be charged with the airline ticket costs, other transport costs including local transport for official foreign travel.

#### **221102: Foreign Travel - Daily Subsistence Allowance**

This account shall be populated with daily per diems (official per the travel ordinance) per country of travel.

#### **221103: Foreign Travel - Incidental Allowance**

This account shall be charged with incidental allowances for foreign travel while on official duty. Warm clothing allowance should be charged to this account.

#### **221104: Domestic Travel - Means of Travel**

This account shall be charged with the cost of domestic travel ticket, other transport costs including local transport for official in-country travel.

#### **221105: Domestic Travel - Daily Subsistence Allowance**

This account shall be populated with daily per diems (official per the travel ordinance) for domestic travel (travel in the Country).

#### **221106: Domestic Travel - Incidental Allowance**

This account shall be charged with incidental allowances for domestic travel while on official duty. Warm clothing allowance should be charged to this account.

#### **221107: Carriage, Haulage, Freight and Transport Hire**

This account will be charged with the costs of freight, haulage & clearing of goods and supplies procured by Government units to their place of aboard. Included hereto will be the cost of vehicle hire for persons

and/or goods.

**2212: Utilities**

**221201: Electricity**

This account shall be charged with the cost of electricity consumed.

**221202: Water and Sewage**

This account shall include cost of metered water and payment to the Water Corporation for sewage services.

**221203: Telecommunications, Internet, Postage and Courier**

This account shall be charged with the cost of telephones, whether fixed or mobile lines, and faxes. Included here too, shall be the cost of equipment if in the form of cables. Additionally, this account shall be charged with the recurrent costs of information and communications technology, Internet, E-mail, Local Area Network (LAN) maintenance etc. Lastly, this account shall be also be charged with the cost of postage, stamped envelopes, postal registry and money order fees, and parcels delivered by post or courier.

**221204: Refuse Collection**

This account is shall be charged with the cost of collecting refuse/garbage.

**221205: Other Utilities**

This account shall be debited with the cost of other utility services such as firewood, charcoal, fuels, gas, etc.

**2213: Rent**

**221301: Land Rental and Lease**

This account shall be charged with land rental and lease. Included here too are real property taxes paid on rented and leased land including commissions paid to real estate agents for negotiating the rental and lease.

**221302: Residential Rental and Lease**

This account is to be used to record residential rental and lease. Real estate taxes paid on the rented or leased property and associated commissions to the real estate agents for negotiating the rental and leases should be charged here.

**221303: Office Buildings Rental and Lease**

This account is to be used to record office buildings rental and lease. Real estate taxes paid on the rented or leased buildings and associated commissions to the real estate agents for negotiating the rental and lease should be charged here.

**221304: Equipment Rental and Lease**

This account is to be used to record equipment rental and lease. Taxes paid on the rented or leased

equipment and associated commissions to the real estate agents for negotiating the rental and leases should be charged here.

**221305: Vehicle Rental and Lease**

This account is to be used to record vehicle rental and lease. Taxes paid on the rented or leased vehicles and associated commissions to the real estate agents for negotiating the rental and leases should be charged here.

**23: CONSUMPTION OF FIXED CAPITAL**

This is the decline during the course of an accounting period in the value of fixed assets owned and used by Government units as a result of physical deterioration, normal obsolescence or normal accidental damage.

**231: Depreciation**

**231111: Depreciation - Non-residential Buildings**

This account shall be debited with the loss in value, for the period, of non-residential buildings as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428101.

**231121: Depreciation - Residential Buildings**

This account shall be debited with the loss in value, for the period, of residential buildings as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428102.

**231131: Depreciation - Roads and Bridges**

This account shall be debited with the loss in value, for the period, of roads and bridges as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428103.

**231141: Depreciation – Other Buildings and Structures**

This account shall be debited with the loss in value, for the period, of other buildings and structures as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428104.

**231151: Depreciation - Transport Equipment**

This account shall be debited with the loss in value, for the period, of transport equipment as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. Transport equipment includes motor vehicles, trailers and semi trailers, ships, railway locomotives, aircrafts, motorcycles, bicycles and other equipment for moving people and objects. The corresponding credit should be made to code 428201.

**231161: Depreciation - Machinery and other Equipment**

This account shall be debited with the loss in value, for the period, of plant, machinery and other equipment as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428202.

**231171: Depreciation - Furniture and Fixtures**

This account shall be debited with the loss in value, for the period, of furniture and fixtures (office and residential) as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428203.

**231181: Depreciation - ICT Infrastructure, Hardware, Network & Facilities**

This account shall be debited with the loss in value, for period, of ICT Infrastructure, hardware, network and other infrastructure, as a result of use, physical deterioration, normal obsolescence, or accidental damage. The corresponding credit should be made to code 428204.

**231191: Depreciation - Other Fixed Assets**

This account shall be debited with the loss in value, for the period, of any asset apart from those mentioned above (231110 to 231188) as a result of use, physical deterioration, normal obsolescence, or normal accidental damage. The corresponding credit should be made to code 428205.

**232: Fixed Assets Acquisition**

This is the cost of ownership incurred on the acquisition of fixed assets.

**2321: Buildings and structures****232101: Non-residential Buildings**

This account shall be charged with the cost of ownership incurred in the acquisition or construction of all buildings other than residential buildings. Examples include office buildings, schools, hospitals, and buildings for public entertainment, warehouse and industrial buildings, commercial buildings, hotels and restaurants.

Buildings acquired for military purposes other than dwellings are included here, for example buildings for administration purposes.

**232111: Residential Buildings**

This account shall be charged with the cost of ownership incurred on the acquisition or construction of residential buildings and structures.

**232121: Roads and Bridges**

This is the cost of ownership incurred on the acquisition or construction of highways, streets, roads, bridges, elevated highways, airfield runways, railways and subways.

**232131: Other Structures**

This is the cost of ownership incurred on the acquisition of all structures other than buildings, roads and bridges. Included are the following; Sewers, waterways, harbours, dams, other waterworks, shafts, tunnels and other structures associated with mining subsoil assets, power lines, pipelines, outdoor sport, recreation facilities etc.

**2322: Machinery, Furniture and Equipment**

This is the cost of ownership incurred on the acquisition Machinery, Furniture and Equipment.

**232201: Transport Equipment**

This is the cost of ownership incurred on the acquisition transport equipment. Included in here are motor

vehicles, trailers and semi trailers, ships, railway locomotives, aircrafts, specialized vehicles, motorcycles, and bicycles and other equipment for moving people and objects.

**232211: Machinery and other Equipment**

This is the cost of ownership incurred on the acquisition machinery and other equipment. The types of asset that included under this category are; general and special purpose machinery: office equipment excluding computers; electrical machinery; medical appliances, precision and optical instruments; watches and clocks; musical instruments and sports goods etc.

**232121: Furniture and Fixtures**

This is the cost of ownership incurred on the acquisition furniture and fixtures. Assets under this category include office and residential furniture such as desks, chairs, cabinets, and curtains.

**2323: ICT Infrastructure**

**232301: ICT infrastructure, Hardware, Software, and Networks**

This is the cost of ownership incurred on the acquisition or construction of computer hardware, telecommunication infrastructure, networks equipment, software and licenses, radio and audio equipment, data communication centers and other ICT equipment.

**2324: Other Fixed assets**

**232401: Other Fixed Assets**

This is the cost of ownership incurred on the acquisition of other fixed assets not mentioned in categories 2321 to 2323 above.

**233: Inventories**

**2331: Strategic stocks**

**233101: Petroleum Products**

This account shall be charged with the cost of acquisition of stocks of petroleum products (petrol, diesel, kerosene etc) held by the Government for strategic and emergency purposes. This category does not include goods for resale.

**233102: Food Stuffs**

This is the cost of acquisition stocks of foods stuffs held by the Government for strategic and emergency purposes. This category does not include food stuffs for resale.

**2332: Other inventories**

This category covers the cost of acquisition for materials and supplies, work in progress, finished goods and Goods for resale

**233201: Materials and Supplies****233202: Work-in-Progress (including cultivated assets)****233203: Finished Goods****233204: Goods for Resale****234: Valuables****2341: Precious Valuables****234101: Precious Metals and Stones**

This account shall be charged with the cost precious metals and stones.

**234102: Antiques and other Art Objects**

This account shall be charged with the cost of paintings, sculptures, and other works of art or antiques, and other collections of considerable value that are owned and displayed by Government museums and similar organisations for the purpose of producing non-market services, mostly collective services.

### **235: Non-produced assets**

#### **235101: Land**

This account shall be charged the cost of acquisition of land including, including the soil covering, associated surface water, and major improvements that cannot be physically separated from the land, but excluding the following;

- Buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels.
- Cultivated vineyards, and other plantations of trees, animals, and crops.
- Subsoil assets such as minerals, oil, and natural gas.
- Non cultivated biological resources
- Water resources below the ground.

The associated surface water includes any reservoirs, lakes, rivers, and other inland waters over which ownership rights can be exercised.

### **24: INTEREST**

Interest pertains to amounts payable by Government/ Government entities that incur certain kinds of liabilities, namely deposits, securities other than shares, loans and accounts payable.

#### **241: To non residents**

##### **2411: Loan Interest and other charges**

**241101: Loan Interest - Bi-lateral**

This account shall be charged with interest on loans from foreign Governments.

**241102: Loan Interest - Multi-lateral**

This account shall be charged with interest on loans from multi-lateral organizations.

**241103: Loan Interest - Private Entities and Other**

This account shall be charged with interest on foreign loans private entities and other organisations.

**241104: Commitment Charges – Bi-lateral**

This account shall be charged with commitment charges on loans from foreign Governments. They are charges on newly-acquired loans and levied as a percentage of the loan amount prior to the loans themselves being disbursed by the lender.

**241105: Commitment Charges – Multi-lateral**

This account shall be charged with commitment charges on loans from multilateral organizations. They are charges on newly-acquired loans and levied as a percentage of the loan amount prior to the loans themselves being disbursed by the lending institution.

**241106: Commitment Charges - Private Entities and other**

This account shall be charged with commitment charges on other foreign loans from private entities and other organisations. They are charges on newly-acquired loans and levied as a percentage of the loan amount prior to the loan amount prior to the loans themselves being disbursed by the lending institution.

**2421: To Residents other than General Government****242101: Interest on Treasury Bills**

This account shall be charged with interest on treasury bills and other Government securities issued.

**242102: Interest on Bonds**

This account shall be charged with interest on bonds issued by the Central Government or Government entities.

**242103: Interest on other Domestic Debt**

This account shall be charged with any other interest on domestic debts that is not elsewhere classified.

**243: To other General Government Units**

**25: SUBSIDIES**

**251: To public corporations**

**2511: To Non-financial Public Corporations/Institution**

**251101: Non-financial Public Corporations**

Subsidy by the Government of Liberia to support non-financial Public Corporations as approved in the National Budget.

**2512: To Financial Public Corporations:**

**251201: Financial Public Corporations**

Subsidy by the Government of Liberia to support Financial Public Corporations as approved in the National Budget.

**252: To Private Enterprises**

**2521: To Non-financial Private Enterprises**

**252101: Education Facilities**

Subsidy by the Government of Liberia to support private education facilities as approved in the National Budget.

**252102: Health Facilities**

Subsidy by the Government of Liberia to support private health facilities as approved in the national budget.

**26: Grants**

Grants are non-compulsory current or capital transfers from one Government unit to another Government unit or an international organization. Grants are classified first by the type of unit receiving the grant and then by whether the grant is current or capital.

**261: To Foreign Governments**

**2611: Current**

This section shall contain all grants or contributions of a current (or short term use e.g. for activities that will last for not more than one year) nature made by the Government or any other Government units to Governments of other countries.

**2612: Capital**

This section shall contain all grants or contributions of a capital (long term use e.g. activities that will last

for more than one year) nature made by the Government or any other Government units to Governments of other countries.

**262: To International Organizations**

**2621: Current**

These are contributions (other than loans) made by a Government unit for the purpose of current expenses and not linked to or conditional to the acquisition of assets by the recipient.

**262101: Contributions to International Organisations**

This account shall be used to capture all current contributions made by the Government of Liberia to the International Organisations.

**2622: Capital**

In general, these are contributions (other than loans) made by the Government of Liberia or a Government unit for the purposes of acquiring assets by the recipient and may consist of a transfer of cash that is expected or required to use to acquire an asset or assets (other than inventories), the transfer of an asset (other than inventories or cash) or the cancellation of a liability by mutual agreement.

**262201: Contributions to International Organisations**

This account is to be charged with capital grants to international organisations, mainly multi-lateral agencies, where all countries are member countries like the UN Agencies, the World Bank, etc.

**263: To other General Government Units**

**2631: Current**

In general, these are contributions (other than loans) made by one Government unit to another Government unit for the purposes of current expenses and not linked to or conditional to the acquisition of assets by the recipient.

**263101: Transfers to Ministries**

This account shall be charged with Current Grants from Ministry of Finance to Government Ministries.

**263102: Transfers to Agencies**

This account shall be charged with current grants from Ministry of Finance to Government Agencies.

**263103: Transfers to Counties - Conditional**

This account shall be charged with conditional current Grants from Ministry of Finance to Counties.

**263104: Transfers to Counties - Unconditional**

This account shall be charged with unconditional current grants from Ministry of Finance to Counties.

**263105: Transfers to other Government Units**

This account shall be charged with current grants from Ministry of Finance to other Government units.

**263106: Transfers to Ministry of Finance**

This account shall be charged with transfers to Ministry of Finance by Ministries, Agencies and Counties. These will include Non Tax Revenue collected, unspent balances and any other refunds.

**2632: Capital**

**263201: Transfers to Ministries**

This account shall be charged with capital grants from Ministry of Finance to Government Ministries.

**263202: Transfers to Agencies**

This account shall be charged with capital grants from Ministry of Finance to Government Agencies.

**263203: Transfers to Counties - Conditional**

This account shall be charged with conditional capital grants from Ministry of Finance to Counties.

**263204: Transfers to Counties – Unconditional**

This account shall be charged with unconditional capital grants from Ministry of Finance to Counties.

**263205: Transfers to other Government Units**

This account shall be charged with capital grants from Ministry of Finance to other Government units.

**263206: Transfers to Ministry of Finance**

This account shall be charged with transfers to treasury by Ministries, Agencies and Counties. These will include non tax revenue collected, unspent balances and any other refunds. Use this account only if the refund is for a capital nature.

**264: To Resident Non-Government Units**

**2641: Current**

In general, these are contributions (other than loans) made by a Government unit to autonomous resident non-Government organisations for purposes of current expenses and not linked to or conditional to the acquisition of assets by the recipient.

**264101: Transfers to Education Facilities**

Transfers to support private education facilities by the Government of Liberia, as approved in the National Budget for current expenses.

**264102: Transfers to Health Facilities**

Transfers to support private health facilities by the Government of Liberia as approved in the National Budget for current expenses.

**264103: Transfers to National Sports Organisations**

Transfers to support national sports organisations by the Government of Liberia as approved in the National Budget for current expenses.

**264104: Youth, Women and Community Initiatives**

Transfers to support youth, women and community initiatives by the Government of Liberia as approved in the National Budget for current expenses.

**264105: Contingency Transfers**

This account shall record transfers made from one Government unit to another Government unit to cater for contingencies. On making the transfer or on retirement of the advance (3214 Series), this account shall be debited and the bank account or corresponding advance account credited.

**2642: Capital**

In general, these are contributions (other than loans) made by a Government unit to autonomous resident non-government organisations for purposes of acquiring assets by the recipient and may consist of a transfer of cash that the recipient is expected or required to use to acquire an asset or assets (other than inventories), the transfer of an asset (other than inventories and cash), the cancellation of a liability by mutual agreement.

**264201: Transfers to Education Facilities**

Transfers to support private education facilities by the Government of Liberia, as approved in the National Budget for capital expenses.

**264202: Transfers to Health Facilities**

Transfers to support private health facilities by the Government of Liberia as approved in the National Budget for capital expenses.

**264203: Transfers to National Sports Organisations**

Transfers to support national sports organisations by the Government of Liberia as approved in the National Budget for capital expenses.

**264204: Youth, Women and Community Initiatives**

Transfers to support youth, women and community Initiatives by the Government of Liberia as approved in the National Budget for capital expenses.

**264205: Contingency Transfers**

This account shall record transfers made from one Government unit to another Government unit to cater for contingencies. On making the transfer or on retirement of the advance (3214 Series), this account shall be debited and the Bank account or corresponding advance account credited.

**28: OTHER EXPENSES**

**281: Property Expenses other than Interest**

Property expense other than interest may take the form of dividends, withdrawals

From income of quasi-corporations, property expense attributed to insurance policyholders, or rent.

**2811: Dividends (Public Corporations Only)****2812: Withdrawals of Income of Quasi-corporations (Public Corporations)****2813: Property Expense attributed to Insurance Policy Holders****2814: Rent****281401: Rental Non Produced Assets**

This account will be charged with rent for non-produced assets: Leasehold land, payments for extraction of minerals, cutting timber, etc.

**282: Miscellaneous Expenses**

This account shall be charged with other miscellaneous expenses including a number of transfers serving quite different purposes and any other expense transaction not elsewhere classified

**2821: Current****282101: Donations**

This account shall be charged with voluntary donations (whether made on a regular or occasional basis) by a Government unit to non-Government charitable institutions or individuals serving households to cover those institutions' costs of production and such other similar costs. Such donations are both cash and kind. Included hereto, will be goods and services from market producers that are distributed directly to households for final consumption other than social benefits.

**282121: Disposal of Assets (Loss/Gain)**

This account shall be debited with losses from disposal of public assets and credited with profits resulting from the sale of public assets. This code is an book code, it does not involve any cash movement.

**282131: Extra-Ordinary Items (Losses/Gains)**

This account shall be debited with losses and credited with profits arising from extra-ordinary activities.

## **CLASS 3 – ASSETS**

### **31: NON-FINANCIAL ASSETS**

#### **311: Non-produced Assets**

These are naturally occurring Assets.

This account shall include the ground itself, including the soil covering, associated surface water, and major improvements that cannot be physically separated from the land, but excluding the following;

- Buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels.
- Cultivated vineyards, and other plantations of trees, animals, and crops.
- Subsoil assets such as minerals, oil, and natural gas.
- Non cultivated biological resources
- Water resources below the ground.

The associated surface water includes any reservoirs, lakes, rivers, and other inland waters over which ownership rights can be exercised.

#### **312: FIXED ASSETS**

##### **3121: Buildings and Structures (Construction and Finished)**

###### **312101: Non-Residential Buildings**

This account shall contain all buildings other than residential buildings. Examples include office buildings, schools, hospitals, and buildings for public entertainment, warehouse and industrial buildings, commercial buildings, hotels and restaurants. Buildings acquired for military purposes other than dwellings are included here, for example buildings for administration purposes.

###### **312102: Residential Buildings**

This account shall include all buildings that are used entirely or primarily as residences, including garages and other associated structures. Houseboats, barges, mobile homes, and caravans that are used primarily as principal residences shall also be included. Dwellings acquired for military personnel are also included here.

###### **312103: Roads and Bridges**

This account shall contain highways, streets, roads, bridges, elevated highways, airfield runways, railways and subways.

###### **312104: Other Buildings and Structures**

This category consists of all structures other than buildings, roads and bridges. Included are the following;

- Sewers, waterways, harbours, dams, and other waterworks.
- Shafts, tunnels and other structures associated with mining subsoil assets.
- Communication lines, power lines, and pipelines.
- Outdoor sport and recreation facilities.

**312105: Taxes on Buildings and Structures**

This account shall solely be used for budgeting purposes to record the tax component on acquisition of buildings and structures. When recording the buildings/structures acquired, the full cost (tax inclusive) value should be debited to the relevant asset account.

**3122: Machinery, Furniture & Equipment****312201: Transport equipment - Vehicles**

This account shall comprise equipment for moving people and objects, including motor vehicles, trailers and semi trailers, ships, railway locomotives, aircrafts, motorcycles, and bicycles.

**312202: Transport equipment – Other**

This account shall comprise equipment for moving people and objects, including motor vehicles, trailers and semi trailers, ships, railway locomotives, aircrafts, motorcycles, and bicycles.

**312203: Furniture and Fixtures**

Under this account shall be all office and residential furniture such as desks, chairs, cabinets, and curtains. It also includes paintings, sculptures, and other works of art or antiques, and other collections of considerable value that are owned and displayed by Government museums and similar organisations for the purpose of producing non-market services, mostly collective services.

**312204 Taxes on Machinery, Furniture and Transport Equipment**

This account shall solely be used for budgeting purposes to record the tax component on acquisition of Machinery, Furniture and transport equipment. When recording the Machinery, Furniture and Vehicles acquired, the full cost (tax inclusive) value should be debited to the relevant asset account.

**3123: ICT Infrastructure****312301: ICT infrastructure, Hardware, Networks and Facilities**

This account shall comprise ICT infrastructure and equipment including hardware, networks, desktops, laptops and other ICT equipment.

**312302: Taxes on ICT Infrastructure Hardware, Networks and Facilities**

This account shall solely be used for budgeting purposes to record the tax component on acquisition of ICT Infrastructure Hardware, Networks and Facilities. When recording the ICT infrastructure acquired, the full cost (tax inclusive) value should be debited to the relevant asset account.

**3124: Other Fixed Assets****312401: Other Fixed Assets**

This account shall comprise other fixed assets not elsewhere classified above.

**312402: Cultivated Assets**

Cultivated assets consist of animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services. The types of animals included in this category include breeding stocks (including fish and poultry), dairy cattle, draft animals, sheep or other animals used for wool production and animals used for transportation, racing or entertainment. The types of plants in this category include:

**312403: Intangible Fixed Assets.**

This account shall be used to capture fixed assets of an intangible nature such as Goodwill of the Nation and other related assets

**313: Valuables**

**314: INVENTORIES (Stocks and Stores)**

**3141: Strategic Stock**

**314101 Petroleum Products**

This account shall include stocks of petroleum products (petrol, diesel, kerosene etc) held by the Government for strategic and emergency purposes. This category does not include goods for resale.

**314102: Food Stuffs**

This account shall include stocks of food (rice, etc) held by the Government for strategic and emergency purposes. This category does not include goods for resale.

**314103: Precious Metals and Minerals**

This account shall include stocks of precious metals and minerals held by the Government for strategic purposes.

**3142: Other Inventories**

**314201: Materials and Supplies**

This account shall include all goods held with the intention of using them as inputs to a production process or generally held for future use. Examples include office supplies, fuels and drugs.

**314202: Work in progress**

This account shall record goods and services that have been partially processed, fabricated or assembled by the producer but that are not usually sold, shipped or turned over to others without further processing and whose production will be continued in a subsequent period by the same producer.

**314203: Finished goods**

**314204: Goods for Resale**

This account shall contain goods acquired for the purpose of reselling or transferring to other units without being further processed. This category also includes goods purchased by general Government units for

provision free of charge or at prices that are not economically significant to other units.

## **32: FINANCIAL ASSETS**

### **321: Domestic**

#### **3211: Currency Deposits**

##### **321101: Consolidated Fund**

This account shall contain cash (other than time deposits) on the Government of Liberia Consolidated Fund Account at the Central bank of Liberia. The Government of Liberia Consolidated Fund refers to the Central Government's Control Account for all Recurrent, Capital and other activities.

##### **321102: Revenue Accounts**

This is a control account code for all revenue accounts held by Ministries and agencies both at the Central Bank and in Commercial Banks. It will be linked to the individual bank accounts opened in respect of non tax revenue (NTR) and other revenue proceeds by Ministries, Agencies, and Counties. There should be no expenditures made from this account.

##### **321103: Expenditure Accounts**

This is a control account code for all expenditure accounts held by Ministries, Agencies and Local Governments both at the Central Bank and in Commercial Banks. It will be linked to the individual bank accounts opened in respect of expenditures by Ministries, Agencies and Counties.

Examples include the bank accounts held by Ministries and Agencies at the Central bank of Liberia into which transfers from Central Government (MoF) are made for the operations of the Ministries and Agencies or bank accounts held by Local Governments into which transfers from collection accounts (321106) are made for operational expenditures.

##### **321104: Project Accounts**

This is a control account for cash in bank accounts held in respect of specified projects either in Commercial banks or at the Central Bank of Liberia. It will be linked to all Bank accounts opened by and for projects.

##### **321105: Contingency Fund account**

This account shall contain cash (other than time deposits) on the Contingency Fund Account at the Central bank of Liberia.

##### **321106: Collection Accounts**

This is the control account on which all cash collected by the responsible entities is kept before being transferred to the relevant specifically designated accounts. This is the account on which funds are collected and later transferred to operational accounts (321103). There should be no expenditure made from this account. It will be linked to the Central Government revenue collection account and also to the Local Government collection account at the Counties.

**321107: Cash in Transit**

This is an account that provides for the recording of funds received too late for deposit in the current period and remittances forwarded by other Government units in the current period but not credited by the bank until the following period.

**321108: Cash at Hand – Imprest**

This account shall be charged with all the cash in respect of Petty Cash and other working funds.

**321109: Others**

This is the control account on which all cash held in bank accounts which cannot be appropriately classified under 321101 to 321107 above and not classified as holding accounts below, will be captured. This account shall be linked to all such accounts that may fall under this description.

**321110: Holding Accounts**

This is an account that provides for the recording of funds received temporarily before they leave for their final destination.

**3212: Short-Term Securities***321201: Corporate Bonds*

*This account shall include all short-term securities held by the Government in corporations or other Government units, which securities give Government the unconditional right to fixed money incomes or contractually determined variable money incomes, normally referred to as interest.*

*321202: Promissory Notes*

*This account shall record all documents held by Government promising to repay a short-term loan due to it, under agreed-upon terms. These are legal documents that obligate the borrower to repay a loan at a specified interest rate during a specified period of time or on demand.*

**321203: Debentures**

*This account shall include all short-term debt securities held by the Government excluding bonds and promissory notes.*

**321204: Fixed Time Deposits**

*Cash deposits, which may be withdrawn at a specified future date, after the lapse of a specific period of time, or upon thirty or more days, advance notice of withdrawal, are included in this account. Cash placements, certificates of deposit, etc. should be included in this account.*

*321205: Other Securities*

*This account shall include all short term securities held by Government not classified above.*

**3213: Short-Term Loans****321301: Government on Lending - State Enterprises**

*This account shall comprise funds obtained by Government on loan or as grants for onward lending to Public Corporations, and/or other Public entities.*

**321302: Government on Lending - Agencies**

*This account shall comprise funds obtained by Government on loan or as grants for onward lending to Agencies.*

**321303: Government On Lending - Private Entities**

*This account shall comprise funds obtained by Government on loan or as grants for onward lending to Private Companies and/or other private entities.*

**3214: Transfers to other Government Units- Clearing Grants**

In general these are inter-Government transfers, which shall only be removed from this section to accounts in the 263 category, after the Government unit to which the transfers were made has rendered a return indicating the actual activities for which the funds were expended.

In effect, these are accounts are treated receivables for the paying units until returns are rendered.

**321401: Transfers to Non-Financial Corporations**

**321402: Transfers to Financial Public Corporations**

**321403: County Conditional Transfers**

This account shall include transfers (with conditions) by Central Government to County authorities to finance programmes agreed upon between the Central Government and the County authorities; and these funds shall be for recurrent/capital expenses. On making the transfer, this account shall be debited and the bank account credited. When the relevant County submits a return indicating how the funds have been spent, this account shall be credited and the County Conditional Grant Accounts (263103 for Recurrent and 263203 for Capital) debited.

**321404: County Unconditional Transfers**

*Recorded into this account shall be all transfers (without any conditions) made by the Central Government to Counties for activities or services where the Counties have the discretion over the usage of such funds. On making the transfer, this account shall be debited and the bank account credited. When the relevant County submits a return indicating how the funds have been spent, this account shall be credited and the County Unconditional Grant Accounts (263104 for Recurrent and 263204 for Capital) debited.*

*321425: Contingency Transfers*

*This account shall record transfers made from one Government unit to another Government unit to cater for contingencies. On making the transfer, this account shall be debited and the Bank account credited. When the relevant Local Authority renders a return indicating how the funds have been spent, this account shall be credited and the corresponding expense account debited.*

3215: Advances

321501: Staff Advances

**Recorded into this account shall be short-term loans made against a staff's salary.**

321502: Departmental Advances

**Recorded into this account shall be advances made to Ministries and Agencies by the Treasury.**

321503: Advances to Other Govt. Units (e.g. Foreign Missions & Embassies)

**Recorded into this account shall be advances to Liberian missions and embassies by Ministry of Finance.**

321504: Other Advances

**Recorded into this account shall be advances other than those mentioned in 321501, 321502 and 321503.**

### **3216: Other Accounts Receivable**

321601: Trade Debtors

**Recorded into this account shall be trade credit extended by the Government directly to purchasers of goods and services. This will also cater for unpaid bills in respect of utilities.**

321602: Sundry Debtors

**This category shall include other accounts receivable including rent, wages and salaries, social contributions, social benefits and similar items.**

321603: Revenue Collection

**Under this account shall be included all revenues that have already been collected by the Department of Revenue on behalf of Government, but have not yet been remitted to Government. As a Government Ministry or Agency receives a copy of a Bank Payment Advice Form (BPAF) or bank payslip from a customer, it should debit this account and credit the relevant revenue account.**

321604: Domestic arrears (Budgeting)

**This account shall be charged with budgeting for payments in respect of all domestic arrears other than utility arrears. On payment of the same, this account shall be debited. The total debits (payments) at the end of the period should be transferred to code 415001 by crediting 321604 and debiting 415001.**

321605: External Debt repayment (Budgeting)

**This account shall be charged with budgeting for payments in respect of external debts.**

321606: Utility arrears (Budgeting)

**This account shall be charged with budgeting for payments in respect of utility arrears. On payment of the same, this account shall be debited. The total debits (payments) at the end of the period should be transferred to code 415002 by crediting 321606 and debiting 415002.**

321607: General Public Service Pension arrears (Budgeting)

**This account shall be charged with budgeting for payments in respect of Pension arrears. On payment of the same, this account shall be debited. The total debits (payments) at the end of the period should be transferred to code 418001 by crediting 321607 and debiting 418001.**

**This account shall be charged with budgeting for payments in respect of Teachers' Pension arrears. On payment of the same, this account shall be debited. The total payments (debits) at the end of the period**

*should be transferred to code 418002 by crediting 321608 and debiting 418002*

*321609: Military Pensions arrears (Budgeting)*

*This account shall be charged with budgeting for payments in respect of Military officers' pension arrears. On payment of the same, this account shall be debited. The total payments (debits) at the end of the period should be transferred to code 418003 by crediting 321609 and debiting 418003*

*321610: Water Arrears*

*This account shall be charged with budgeting for payments in respect of water arrears.*

*The total payments (debits) at the end of the period should be transferred to code 415002 by crediting 321610 and debiting 415002*

*321611: Telephone Arrears*

*This account shall be charged with budgeting for payments in respect of all telephone arrears. The total payments (debits) at the end of the period should be transferred to code 415002 by crediting 321611 and debiting 415002.*

*321612: Electricity Arrears*

*This account shall be charged with budgeting for payments in respect of all electricity arrears. The total payments (debits) at the end of the period should be transferred to code 415002 by crediting 321612 and debiting 415002*

*3217: Long-Term Securities*

*321701: Corporate bonds*

*This account shall include all long term securities held by the Government in corporations or other Government units, which securities give Government the unconditional right to fixed money incomes or contractually determined variable money incomes, normally referred to as interest.*

*321702: Promissory Notes*

*This account shall record all documents held by Government promising to repay a long-term loan due to it, under agreed-upon terms. These are legal documents that obligate the borrower to repay a loan at a specified interest rate during a specified period of time or on demand.*

**321703: Debentures**

*This account shall include all locally sourced long-term debt securities held by the Government, excluding bonds and promissory notes. These securities are usually unsecured.*

*3218: Shares and Other Equity*

*321801: Shares in Public Corporations*

*This account shall comprise share holdings in public corporations and companies where the Government has a controlling interest.*

*321801: Shares in other Entities*

*Recorded into this account shall be Government's shareholdings in other enterprises.*

*3219: Foreign Derivatives*

*322: Foreign*

3221: *Currency and Deposits*

**322101: *Cash at Bank***

3222: *Securities other than Shares*

**322201: *Corporate Bonds***

**322202: *Promissory Notes***

322203: *Debentures*

3223: *Loans*

3224: *Shares and other equity*

3225: *Insurance technical reserves*

3226: *Financial derivatives*

3227: *Other accounts receivable*

323: *Monetary Gold and SDRs*

## **CLASS 4 – LIABILITIES**

### **41: DOMESTIC LIABILITIES**

#### **411: Currency Deposits**

#### **412: Securities other than Shares**

##### **412001: Treasury Bills**

This account shall be charged with the total value of treasury bills issued by Government but which have not yet matured. A treasury bill is a negotiable debt obligation issued by the Government having maturities of different days (as issued by the Central bank).

##### **412002: Government Bonds**

This account shall record all long term securities issued by Government to other entities, which securities give such entities an unconditional right to fixed money incomes or contractually determined valuable money incomes, normally referred to as interest. These usually mature after a period of more than one year.

##### **412003: Promissory Notes**

This account shall record all documents issued by Government promising to repay a loan at a specified interest rate, during a specified period of time or on demand. The documents referred to in this case do not include formal loan agreements like those issued by lending agencies e.g. Bank loan agreements, etc

### **413: LOANS**

#### **413001: Commercial Banks**

This account shall be charged with the total value of Government borrowings from local Commercial Banks.

#### **413002: Interest Payable**

This account shall be credited with unpaid interest charged arising as a result of loan finance procured by Government from domestic sources e.g. interest on treasury bills, bonds, bank loans and promissory notes. It is meant to record only the interest arrears. Note that it is only when paying off the previously unpaid interest (arrears) and not payment of the expense that this account should be debited.

#### **413003: Other**

This account shall include any other domestic loans other than Commercial Bank loans.

### **415: ACCOUNTS PAYABLE**

#### **415001: Trade Creditors**

This account shall record trade credit extended to Government in the purchase of goods and services. It does not include loans or other securities.

**415002: Sundry Creditors**

Charged to this account shall be other accounts payable including rent, wages and salaries, social benefits and similar items.

**415003: Committed Creditors – Accruals**

This account shall record trade and/or sundry creditors for whom funds will have been procured and set aside at the end of the year.

**415004: Accountable Advances**

This account shall record the advances received by one Government unit from another and are yet to be accounted for. These could be deposits by one Government unit to another for services to be rendered by the latter. Examples could include departmental imprests, deposits by another vote to another and any other advances of this nature.

**415005: Withholding tax**

This account shall be used to record the amount of tax withheld by Government units which tax has to finally be remitted to the department of Revenue. This arises where by persons (individuals and corporate bodies) are required to withhold part of the payment to a service provider to cater for an advance tax by the service provider. Therefore when such funds are retained, they are a liability until a time when the retainer forwards the money to the department of Revenue (or any other tax collection Agent).

**415006: Deposits Received**

Charged to this account shall be deposits received from third parties for various activities e.g. deposits received from third parties.

**415007: Advances from other Government units**

Charged to this account shall be advances received from other Government units for performance of specified work after which accountabilities would be required. These funds would have initially been voted for under the Giving unit but work will be done by the receiving unit.

**416: Transfers from Other Government Units/Clearing Grants**

In general, these are inter-Government transfers, which shall only be removed from this section to the accounts in category 1333, after the Government unit to which the transfers were made has rendered a return indicating the actual activities for which the funds were expended. In effect, these are accounts payable in the eyes of the receiving units until returns are rendered.

**416001: County Conditional grants**

*This account shall record transfers received by County authorities (with conditions) to finance programmes agreed upon between the central Government and the County authorities; On receiving the transfer, this account shall be credited and the bank account debited. As disbursements are made for the various expenses, the relevant expense accounts are debited while bank is credited. When the relevant County renders a return indicating how the funds have been spent, this account shall be debited and the*

*County Unconditional Grant Accounts (133103 for recurrent and 133203 for capital items) credited.*

**416002: County Unconditional grants**

*Recorded into this account shall be all transfers (without any conditions) received by Counties from the Central Government for activities or services where the Counties have the discretion over the usage of such funds. On receiving the transfer, this account shall be credited and the bank account debited. As disbursements are made for the various expenses, the relevant expense accounts are debited while bank is credited. When the relevant county renders a return indicating how the funds have been spent, this account shall be debited and the County Unconditional Grant Accounts (133104 for recurrent and 133204 for capital items) credited.*

**417: Miscellaneous Accounts Payable**

*418: Pension Liabilities*

*418001: Pension liabilities – General Public Service*

*This account shall be credited with the total outstanding pension arrears to the General Public Service with the exclusion of the military and education service arrears.*

*418002: Pension liabilities – Education Service*

*This account shall be credited with the total outstanding pension arrears to the education Service.*

*418003: Pension liabilities – Military Service*

*This account shall be credited with the total outstanding pension arrears to the military Service.*

*42: FOREIGN*

*421: Currency Deposits*

*422: Securities other than Shares*

*423: Loans*

*423001: Multi-lateral Loans*

*This account shall be used to capture disbursed but outstanding debt from Multi-lateral agencies and Development partners. An example of these agencies are IDA, IMF, ADF, BADEA, etc .The disbursed amounts in this case, refer to both Cash and Non-cash disbursements such as goods issued or services rendered which create an obligation to the state to transfer future economic benefits.*

*423002: Bi-lateral Loans*

*This account shall be used to capture disbursed but outstanding debt from Governments of other Nations. The disbursed amounts in this case, refer to both Cash and Non-cash disbursements such as goods issued or services rendered which create an obligation to the state to transfer future economic benefits.*

*423003: Other Loans*

*This account shall be used to capture total indebtedness of Government of Liberia to Foreign persons (Bodies corporate and individuals) other than those of the nature covered in 423001 and 423002,423004 and 423005*

*423004: Interest payable*

*This account shall be used to capture interest accruing as a result of foreign loans such as those mentioned in 423001, 423002 and 423003. It is meant to record only the interest arrears. Note that it is only when paying off the previously unpaid interest (arrears) and not payment of the expense that this*

*account should be debited.*

*424: Shares and Other Equity*

*427: Other Accounts Payable*

*428: Accumulated Depreciation*

*4281: Accumulated Depreciation- Buildings and structures*

*428101: Non-Residential Buildings*

*This account will be credited with the total depreciation on non residential buildings right from their time of acquisition to date. Whenever code 231111 is debited, the corresponding credit will be to this account.*

*428102: Residential Buildings*

*This account will be credited with the total depreciation on residential buildings right from their time of acquisition to date. Whenever code 231121 is debited, the corresponding credit will be to this account.*

*428103: Roads and Bridges*

*This account will be credited with the total depreciation on roads and bridges right from their time of acquisition to date. Whenever code 231131 is debited, the corresponding credit will be to this account*

*428104: Other Buildings and Structures*

*This account will be credited with the total depreciation on other buildings and structures right from their time of acquisition to date. Whenever code 231141 is debited, the corresponding credit will be to this account*

*4282: Accumulated Depreciation –Machinery, Furniture and Vehicles*

*428201: Transport Equipment*

*This account will be credited with the total depreciation on transport equipment right from their time of acquisition to date. Whenever code 231151 is debited, the corresponding credit will be to this account*

*428202: Machinery and other Equipment*

*This account will be credited with the total depreciation on plant, machinery and equipment right from their time of acquisition to date. Whenever code 231161 is debited, the corresponding credit will be to this account*

## **CLASS 5 – RESERVES**

**501: GOU Equity Funds**

**511: Central Government Reserves**

**5111: Capital Reserves**

**511101: Consolidated Fund**

Over time, a decision may be made to capitalize the accumulated Fund i.e. code 513001. When a capitalization is done to the Consolidated Fund, this account shall be credited by the capitalized amount and code 513001 debited by the same. The amount shown under this code shall appear on the Balance sheet under the “financed by” Section.

**511102: Contingency Fund**

Over time, a decision may be made to capitalize the accumulated Fund i.e. code 513001. When a capitalization is done to the Contingency Fund, this account shall be credited by the capitalized amount and code 513001 debited by the same. The amount shown under this code shall appear on the Balance sheet under the “financed by” Section.

**5112: Revenue Reserves**

**511201: Revenue Reserve**

The revenue reserve is the surplus funds or deficit for the period. In the statement of financial performance for the year, if the incomes exceed the expenses i.e. If there is a surplus then it should be credited to this account. In case of a negative reserve, i.e. a deficit, this account shall be debited by the deficit. This amount is derived from the income statement and shall be shown as the revenue reserve for the year in your balance sheet under the “Financed by” items i.e. Below the line.

**512: County Reserves**

**5121: Capital Reserves**

**512101: Capital Reserve**

Over time, a decision may be made to capitalize the accumulated Fund i.e. code 513001. When this is done, this account shall be credited by the capitalized amount and code 513001 debited by the same. The amount shown under this code shall appear on the Balance sheet under the “financed by” Section.

**5122: Revenue Reserves**

**512201: Revenue Reserve**

The revenue reserve is the surplus funds or deficit for the period. In the statement of financial performance for the year, if the incomes exceed the expenses i.e. If there is a surplus then it should be credited to this account. In case of a negative reserve, i.e. a deficit, this account shall be debited by the deficit. This amount is derived from the income statement and shall be shown as the revenue reserve for the year in your balance sheet under the “Financed by” items i.e. Below the line.

**513: Equity**

**513001: Accumulated Fund/Net worth**

This is the cumulated revenue reserve over time. Whereas in 511201 and 512201 we show the reserve for the year, under this account shall be recorded the total effect of the revenue reserves for prior years. If the net effect is a deficit then that balance shall be a debit whereas a surplus will be a credit to this code. It shall be appear under the “financed by” items on the balance sheet.

## 14. CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)

The Classification of Functions of Government (COFOG) is a detailed classification of the functions, or socioeconomic objectives, that general Government units aim to achieve through various kinds of outlays. It is one of a family of four classifications referred to as classifications of expenditure according to purpose. COFOG provides a classification pertaining to outlays by Governments on functions that experience has shown to be of general interest and amenable to a wide variety of analytic applications. Statistics on health, education, social protection, and environmental protection, for example, can be used to study the effectiveness of Government programs in those areas. COFOG permits trends in Government outlays on particular functions or purposes to be examined over time. COFOG is also used for making international comparisons of the extent to which Governments are involved in economic and social functions.

Below are the Divisions, Groups and Classes in COFOG. Please note that the initials “CS” or “IS” follow the title of each class to indicate whether the services produced by general Government units and included in this class are collective or individual services;

**Note:** *n.e.c* means not elsewhere classified)

### **01: GENERAL PUBLIC SERVICES**

#### **011: EXECUTIVE AND LEGISLATIVE ORGANS, FINANCIAL AND FISCAL AFFAIRS, EXTERNALAFFAIRS**

##### **0111: Executive and legislative organs (CS)**

– Administration, operation or support of executive and legislative organs.

*Includes:* office of the chief executive at all levels of Government - office of the monarch, governor general, president, prime minister, governor, mayor, etc.; legislative bodies at all levels of Government, parliaments, chambers of deputies, senates, assemblies, town councils, etc.; advisory, administrative and political staffs attached to chief executive offices and legislatures; libraries and other reference services serving mainly executive and legislative organs; physical amenities provided to the chief executive, the legislature and their aides; permanent or ad hoc commissions and committees created by or acting on behalf of the chief executive or legislature.

*Excludes:* Ministerial offices, offices of heads of departments of local Governments, interdepartmental committees, etc. concerned with a specific function (classified according to function).

## **0112: Financial and fiscal affairs (CS)**

- Administration of financial and fiscal affairs and services; management of public funds and Public debt; operation of taxation schemes;
- Operation of the treasury or ministry of finance, the budget office, the inland revenue agency, the customs authorities, the accounting and auditing services;
- Production and dissemination of general information, technical documentation and statistics on financial and fiscal affairs and services.

*Includes:* Financial and fiscal affairs and services at all levels of Government.

*Excludes:* Underwriting or flotation charges and interest payments on Government loans (0170); supervision of the banking industry (0411).

## **0113: External affairs (CS)**

- Administration of external affairs and services;
- Operation of the ministry of external affairs and diplomatic and consular missions stationed abroad or at offices of international organizations; operation or support of information and cultural services for distribution beyond national boundaries; operation or support of libraries, reading rooms and reference services located abroad;
- Regular subscriptions and special contributions to meet general operating expenses of international organizations.

*Excludes:* economic aid to developing countries and countries in transition (0121); economic aid missions accredited to foreign Governments (0121); contributions to aid programs administered by international or regional organizations (0122); military units stationed abroad (0210); military aid to foreign countries (0230); general foreign economic and commercial affairs (0411); tourism affairs and services (0473).

## **012: FOREIGN ECONOMIC AID**

### **0121: Economic aid to developing countries and countries in transition (CS)**

- Administration of economic cooperation with developing countries and countries in transition;
- Operation of economic aid missions accredited to foreign Governments; operation or support of technical assistance programs, training programs and fellowship and scholarship schemes;
- Economic aid in the form of grants (in cash or in kind) or loans (regardless of interest charged).

*Excludes:* Contributions to economic development funds administered by international or regional organizations (0122); military aid to foreign countries (0230).

### **0122: Economic aid routed through international organizations (CS)**

- Administration of economic aid routed through international organizations;
- Contributions in cash or in kind to economic development funds administered by international, regional or other multinational organizations.

*Excludes:* Aid to international peacekeeping operations (0230).

### **013: GENERAL SERVICES**

This group covers services that are not connected with a specific function and which are usually undertaken by central offices at the various levels of Government. It also covers those services connected with a particular function that are undertaken by such central offices. For example, the compilation of industry, environment, health or education statistics by a central statistical agency is included here.

#### **0131: General personnel services (CS)**

- Administration and operation of general personnel services, including development and implementation of general personnel policies and procedures covering selection, promotion, rating methods, the description, evaluation and classification of jobs, the administration of civil service regulations and similar matters.

*Excludes:* Personnel administration and services connected with a specific function (classified according to function).

#### **0132: Overall planning and statistical services (CS)**

- Administration and operation of overall economic and social planning services and of overall statistical services, including formulation, coordination and monitoring of overall economic and social plans and programs and of overall statistical plans and programs.

*Excludes:* economic and social planning services and statistical services connected with a specific function (classified according to function).

#### **0133: Other general services (CS)**

- Administration and operation of other general services such as centralized supply and purchasing services, maintenance and storage of Government records and archives, operation of Government owned or occupied buildings, central motor vehicle pools, Government operated printing offices, centralized computer and data processing services, etc.

*Excludes:* Other general services connected with a specific function (classified according to function).

### **014: BASIC RESEARCH**

Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

#### **0140: Basic research (CS)**

- Administration and operation of Government agencies engaged in basic research;
- Grants, loans or subsidies to support basic research undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Applied research and experimental development (classified by function).

## **015: R&D GENERAL PUBLIC SERVICES**

Applied research is original investigation undertaken in order to acquire new knowledge, but directed primarily towards a specific practical aim or objective. Experimental development is systematic work, drawing on existing knowledge gained from research and practical experience that is directed to producing new materials, products and devices; to installing new processes, systems and services; or to improving substantially those already produced or installed.

### **0150: R&D General public services (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to general public services;
- Grants, loans or subsidies to support applied research and experimental development related to general public services undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

## **016: GENERAL PUBLIC SERVICES N.E.C.**

### **0160: General public services n.e.c. (CS)**

- Administration, operation or support of general public services such as registration of voters, holding of elections and referendums, administration of non-self-governing and trust territories, etc.

*Includes:* General public services that cannot be assigned to (011), (012), (013), (014) or (015).

*Excludes:* public debt transactions (017); transfers of a general character between different levels of Government (018).

## **017: PUBLIC DEBT TRANSACTIONS**

### **0170: Public debt transactions (CS)**

- Interest payments and outlays for underwriting and floating Government loans.

*Excludes:* Administrative costs of public debt management (0112).

## **018: TRANSFERS OF A GENERAL CHARACTER BETWEEN DIFFERENT LEVELS OF GOVERNMENT**

### **0180: Transfers of a general character between different levels of Government (CS)**

- Transfers between different levels of Government that are of a general character and not allocated to a particular function.

## **02: DEFENSE**

### **021: MILITARY DEFENSE**

## **0210: Military defense (CS)**

- Administration of military defense affairs and services;
- Operation of land, sea, air and space defense forces; operation of engineering, transport, communication, Intelligence, personnel and other non-combat defense forces; operation or support of reserve and auxiliary forces of the defense establishment.

*Includes:* Offices of military attachés stationed abroad; field hospitals.

*Excludes:* Military aid missions (0230); base hospitals (073); military schools and colleges where curricula resemble those of civilian institutions even though attendance may be limited to military personnel and their families (091), (092), (093) or (094); pension schemes for military personnel (102).

## **022: CIVIL DEFENSE**

### **0220: Civil defense (CS)**

- Administration of civil defense affairs and services; formulation of contingency plans; organization of exercises involving civilian institutions and populations;
- Operation or support of civil defense forces.

*Excludes:* Civil protection services (0320); purchase and storage of food, equipment and other supplies for emergency use in the case of peacetime disasters (1090).

## **023: FOREIGN MILITARY AID**

### **0230: Foreign military aid (CS)**

- Administration of military aid and operation of military aid missions accredited to foreign Governments or attached to international military organizations or alliances;
- Military aid in the form of grants (in cash or in kind), loans (regardless of interest charged) or loans of equipment; contributions to international peacekeeping forces including the assignment of manpower.

## **024: R&D DEFENSE**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0240: R&D Defense (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to defense;
- Grants, loans or subsidies to support applied research and experimental development related to defense undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

## **025: DEFENSE N.E.C.**

### **0250: Defense n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination  
Monitoring of overall policies, plans, programs and budgets relating to defense; preparation and

enforcement of legislation relating to defense; production and dissemination of general information, technical documentation and statistics on defense; etc.

*Includes:* Defense affairs and services that cannot be assigned to (021), (022), (023) or (024).

*Excludes:* Administration of war veterans' affairs (102).

### **03: PUBLIC ORDER AND SAFETY**

#### **031: POLICE SERVICES**

##### **0310: Police services (CS)**

- Administration of police affairs and services, including alien registration, issuing work and travel documents to immigrants, maintenance of arrest records and statistics related to police work, road traffic regulation and control, prevention of smuggling and control of offshore and ocean fishing;
- Operation of regular and auxiliary police forces, of port, border and coast guards, and of other special police forces maintained by public authorities; operation of police laboratories; operation or support of police training programs.

*Includes:* Traffic wardens.

*Excludes:* police colleges offering general education in addition to police training (091), (092), (093) or (094).

#### **032: FIRE PROTECTION SERVICES**

##### **0320: Fire protection services (CS)**

- Administration of fire prevention and fire fighting affairs and services;
- Operation of regular and auxiliary fire brigades and of other fire prevention and fire fighting services maintained by public authorities; operation or support of fire prevention and fire fighting training programs.

*Includes:* Civil protection services such as mountain rescue, beach surveillance, evacuation of flooded areas, etc.

*Excludes:* Civil defense (0220); forces especially trained and equipped for fighting or preventing forest fires (0422).

#### **033: LAW COURTS**

##### **0330: Law courts (CS)**

- Administration, operation or support of civil and criminal law courts and the judicial system, including enforcement of fines and legal settlements imposed by the courts and operation of parole and probation systems;
- Legal representation and advice on behalf of Government or on behalf of others provided by Government in cash or in services.

*Includes:* Administrative tribunals, ombudsmen and the like.

*Excludes:* Prison administration (0340).

## **034: PRISONS**

### **0340: Prisons (CS)**

- Administration, operation or support of prisons and other places for the detention or rehabilitation of criminals such as prison farms, workhouses, reformatories, borstals, asylums for the criminally insane, etc.

## **035: R&D PUBLIC ORDER AND SAFETY**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0350: R&D Public order and safety (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to public order and safety;
- Grants, loans or subsidies to support applied research and experimental development related to public order and safety undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140)

## **036: PUBLIC ORDER AND SAFETY N.E.C.**

### **0360: Public order and safety n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to public order and safety; preparation and enforcement of legislation and standards for the provision of public order and safety; production and dissemination of general information, technical documentation and statistics on public order and safety.

*Includes:* Public order and safety affairs and services that cannot be assigned to (031), (032), (033), (034) or (035).

## **04: ECONOMIC AFFAIRS**

### **041: GENERAL ECONOMIC, COMMERCIAL, AND LABOR AFFAIRS**

#### **0411: General economic and commercial affairs (CS)**

- Administration of general economic and commercial affairs and services, including general foreign commercial affairs; formulation and implementation of general economic and commercial policies; liaison among different branches of Government and between Government and business;
- Regulation or support of general economic and commercial activities such as export and import trade as a whole, commodity and equity markets, overall income controls, general trade promotion activities, general regulation of monopolies and other restraints on trade and market entry, etc.; supervision of the banking industry;
- Operation or support of institutions dealing with patents, trademarks, copyrights, company registration, weather forecasting, standards, hydrologic surveys, geodesic surveys, etc.;
- Grants, loans or subsidies to promote general economic and commercial policies and programs.

*Includes:* Consumer education and protection.

*Excludes:* Economic and commercial affairs of a particular industry (classified to (042) through (047) as appropriate).

#### **0412: General labor affairs (CS)**

- Administration of general labor affairs and services; formulation and implementation of general labor policies; supervision and regulation of labor conditions (hours of work, wages, safety, etc.); liaison among different branches of Government and between Government and overall industrial, business and labor organizations;
- Operation or support of general programs or schemes to facilitate labor mobility, to reduce sex, race, age and other discrimination, to reduce the rate of unemployment in distressed or underdeveloped regions, to promote the employment of disadvantaged or other groups characterized by high unemployment rates, etc.; operation of labor exchanges; operation or support of arbitration and mediation services;
- Production and dissemination of general information, technical documentation and statistics on general labor affairs and services;
- Grants, loans or subsidies to promote general labor policies and programs.

*Excludes:* Labor affairs of a particular industry (classified to (042) through (047) as appropriate); provision of social protection in the form of cash benefits and benefits in kind to persons who are unemployed (1050).

### **042: AGRICULTURE, FORESTRY, FISHING AND HUNTING**

#### **0421: Agriculture (CS)**

- Administration of agricultural affairs and services; conservation, reclamation or expansion of arable land; agrarian reform and land settlement; supervision and regulation of the agricultural industry;
- Construction or operation of flood control, irrigation and drainage systems, including grants, loans or subsidies for such works;
- Operation or support of programs or schemes to stabilize or improve farm prices and farm incomes; operation or support of extension services or veterinary services to farmers, pest control services, crop inspection services and crop grading services;
- Production and dissemination of general information, technical documentation and statistics on agricultural affairs and services;
- Compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.

*Excludes:* Multi-purpose development projects (0474).

#### **0422: Forestry (CS)**

- Administration of forestry affairs and services; conservation, extension and rationalized exploitation of forest reserves; supervision and regulation of forest operations and issuance of tree-felling licenses;
- Operation or support of reforestation work, pest and disease control, forest fire-fighting and fire prevention services and extension services to forest operators;

- Production and dissemination of general information, technical documentation and statistics on forestry affairs and services;
- Grants, loans or subsidies to support commercial forest activities.

*Includes:* Forest crops in addition to timber.

### **0423: Fishing and hunting (CS)**

This class covers both commercial fishing and hunting, and fishing and hunting for sport. The fishing and hunting affairs and services listed below refer to activities that take place outside natural parks and reserves.

- Administration of fishing and hunting affairs and services; protection, propagation and rationalized exploitation of fish and wildlife stocks; supervision and regulation of freshwater fishing, Coastal fishing, ocean fishing, fish farming, wildlife hunting and issuance of fishing and hunting licenses;
- Operation or support of fish hatcheries, extension services, stocking or culling activities, etc.;
- Production and dissemination of general information, technical documentation and statistics on fishing and hunting affairs and services;
- Grants, loans or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.

*Excludes:* control of offshore and ocean fishing (0310); administration, operation or support of natural parks and reserves (0540).

## **043: FUEL AND ENERGY**

### **0431: Coal and other solid mineral fuels (CS)**

This class covers coal of all grades, lignite and peat irrespective of the method used in their extraction or beneficiation and the conversion of these fuels to other forms such as coke or gas.

- Administration of solid mineral fuel affairs and services; conservation, discovery, development and rationalized exploitation of solid mineral fuel resources; supervision and regulation of the extraction, processing, distribution and use of solid mineral fuels;
- Production and dissemination of general information, technical documentation and statistics on solid mineral fuel affairs and services;
- Grants, loans or subsidies to support the solid mineral fuel industry and the coke, briquette or manufactured gas industries.

*Excludes:* Solid mineral fuel transportation affairs (classified to the appropriate class of group 045).

### **0432: Petroleum and natural gas (CS)**

This class covers natural gas, liquefied petroleum gases and refinery gases, oil from wells or other sources such as shale or tar sands and the distribution of town gas regardless of its composition.

- Administration of petroleum and natural gas affairs and services; conservation, discovery, development and rationalized exploitation of petroleum and natural gas resources; supervision and regulation of the extraction, processing, distribution and use of petroleum and natural gas;
- Production and dissemination of general information, technical documentation and statistics on petroleum and natural gas affairs and services;

- Grants, loans or subsidies to support the petroleum extraction industry and the industry refining crude petroleum and related liquid and gaseous products.

*Excludes:* Petroleum or gas transportation affairs (classified to the appropriate class of group 045).

#### **0433: Nuclear fuel (CS)**

- Administration of nuclear fuel affairs and services; conservation, discovery, development and rationalized exploitation of nuclear material resources; supervision and regulation of the extraction and processing of nuclear fuel materials and of the manufacture, distribution and use of nuclear fuel elements;
- Production and dissemination of general information, technical documentation and statistics on nuclear fuel affairs and services;
- Grants, loans or subsidies to support the nuclear materials mining industry and the industries processing such materials.

*Excludes:* Nuclear fuel transportation affairs (classified to the appropriate class of group 045); disposal of radioactive wastes (0510).

#### **0434: Other fuels (CS)**

- Administration of affairs and services involving fuels such as alcohol, wood and wood wastes, bagasse and other non-commercial fuels;
- Production and dissemination of general information, technical documentation and statistics on availability, production and utilization of such fuels;
- Grants, loans or subsidies to promote the use of such fuels for the production of energy.

*Excludes:* forest management (0422); wind and solar heat (0435) or (0436); geothermal resources (0436).

#### **0435: Electricity (CS)**

This class covers both traditional sources of electricity such as thermal or hydro supplies and newer sources such as wind or solar heat.

- Administration of electricity affairs and services; conservation, development and rationalized exploitation of electricity supplies; supervision and regulation of the generation, transmission and distribution of electricity;
- Construction or operation of non-enterprise-type electricity supply systems;
- Production and dissemination of general information, technical documentation and statistics on electricity affairs and services;
- Grants, loans or subsidies to support the electricity supply industry, including such outlays for the construction of dams and other works designed chiefly to provide electricity.

*Excludes:* Non-electric energy produced by wind or solar heat (0436).

#### **0436: Non-electric energy (CS)**

- Administration of non-electric energy affairs and services which chiefly concern the production, distribution and utilization of heat in the form of steam, hot water or hot air;
- Construction or operation of non-enterprise-type systems supplying non-electric energy;

- Production and dissemination of general information, technical documentation and statistics on availability, production and utilization of non-electric energy;
- Grants, loans or subsidies to promote the use of non-electric energy.

*Includes:* Geothermal resources; non-electric energy produced by wind or solar heat.

## **044: MINING, MANUFACTURING, AND CONSTRUCTION**

### **0441: Mining of mineral resources other than mineral fuels (CS)**

This class covers metal-bearing minerals, sand, clay, stone, chemical and fertilizer minerals, salt, gemstones, asbestos, gypsum, etc.

- Administration of mining and mineral resource affairs and services; conservation, discovery, development and rationalized exploitation of mineral resources; supervision and regulation of prospecting, mining, marketing and other aspects of mineral production;
- Production and dissemination of general information, technical documentation and statistics on mining and mineral resource affairs and services;
- Grants, loans or subsidies to support commercial mining activities.

*Includes:* Issuance of licenses and leases, regulation of production rates, inspection of mines for conformity to safety regulations, etc.

*Excludes:* Coal and other solid fuels (0431), petroleum and natural gas (0432) and nuclear fuel materials (0433).

### **0442: Manufacturing (CS)**

- Administration of manufacturing affairs and services; development, expansion or improvement of manufacturing; supervision and regulation of the establishment and operation of manufacturing plants; liaison with manufacturers' associations and other organizations interested in manufacturing affairs and services;
- Production and dissemination of general information, technical documentation and statistics on manufacturing activities and manufactured products;
- Grants, loans or subsidies to support manufacturing enterprises.

*Includes:* Inspection of manufacturing premises for conformity with safety regulations, protection of consumers against dangerous products, etc.

*Excludes:* Affairs and services concerning the coal processing industry (0431), the petroleum refinery industry (0432) or the nuclear fuel industry (0433).

### **0443: Construction (CS)**

- Administration of construction affairs and services; supervision of the construction industry; development and regulation of construction standards;
- Production and dissemination of general information, technical documentation and statistics on construction affairs and services.

*Includes:* Issuance of certificates permitting occupancy, inspection of construction sites for conformity with safety regulations, etc.

*Excludes:* Grants, loans and subsidies for the construction of housing, industrial buildings, streets, public utilities, cultural facilities, etc. (classified according to function); development and regulation of housing standards (0610).

## **045: TRANSPORT**

### **0451: Road transport (CS)**

- Administration of affairs and services concerning operation, use, construction and maintenance of road transport systems and facilities (roads, bridges, tunnels, parking facilities, bus terminals, etc.);
- Supervision and regulation of road users (vehicle and driver licensing, vehicle safety inspection, size and load specifications for passenger and freight road transport, regulation of hours of work of bus, coach and lorry drivers, etc.), of road transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of road construction and maintenance;
- Construction or operation of non-enterprise-type road transport systems and facilities;
- Production and dissemination of general information, technical documentation and statistics on road transport system operations and on road construction activities;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of road transport systems and facilities.

*Includes:* Highways, urban roads, streets, bicycle paths and footpaths.

*Excludes:* road traffic control (0310); grants, loans and subsidies to road vehicle manufacturers

(0442); street cleaning (0510); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways with noise reducing surfaces (0530); street lighting (0640).

### **0452: Water transport (CS)**

- Administration of affairs and services concerning operation, use, construction and maintenance of inland, coastal and ocean water transport systems and facilities (harbors, docks, navigation aids and equipment, canals, bridges, tunnels, channels, breakwaters, piers, wharves, terminals, etc.);
- Supervision and regulation of water transport users (registration, licensing and inspection of vessels and crews, regulations concerning passenger safety and freight security, etc.), of water transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of water transport facility construction and maintenance;
- Construction or operation of non-enterprise-type water transport systems and facilities (such as ferries);
- Production and dissemination of general information, technical documentation and statistics on water transport system operations and on water transport facility construction activities;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of water transport systems and facilities.

*Includes:* Radio and satellite navigation aids; emergency rescue and towing services.

*Excludes:* Grants, loans and subsidies to shipbuilders (0442).

#### **0453: Railway transport (CS)**

- Administration of affairs and services concerning operation, use, construction or maintenance of railway transport systems and facilities (railway roadbeds, terminals, tunnels, bridges, embankments, cuttings, etc.);
- Supervision and regulation of railway users (rolling stock condition, roadbed stability, passenger safety, security of freight, etc.), of railway transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of railway construction and maintenance;
- Construction or operation of non-enterprise-type railway transport systems and facilities;
- Production and dissemination of general information, technical documentation and statistics on railway transport system operations and on railway construction activities;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of railway transport systems and facilities.

*Includes:* Long-line and interurban railway transport systems, urban rapid transit railway transport systems and street railway transport systems; acquisition and maintenance of rolling stock.

*Excludes:* Grants, loans and subsidies to rolling stock manufacturers (0442); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of railways with noise reducing surfaces (0530).

#### **0454: Air transport (CS)**

- Administration of affairs and services concerning operation, use, construction and maintenance of air transport systems and facilities (airports, runways, terminals, hangars, navigation aids and equipment, air control amenities, etc.);
- Supervision and regulation of air transport users (registration, licensing and inspection of aircraft, pilots, crews, ground crews, regulations concerning passenger safety, investigation of air transport accidents, etc.), of air transport system operations (allocation of routes, approval of freight tariffs and passenger fares and of frequency and levels of service, etc.) and of air transport facility construction and maintenance;
- Construction or operation of non-enterprise-type public air transport services and facilities;
- Production and dissemination of general information, technical documentation and statistics on air transport system operations and on air transport facility construction;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of air transport systems and facilities.

*Includes:* Radio and satellite navigation aids; emergency rescue services; scheduled and non-scheduled freight and passenger services; regulation and control of flying by private individuals.

*Excludes:* Grants, loans and subsidies to aircraft manufacturers (0442).

#### **0455: Pipeline and other transport (CS)**

- Administration of affairs and services concerning operation, use, construction and maintenance of pipeline and other transport systems (funiculars, cable cars, chairlifts, etc.);
- Supervision and regulation of users of pipeline and other transport systems (registration, licensing, inspection of equipment, operator skills and training; safety standards, etc.); of pipeline and other

transport systems operations (granting of franchises, setting tariffs, frequency and levels of service, etc.) and of pipeline and other transport systems construction and maintenance;

- Construction or operation of non-enterprise-type pipeline and other transport systems;
- Production and dissemination of general information, technical documentation and statistics on the operation and construction of pipeline and other transport systems;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of pipeline and other transport systems.

## **046: COMMUNICATION**

### **0460: Communication (CS)**

- Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of communication systems (postal, telephone, telegraph, wireless and satellite communication systems);
- Regulation of communication system operations (granting of franchises; assignment of frequencies, specification of markets to be served and tariffs to be charged, etc.);
- Production and dissemination of general information, technical documentation and statistics on communication affairs and services;
- Grants, loans or subsidies to support the construction, operation, maintenance or upgrading of communication systems.

*Excludes:* Radio and satellite navigation aids for water transport (0452) and air transport (0454); radio and television broadcasting systems (0830).

## **047: OTHER INDUSTRIES**

### **0471: Distributive trades, storage, and warehousing (CS)**

- Administration of affairs and services concerning the distributive trade and the storage and warehousing industry;
- Supervision and regulation of wholesale and retail trade (licensing, sales practices, labeling of packaged food and other goods intended for household consumption, inspection of scales and other weighing machines, etc.) and of the storage and warehousing industry (including licensing and control of Government-bonded warehouses, etc.);
- Administration of price control and rationing schemes operating through retailers or wholesalers regardless of the type of goods involved or intended consumer; administration and provision of food and other such subsidies to the general public;
- Production and dissemination of information to the trade and to the public on prices, on the availability of goods and on other aspects of the distributive trade and the storage and warehousing industry; compilation and publication of statistics on the distributive trade and the storage and warehousing industry;
- Grants, loans or subsidies to support the distributive trade and to the storage and warehousing industry.

*Excludes:* Administration of price and other controls applied to the producer (classified according to function); food and other such subsidies applicable to particular population groups or individuals (10).

#### **0472: Hotels and restaurants (CS)**

- Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of hotels and restaurants;
- Supervision and regulation of hotel and restaurant operations (regulations governing prices, cleanliness and sales practices, hotel and restaurant licensing, etc.);
- Production and dissemination of general information, technical documentation and statistics on hotel and restaurant affairs and services;
- Grants, loans or subsidies to support the construction, operation, maintenance or upgrading of hotels and restaurants.

#### **0473: Tourism (CS)**

- Administration of tourism affairs and services; promotion and development of tourism; liaison with the transport, hotel and restaurant industries and other industries benefiting from the presence of tourists;
- Operation of tourist offices at home and abroad, etc.; organization of advertising campaigns, including the production and dissemination of promotional literature and the like;
- Compilation and publication of statistics on tourism.

#### **0474: Multipurpose development projects (CS)**

Multipurpose development projects typically consist of integrated facilities for generation of power, flood control, irrigation, navigation and recreation.

- Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of multi-purpose projects;
- Production and dissemination of general information, technical documentation and statistics on multi-purpose development project affairs and services;
- Grants, loans or subsidies to support the construction, operation, maintenance or upgrading of multi-purpose development projects;

*Excludes:* Projects with one main function and other functions that are secondary (classified according to main function).

#### **048: R&D ECONOMIC AFFAIRS**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

#### **0481: R&D General economic, commercial, and labor affairs (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to general economic, commercial and labor affairs;
- Grants, loans or subsidies to support applied research and experimental development related to general economic, commercial and labor affairs undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0482: R&D Agriculture, forestry, fishing and hunting (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing and hunting;
- Grants, loans or subsidies to support applied research and experimental development related to agriculture, forestry, fishing and hunting undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0483: R&D Fuel and energy (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to fuel and energy;
- Grants, loans or subsidies to support applied research and experimental development related to fuel and energy undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0484: R&D Mining, manufacturing, and construction (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to mining, manufacturing and construction;
- Grants, loans or subsidies to support applied research and experimental development related to mining, manufacturing and construction undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0485: R&D Transport (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to transport;
- Grants, loans or subsidies to support applied research and experimental development related to transport undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0486: R&D Communication (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to communication;
- Grants, loans or subsidies to support applied research and experimental development related to communication undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

**0487: R&D Other industries (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to other sectors;
- Grants, loans or subsidies to support applied research and experimental development related to other sectors undertaken by non-Government bodies such as research institutes and universities.

*Includes:* distributive trades, storage and warehousing; hotels and restaurants; tourism and multi-purpose development projects.

*Excludes:* Basic research (0140).

## **049: ECONOMIC AFFAIRS N.E.C.**

### **0490: Economic affairs n.e.c. (CS)**

- Administration, operation or support activities relating to general and sectoral economic affairs that cannot be assigned to (041), (042), (043), (044), (045), (046), (047) or (048).

## **05: ENVIRONMENTAL PROTECTION**

The breakdown of environmental protection is based upon the Classification of Environmental Protection Activities (CEPA) as elaborated in the European System for the Collection of Economic Information on the Environment (SERIEE) of the Statistical Office of the European Communities (Eurostat).

### **051: WASTE MANAGEMENT**

This group covers collection, treatment and disposal of waste.

Waste collection includes sweeping of streets, squares, paths, markets, public gardens, parks, etc.; collection of all types of waste, whether selective by type of product or undifferentiated covering all waste, and their transport to place of treatment or discharge.

Waste treatment includes any method or process designed to change the physical, chemical or biological character or composition of any waste so as to neutralize it, to render it non-hazardous, to make it safer for transport, to make it amenable for recovery or storage or to reduce it in volume.

Waste disposal includes final placement of waste for which no further use is foreseen by landfill, containment, underground disposal, dumping at sea or any other relevant disposal method.

#### **0510: Waste management (CS)**

- Administration, supervision, inspection, operation or support of waste collection, treatment and disposal systems;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

*Includes:* Collection, treatment and disposal of nuclear waste.

## **052: WASTE WATER MANAGEMENT**

This group covers sewage system operation and waste water treatment.

Sewage system operation includes management and construction of the system of collectors, pipelines, conduits and pumps to evacuate any waste water (rainwater, domestic and other available waste water) from the points of generation to either a sewage treatment plant or to a point where waste water is discharged to surface water.

Waste water treatment includes any mechanical, biological or advanced process to render waste water fit to meet applicable environment standards or other quality norms.

### **0520: Waste water management (CS)**

- Administration, supervision, inspection, operation or support of sewage systems and waste water treatment;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

## **053: POLLUTION ABATEMENT**

This group covers activities relating to ambient air and climate protection, soil and groundwater protection, noise and vibration abatement and protection against radiation.

These activities include construction, maintenance and operation of monitoring systems and stations (other than weather stations); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways or railways with noise reducing surfaces; measures to clean pollution in water bodies; measures to control or prevent the emissions of greenhouse gases and pollutants that adversely affect the quality of the air; construction, maintenance and operation of installations for the decontamination of polluted soils and for the storage of pollutant products; transportation of pollutant products.

### **0530: Pollution abatement (CS)**

- Administration, supervision, inspection, operation or support of activities relating to pollution abatement and control;
- Grants, loans or subsidies to support activities relating to pollution abatement and control.

## **054: PROTECTION OF BIODIVERSITY AND LANDSCAPE**

This group covers activities relating to the protection of fauna and flora species (including the reintroduction of extinct species and the recovery of species menaced by extinction), the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values (including the reshaping of damaged landscapes for the purpose of strengthening their aesthetic value and the rehabilitation of abandoned mines and quarry sites).

### **0540: Protection of biodiversity and landscape (CS)**

- Administration, supervision, inspection, operation or support of activities relating to the protection of biodiversity and landscape;

- Grants, loans or subsidies to support activities relating to the protection of biodiversity and landscape.

## **055: R&D ENVIRONMENTAL PROTECTION**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0550: R&D Environmental protection (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to environmental protection;
- Grants, loans or subsidies to support applied research and experimental development related to environmental protection undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

## **056: ENVIRONMENTAL PROTECTION N.E.C.**

### **0560: Environmental protection n.e.c. (CS)**

- Administration, management, regulation, supervision, operation and support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of environmental protection; preparation and enforcement of legislation and standards for the provision of environmental protection services; production and dissemination of general information, technical documentation and statistics on environmental protection.

*Includes:* Environmental protection affairs and services that cannot be assigned to (051), (052), (053), (054) or (055).

## **06: HOUSING AND COMMUNITY AMENITIES**

### **061: HOUSING DEVELOPMENT**

#### **0610: Housing development (CS)**

- Administration of housing development affairs and services; promotion, monitoring and evaluation of housing development activities whether or not the activities are under the auspices of public authorities; development and regulation of housing standards;
- Slum clearance related to provision of housing; acquisition of land needed for construction of dwellings; construction or purchase and remodelling of dwelling units for the general public or for people with special needs;
- Production and dissemination of public information, technical documentation and statistics on housing development affairs and services;
- Grants, loans or subsidies to support the expansion, improvement or maintenance of the housing stock.

*Excludes:* Development and regulation of construction standards (0443); cash benefits and benefits in kind to help households meet the cost of housing (1060).

## **062: COMMUNITY DEVELOPMENT**

### **0620: Community development (CS)**

- Administration of community development affairs and services; administration of zoning laws and land-use and building regulations;
- Planning of new communities or of rehabilitated communities; planning the improvement and development of facilities such as housing, industry, public utilities, health, education, culture, recreation, etc. for communities; preparation of schemes for financing planned developments;
- Production and dissemination of general information, technical documentation and statistics on community development affairs and services.

*Excludes:* Plan implementation, that is, the actual construction of housing, industrial buildings, streets, public utilities, cultural facilities, etc. (classified according to function); agrarian reform and land resettlement (0421); administration of construction standards (0443) and housing standards (0610).

## **063: WATER SUPPLY**

### **0630: Water supply (CS)**

- Administration of water supply affairs; assessment of future needs and determination of availability in terms of such assessment; supervision and regulation of all facets of potable water supply including water purity, price and quantity controls;
- Construction or operation of non-enterprise-type of water supply systems;
- Production and dissemination of general information, technical documentation and statistics on water supply affairs and services;
- Grants, loans or subsidies to support the operation, construction, maintenance or upgrading of water supply systems.

*Excludes:* Irrigation systems (0421); multi-purpose projects (0474); collection and treatment of waste water (0520).

## **064: STREET LIGHTING**

### **0640: Street lighting (CS)**

- Administration of street lighting affairs; development and regulation of street lighting standards;
- Installation, operation, maintenance, upgrading, etc. of street lighting.

*Excludes:* Lighting affairs and services associated with the construction and operation of highways (0451).

## **065: R&D HOUSING AND COMMUNITY AMENITIES**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0650: R&D Housing and community amenities (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to housing and community amenities;
- Grants, loans or subsidies to support applied research and experimental development related to housing and community amenities undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140); applied research and experimental development into construction methods or materials (0484).

### **066: HOUSING AND COMMUNITY AMENITIES N.E.C.**

#### **0660: Housing and community amenities n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to housing and community amenities; preparation and enforcement of legislation and standards relating to housing and community amenities; production and dissemination of general information, technical documentation and statistics relating to housing and community amenities.
- Includes: administration, operation or support activities relating to housing and community amenities that cannot be assigned to (061), (062), (063), (064) or (065).

### **07: HEALTH**

Government outlays on health include expenditures on services provided to **individual** persons and services provided on a **collective** basis. Expenditures on individual services are allocated to groups (071) through (074); expenditures on collective services are assigned to groups (075) and (076).

Collective health services are concerned with matters such as formulation and administration of Government policy; setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, surgeries, etc.; regulation and licensing of providers of health services; and applied research and experimental development into medical and health-related matters. However, overhead expenses connected with administration or functioning of a group of hospitals, clinics, surgeries, etc. are considered to be individual expenditures and are classified to groups (071) through (074) as appropriate.

#### **071: MEDICAL PRODUCTS, APPLIANCES, AND EQUIPMENT**

This group covers medicaments, prostheses, medical appliances and equipment and other health related products obtained by individuals or households, either with or without a prescription, usually from dispensing chemists, pharmacists or medical equipment suppliers. They are intended for consumption or use outside a health facility or institution. Such products supplied directly to outpatients by medical, dental and paramedical practitioners or to in-patients by hospitals and the like are included in outpatient services (072) or hospital services (073).

### **0711: Pharmaceutical products (IS)**

- Provision of pharmaceutical products such as medicinal preparations, medicinal drugs, patent medicines, serums and vaccines, vitamins and minerals, cod liver oil and halibut liver oil, oral contraceptives;
- Administration, operation or support of the provision of pharmaceutical products.

### **0712: Other medical products (IS)**

- Provision of medical products such as clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first-aid kits, hot-water bottles and ice bags, medical hosiery items such as elasticated stockings and knee-pads, pregnancy tests, condoms and other mechanical contraceptive devices;
- Administration, operation or support of the provision of prescribed other medical products.

### **0713: Therapeutic appliances and equipment (IS)**

- Provision of therapeutic appliances and equipment such as corrective eyeglasses and contact Lenses, hearing aids, glass eyes, artificial limbs and other prosthetic devices, orthopedic braces and supports, orthopedic footwear, surgical belts, trusses and supports, neck braces, medical massage Equipment and health lamps, powered and unpowered wheelchairs and invalid carriages, “special” beds, crutches, electronic and other devices for monitoring blood pressure, etc.;
- Administration, operation or support of the provision of prescribed therapeutic appliances and equipment.

*Includes:* Dentures but not fitting costs; repair of therapeutic appliances and equipment.

*Excludes:* Hire of therapeutic equipment (0724).

## **072: OUTPATIENT SERVICES**

This group covers medical, dental and paramedical services delivered to outpatients by medical, dental and paramedical practitioners and auxiliaries. The services may be delivered at home, in individual or group consulting facilities, dispensaries or the outpatient clinics of hospitals and the like.

Outpatient services include the medicaments, prostheses, medical appliances and equipment and other health-related products supplied directly to outpatients by medical, dental and paramedical practitioners and auxiliaries.

Medical, dental and paramedical services provided to in-patients by hospitals and the like are included in hospital services (073).

### **0721: General medical services (IS)**

This class covers the services provided by general medical clinics and general medical practitioners.

General medical clinics are defined as institutions which chiefly provide outpatient services which are not limited to a particular medical specialty and which are chiefly delivered by qualified medical doctors.

General medical practitioners do not specialize in a particular medical specialty.

- Provision of general medical services;
- Administration, inspection, operation or support of general medical services delivered by general medical clinics and general medical practitioners.

*Excludes:* Services of medical analysis laboratories and x-ray centers (0724).

### **0722: Specialized medical services (IS)**

This class covers the services of specialized medical clinics and specialist medical practitioners.

Specialized medical clinics and specialist medical practitioners differ from general medical clinics and general medical practitioners in that their services are limited to treatment of a particular condition, disease, medical procedure or class of patient.

- Provision of specialized medical services;
- Administration, inspection, operation or support of specialized medical services delivered by specialized medical clinics and specialist medical practitioners.

*Includes:* Services of orthodontic specialists.

*Excludes:* Dental clinics and dentists (0723); services of medical analysis laboratories and x-ray centers (0724).

### **0723: Dental services (IS)**

This class covers the services of general or specialist dental clinics and dentists, oral hygienists or other dental operating auxiliaries.

Dental clinics provide outpatient services. They are not necessarily supervised or staffed by dentists; they may be supervised or staffed by oral hygienists or by dental auxiliaries.

- Provision of dental services to outpatients;
- Administration, inspection, operation and support of dental services delivered by general or specialist dental clinics and by dentists, oral hygienists or other dental auxiliaries.

*Includes:* Fitting costs of dentures.

*Excludes:* Dentures (0713); services of orthodontic specialists (0722); services of medical analysis laboratories and x-ray centers (0724).

### **0724: Paramedical services (IS)**

- Provision of paramedical health services to outpatients;
- Administration, inspection, operation or support of health services delivered by clinics supervised by nurses, midwives, physiotherapists, occupational therapists, speech therapists or other paramedical personnel and of health services delivered by nurses, midwives and paramedical personnel in non-consulting rooms, in patients' homes or other non-medical institutions.

*Includes:* Acupuncturists, chiropodists, chiropractors, optometrists, practitioners of traditional medicine, etc.; medical analysis laboratories and x-ray centers; hire of therapeutic equipment; medically prescribed corrective-gymnastic therapy; outpatient thermal bath or sea-water treatments; ambulance services other than ambulance services operated by hospitals.

*Excludes:* Public health service laboratories (0740); laboratories engaged in determining the causes of disease (0750).

### **073: HOSPITAL SERVICES**

Hospitalization is defined as occurring when a patient is accommodated in a hospital for the duration of the treatment. Hospital day-care and home-based hospital treatment are included, as are hospices for terminally ill persons.

This group covers the services of general and specialist hospitals, the services of medical centers, maternity centers, nursing homes and convalescent homes which chiefly provide in-patient services, the services of military base hospitals, the services of institutions serving old people in which medical monitoring is an essential component and the services of rehabilitation centers providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support.

Hospitals are defined as institutions which offer in-patient care under direct supervision of qualified medical doctors. Medical centers, maternity centers, nursing homes and convalescent homes also provide in-patient care but their services are supervised and frequently delivered by staff of lower qualification than medical doctors.

The group does not cover facilities such as military field hospitals (021), surgeries, clinics and dispensaries devoted exclusively to outpatient care (072), institutions for disabled persons and rehabilitation centers providing primarily long-term support (1012), retirement homes for elderly persons (1020). Neither does it cover payments to patients for loss of income due to hospitalization (1011).

Hospital services include medicaments, prostheses, medical appliances and equipment and other health-related products supplied to hospital patients. It also includes non-medical expenditure of hospitals on administration, non-medical staff, food and drink, accommodation (including staff accommodation), etc.

#### **0731: General hospital services (IS)**

- Provision of general hospital services;
- Administration, inspection, operation or support of hospitals that do not limit their services to a particular medical specialty.

*Excludes:* Medical centers not under the direct supervision of a qualified medical doctor (0733).

#### **0732: Specialized hospital services (IS)**

Specialized hospitals differ from general hospitals in that their services are limited to treatment of a particular condition, disease, or class of patient, for example, diseases of the chest and tuberculosis, leprosy, cancer, otorhinolaryngology, psychiatry, obstetrics, pediatrics, and so forth.

- Provision of specialized hospital services;
- Administration, inspection, operation or support of hospitals that limit their services to a particular medical specialty.

*Excludes:* Maternity centers not under the direct supervision of a qualified medical doctor (0733).

### **0733: Medical and maternity center services (IS)**

- Provision of medical and maternity center services;
- Administration, inspection, operation or support of medical and maternity center services.

### **0734: Nursing and convalescent home services (IS)**

Nursing and convalescent homes provide in-patient services to persons recovering from surgery or a debilitating disease or condition that requires chiefly monitoring and administering of medicaments, physiotherapy and training to compensate for loss of function or rest.

- Provision of nursing and convalescent home services;
- Administration, inspection, operation or support of nursing and convalescent home services.

*Includes:* Institutions serving old people in which medical monitoring is an essential component; rehabilitation centers providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support.

## **074: PUBLIC HEALTH SERVICES**

### **0740: Public health services (IS)**

- Provision of public health services;
- Administration, inspection, operation or support of public health services such as blood-bank operation (collecting, processing, storing, shipping), disease detection (cancer, tuberculosis, venereal disease), prevention (immunization, inoculation), monitoring (infant nutrition, child health), epidemiological data collection, family planning services and so forth;
- Preparation and dissemination of information on public health matters.

*Includes:* public health services delivered by special teams to groups of clients, most of whom are in good health, at workplaces, schools or other non-medical settings; public health services not connected with a hospital, clinic or practitioner; public health services not delivered by medically qualified doctors; public health service laboratories.

*Excludes:* Medical analysis laboratories (0724); laboratories engaged in determining the causes of disease (0750).

### **075: R&D HEALTH**

Definitions of basic research, applied research and experimental development are given under (7014) and (7015).

## **0750: R&D Health (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to health;
- Grants, loans and subsidies to support applied research and experimental development related to health undertaken by non-Government bodies such as research institutes and universities.

*Includes:* Laboratories engaged in determining the causes of disease.

*Excludes:* Basic research (0140).

## **076: HEALTH N.E.C.**

### **0760: Health n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall health policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of health services, including the licensing of medical establishments and medical and paramedical personnel; production and dissemination of general information, technical documentation and statistics on health.

*Includes:* Health affairs and services that cannot be assigned to (071), (072), (073), (074) or (075).

## **08: RECREATION, CULTURE, AND RELIGION**

Government outlays on recreation, culture, and religion include expenditures on services provided to **individual** persons and households and expenditures on services provided on a **collective** basis. Individual expenditures are allocated to groups (081) and (082); expenditures on collective services are assigned to groups (083) to (086).

Collective services are provided to the community as a whole. They include activities such as formulation and administration of Government policy; formulation and enforcement of legislation and standards for providing recreational and cultural services; and applied research and experimental development into recreational, cultural and religious affairs and services.

## **081: RECREATIONAL AND SPORTING SERVICES**

### **0810: Recreational and sporting services (IS)**

- Provision of sporting and recreational services; administration of sporting and recreational affairs; supervision and regulation of sporting facilities;
- Operation or support of facilities for active sporting pursuits or events (playing fields, tennis courts, squash courts, running tracks, golf courses, boxing rings, skating rinks, gymnasias, etc.); operation or support of facilities for passive sporting pursuits or events (chiefly specially equipped venues for playing cards, board games, etc.); operation or support of facilities for recreational pursuits (parks, beaches, camping grounds and associated lodging places furnished on a non-commercial basis, swimming pools, public baths for washing, etc.);
- Grants, loans or subsidies to support teams or individual competitors or players.

*Includes:* Facilities for spectator accommodation; national, regional or local team representation in sporting events.

*Excludes:* Zoological or botanical gardens, aquaria, arboreta and similar institutions (0820); sporting and recreational facilities associated with educational institutions (classified to the appropriate class of Division 09).

## **082: CULTURAL SERVICES**

### **0820: Cultural services (IS)**

- Provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities;
- Operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.);
- Grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organizations engaged in promoting cultural activities.

*Includes:* National, regional or local celebrations provided they are not intended chiefly to attract tourists.

*Excludes:* Cultural events intended for presentation beyond national boundaries (0113); national, regional or local celebrations intended chiefly to attract tourists (0473); production of cultural material intended for distribution by broadcasting (0830).

## **083: BROADCASTING AND PUBLISHING SERVICES**

### **0830: Broadcasting and publishing services (CS)**

- Administration of broadcasting and publishing affairs; supervision and regulation of broadcasting and publishing services; operation or support of broadcasting and publishing services;
- Grants, loans or subsidies to support: the construction or acquisition of facilities for television or radio broadcasting; the construction or acquisition of plant, equipment or materials for newspaper, magazine or book publishing; the production of material for, and its presentation by, broadcasting; the gathering of news or other information; the distribution of published works.

*Excludes:* Government printing offices and plants (0133); provision of education by radio or television broadcasting (09).

## **084: RELIGIOUS AND OTHER COMMUNITY SERVICES**

### **0840: Religious and other community services (CS)**

- Administration of religious and other community affairs;
- Provision of facilities for religious and other community services, including support for their operation, maintenance and repair;
- Payment of clergy or other officers of religious institutions; support for the holding of religious services; grants, loans or subsidies to support fraternal, civic, youth and social organizations or labor unions and political parties.

## **085: R&D RECREATION, CULTURE, AND RELIGION**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0850: R&D Recreation, culture, and religion (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to recreation, culture and religion;
- Grants, loans and subsidies to support applied research and experimental development related to recreation, culture and religion undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140)

## **086: RECREATION, CULTURE, AND RELIGION N.E.C.**

### **0860: Recreation, culture, and religion n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of sport, recreation, culture and religion; preparation and enforcement of legislation and standards for the provision of recreational and cultural services; production and dissemination of general information, technical documentation and statistics on recreation, cultural and religion.

*Includes:* Affairs and services relating to recreation, culture and religion that cannot be assigned to (081), (082), (083), (084) or (085).

## **09: EDUCATION**

Government outlays on education include expenditures on services provided to **individual** pupils and students and expenditures on services provided on a **collective** basis. Expenditures on individual services are allocated to groups (091) through (096); expenditures on collective services are assigned to groups (097) and (098).

Collective educational services are concerned with matters such as formulation and administration of Government policy; setting and enforcement of standards; regulation, licensing and supervision of educational establishments; and applied research and experimental development into education affairs and services. However, overhead expenses connected with administration or functioning of a group of schools, colleges, etc. are considered to be individual expenditures and are classified to groups (091) through (096) as appropriate.

The breakdown of education is based upon the level categories of the 1997 International Standard Classification of Education (ISCED-97) of the United Nations Educational, Scientific and Cultural Organization (UNESCO).

This division includes military schools and colleges where curricula resemble those of civilian institutions, police colleges offering general education in addition to police training and the provision of education by radio or television broadcasting. Expenditures so incurred are classified to groups (091) to (095) as appropriate.

## **091: PRE-PRIMARY AND PRIMARY EDUCATION**

### **0911: Pre-primary education (IS)**

- Provision of pre-primary education at ISCED-97 level 0;
- Administration, inspection, operation or support of schools and other institutions providing pre-primary education at ISCED-97 level 0.

*Excludes:* Subsidiary services to education (0960).

### **0912: Primary education (IS)**

- Provision of primary education at ISCED-97 level 1;
- Administration, inspection, operation or support of schools and other institutions providing primary education at ISCED-97 level 1.

*Includes:* Literacy programs for students too old for primary school.

*Excludes:* Subsidiary services to education (0960)

## **092: SECONDARY EDUCATION**

### **0921: Lower-secondary education (IS)**

- Provision of lower-secondary education at ISCED-97 level 2;
- Administration, inspection, operation or support of schools and other institutions providing lower secondary education at ISCED-97 level 2;
- Scholarships, grants, loans and allowances to support pupils pursuing lower-secondary education at ISCED-97 level 2.

*Includes:* out-of-school lower-secondary education for adults and young people.

*Excludes:* subsidiary services to education (0960).

### **0922: Upper-secondary education (IS)**

- Provision of upper-secondary education at ISCED-97 level 3;
- Administration, inspection, operation or support of schools and other institutions providing upper secondary education at ISCED-97 level 3;
- Scholarships, grants, loans and allowances to support pupils pursuing upper-secondary education at ISCED-97 level 3.

*Includes:* Out-of-school upper-secondary education for adults and young people.

*Excludes:* Subsidiary services to education (0960).

## **093: POST-SECONDARY NON-TERTIARY EDUCATION**

### **0930: Post-secondary non-tertiary education (IS)**

- Provision of post-secondary non-tertiary education at ISCED-97 level 4;
- Administration, inspection, operation or support of institutions providing post-secondary non-tertiary education at ISCED-97 level 4;
- Scholarships, grants, loans and allowances to support students pursuing post-secondary non-tertiary education at ISCED-97 level 4.

*Includes:* Out-of-school post-secondary non-tertiary education for adults and young people.

*Excludes:* Subsidiary services to education (0960)

## **094: TERTIARY EDUCATION**

### **0941: First stage of tertiary education (IS)**

- Provision of tertiary education at ISCED-97 level 5;
- Administration, inspection, operation or support of universities and other institutions providing tertiary education at ISCED-97 level 5;
- Scholarships, grants, loans and allowances to support students pursuing tertiary education at ISCED-97 level 5.

*Excludes:* Subsidiary services to education (0960).

### **0942: Second stage of tertiary education (IS)**

- Provision of tertiary education at ISCED-97 level 6;
- Administration, inspection, operation or support of universities and other institutions providing tertiary education at ISCED-97 level 6;
- Scholarships, grants, loans and allowances to support students pursuing tertiary education at ISCED-97 level 6.

*Excludes:* Subsidiary services to education (0960).

## **095: EDUCATION NOT DEFINABLE BY LEVEL**

### **0950: Education not definable by level (IS)**

- Provision of education not definable by level (that is, educational programs, generally for adults, which do not require any special prior instruction, in particular vocational training and cultural development);
- Administration, inspection, operation or support of institutions providing education not definable by level;
- Scholarships, grants, loans and allowances to support students pursuing education programs not definable by level.

## **096: SUBSIDIARY SERVICES TO EDUCATION**

### **0960: Subsidiary services to education (IS)**

- Provision of subsidiary services to education;
- Administration, inspection, operation or support of transportation, food, lodging, medical and dental care and related subsidiary services chiefly for students regardless of level.

*Excludes:* School health monitoring and prevention services (0740); scholarships, grants, loans and allowances in cash to defray the costs of subsidiary services (091), (092), (093), (094) or (095).

## **097: R&D EDUCATION**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

### **0970: R&D Education (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to education;
- Grants, loans and subsidies to support applied research and experimental development related to education undertaken by non-Government bodies such as research institutes and universities.

*Excludes:* Basic research (0140).

## **098: EDUCATION N.E.C.**

### **0980: Education n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall educational policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of education, including licensing of educational establishments; production and dissemination of general information, technical documentation and statistics on education.

*Includes:* Education affairs and services that cannot be assigned to (091), (092), (093), (094), (095), (096) or (097).

## **10: SOCIAL PROTECTION**

Government outlays on social protection include expenditures on services and transfers provided to **individual** persons and households and expenditures on services provided on a **collective** basis. Expenditures on individual services and transfers are allocated to groups (101) through (107); expenditures on collective services are assigned to groups (108) and (109).

Collective social protection services are concerned with matters such as formulation and administration of Government policy; formulation and enforcement of legislation and standards for providing social protection; and applied research and experimental development into social protection affairs and services.

The social protection functions and their definitions are based on the 1996 European System of integrated Social Protection Statistics (ESSPROS) of the Statistical Office of the European Communities (Eurostat).

In ESSPROS, social protection includes health care, but this division does not include health care.

Health care is covered by Division 07. Hence, medical goods and services provided to persons who receive the cash benefits and benefits in kind specified in groups (101) through (107) are classified under (071), (072) or (073) as appropriate.

## **101: SICKNESS AND DISABILITY**

### **1011: Sickness (IS)**

- Provision of social protection in the form of cash benefits or benefits in kind that replace in whole or in part loss of earnings during a temporary inability to work due to sickness or injury;
- Administration, operation or support of such social protection schemes;
- Cash benefits, such as flat-rate or earnings-related sick leave payments, miscellaneous payments provided to help persons temporarily unable to work due to sickness or injury;
- Benefits in kind, such as assistance with daily tasks provided to persons temporarily unable to work due to sickness or injury (home help, transport facilities, etc.)

### **1012: Disability (IS)**

- Provision of social protection in the form of cash benefits or benefits in kind to persons who are fully or partially unable to engage in economic activity or lead a normal life due to a physical or mental impairment that is either permanent or likely to persist beyond a minimum prescribed period;
- Administration, operation or support of such social protection schemes;
- Cash benefits, such as disability pensions paid to persons below the standard retirement age who encounter a disability which impairs their ability to work, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to reduced capacity to work, care allowances, allowances paid to disabled persons undertaking work adapted to their condition or undergoing vocational training, other periodic or lump-sum payments paid to disabled persons for social protection reasons;
- Benefits in kind, such as lodging and possibly board provided to disabled persons in appropriate establishments, assistance provided to disabled persons to help them with daily tasks (home help, transport facilities etc.), allowances paid to the person who looks after the disabled person, vocational and other training provided to further the occupational and social rehabilitation of disabled persons, miscellaneous services and goods provided to disabled persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

*Excludes:* Cash benefits and benefits in kind paid to disabled persons on reaching the standard retirement age (1020).

## **102: OLD AGE**

### **1020: Old age (IS)**

- Provision of social protection in the form of cash benefits and benefits in kind against the risks linked to old age (loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social and community life, etc.);

- Administration, operation or support of such social protection schemes;
- Cash benefits, such as old-age pensions paid to persons on reaching the standard retirement age, anticipated old-age pensions paid to older workers who retire before the standard retirement age, partial retirement pensions paid either before or after the standard retirement age to older workers who continue working but reduce their working hours, care allowances, other periodic or lump sum payments paid upon retirement or on account of old age;
- Benefits in kind, such as lodging and sometimes board provided to elderly persons either in specialized institutions or staying with families in appropriate establishments, assistance provided to elderly persons to help them with daily tasks (home help, transport facilities etc.), allowances paid to the person who looks after an elderly person, miscellaneous services and goods provided to elderly persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

*Includes:* Pension schemes for military personnel and for Government employees.

*Excludes:* Early retirement benefits paid to older workers who retire before reaching standard retirement age due to disability (1012) or unemployment (1050).

## **103: SURVIVORS**

### **1030: Survivors (IS)**

- Provision of social protection in the form of cash benefits and benefits in kind to persons who are survivors of a deceased person (such as the person's spouse, ex-spouse, children, grandchildren, parents or other relatives);
- Administration, operation or support of such social protection schemes;
- Cash benefits, such as survivors' pensions, death grants, other periodic or lump-sum payments to survivors;
- Benefits in kind, such as payments towards funeral expenses, miscellaneous services and goods provided to survivors to enable them to participate in community life.

## **104: FAMILY AND CHILDREN**

### **1040: Family and children (IS)**

- Provision of social protection in the form of cash benefits and benefits in kind to households with dependent children;
- Administration, operation or support of such social protection schemes;
- Cash benefits, such as maternity allowances, birth grants, parental leave benefits, family or child allowances, other periodic or lump-sum payments to support households and help them meet the costs of specific needs (for example, those of the lone parent families or families with handicapped children);
- Benefits in kind, such as shelter and board provided to pre-school children during the day or part of the day, financial assistance towards payment of a nurse to look after children during the day, shelter and board provided to children and families on a permanent basis (orphanages, foster families, etc.), goods and services provided at home to children or to those who care for them, miscellaneous services and goods provided to families, young people or children (holiday and leisure centers).

*Excludes:* Family planning services (0740).

## **105: UNEMPLOYMENT**

### **1050: Unemployment (IS)**

- Provision of social protection in the form of cash benefits and benefits in kind to persons who are capable of work, available for work but are unable to find suitable employment;
- Administration, operation or support of such social protection schemes;
- Cash benefits, such as full and partial unemployment benefits, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to unemployment or job reduction caused by economic measures, allowances to targeted groups in the labor force who take part in training schemes intended to develop their potential for employment, redundancy compensation, other periodic or lump-sum payments to the unemployed, particularly the long-term unemployed;
- Benefits in kind, such as mobility and resettlement payments, vocational training provided to persons without a job or retraining provided to persons at risk of losing their job, accommodation, food or clothes provided to unemployed persons and their families.

*Excludes:* general programs or schemes directed towards increasing labor mobility, reducing the rate of unemployment or promoting the employment of disadvantaged or other groups characterized by high unemployment (0412); cash benefits and benefits in kind paid to unemployed persons on reaching the standard retirement age (1020).

## **106: HOUSING**

### **1060: Housing (IS)**

- Provision of social protection in the form of benefits in kind to help households meet the cost of housing (recipients of these benefits are means-tested);
- Administration, operation or support of such social protection schemes;
- Benefits in kind, such as payments made on a temporary or long-term basis to help tenants with rent costs, payments to alleviate the current housing costs of owner-occupiers (that is to help with paying mortgages or interest), provision of low-cost or social housing.

## **107: SOCIAL EXCLUSION N.E.C.**

### **1070: Social exclusion n.e.c. (IS)**

- Provision of social protection in the form of cash benefits and benefits in kind to persons who are socially excluded or at risk of social exclusion (such as persons who are destitute, low-income earners, immigrants, indigenous people, refugees, alcohol and substance abusers, victims of criminal violence, etc.);
- Administration and operation of such social protection schemes;
- Cash benefits, such as income support and other cash payments to the destitute and vulnerable persons to help alleviate poverty or assist in difficult situations;

- Benefits in kind, such as short-term and long-term shelter and board provided to destitute and vulnerable persons, rehabilitation of alcohol and substance abusers, services and goods to help vulnerable persons such as counselling, day shelter, help with carrying out daily tasks, food, clothing, fuel, etc.

#### **108: R&D SOCIAL PROTECTION**

Definitions of basic research, applied research and experimental development are given under (014) and (015).

#### **1080: R&D Social protection (CS)**

- Administration and operation of Government agencies engaged in applied research and experimental development related to social protection;
- Grants, loans and subsidies to support applied research and experimental development related to social protection undertaken by non-Government bodies such as research institutes and universities.

Excludes: Basic research (0140).

#### **109: SOCIAL PROTECTION N.E.C.**

#### **1090: Social protection n.e.c. (CS)**

- Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall social protection policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of social protection; production and dissemination of general information, technical documentation and statistics on social protection.

*Includes:* Provision of social protection in the form of cash benefits and benefits in kind to victims of fires, floods, earthquakes and other peacetime disasters; purchase and storage of food, equipment and other supplies for emergency use in the case of peacetime disasters; other social protection affairs and services that cannot be assigned to (101), (102), (103), (104), (105), (106), (107) or (108).

## 15. SAMPLE SCENARIO

W.V.S Tubman Technical University is a government funded University located in Harper, Maryland. On 23 November 2009 the University Registrar spent Liberian Dollars 100,000 on procurement of the latest publications of textbooks from the National Aids Control Program, an organisation involved in the fight against the spread of the HIV/AIDS pandemic. The money was used for dissemination of information aimed at reducing the spread of HIV/AIDS amongst the youth in tertiary institutions. The national campaign on the prevention of HIV/AIDS in tertiary institutions is an initiative the GoL is financing from her own revenue sources.

**Required:** Show how this transaction will be coded in the new GoL Chart of Accounts.

Sample coding is illustrated below.

**GOL BUDGET CLASSIFICATION AND ACCOUNT CODES (CHART OF ACCOUNTS)**

			Number of Characters per segment																					
			07			2	06			04	06			04			04	06					39	
Segment Name	Segment Description	Description of COA Code	3	2	2	2	1	2	3	4	2	2	2	2	1	1	2	2	1	1	1	1	2	39
Agency	Ministry/Agency (3)	W.V.S Tubman Technical University	308																					
	Department (2)	Administration and Management		01																				
	Section (2)	Unspecified			00																			
Spare Segment	Spare Segment	Unspecified				00																		
Fund	Budget Classification (1)	Recurrent					1																	
	Fund Type (2)	C/Government Funds						01																
	Funding S'rce (3)	GoL Sources							001															
Projects & Loans	Projects & Loans	Unspecified								0000														
Program	Objectives (2)	Unspecified										00												
	Outputs (2)	Unspecified											00											
	Activities (2)	Unspecified												00										
Function	1st Level/Division (2)	Public Health Services													07									
	Group (1)	Unspecified														4								
	Class (1)	Unspecified															0							



## CODING FORM ILLUSTRATING EXAMPLE ABOVE

No	SEGMENT	CODE
1.	Agency (7)	3080100
2.	Spare Segment (2)	00
3.	Fund (6)	101001
4.	Projects & Loans (4)	0000
5.	Program (6)	000000
6.	Function (4)	0740
7.	Location (4)	1022
8.	Economic Classification (6)	221903