

The Ethiopian Society of Emergency and Critical Care Professionals

FINANCIAL MANAGMENT AND PROCEDURES MANUAL

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SECTION ONE: INTRODUCTION

1.1. Background Information of ESECCP

The Ethiopian society of emergency professionals association (ESEP) was established in 2012 but changed its name and registered to Ethiopian society of emergency and critical care professionals (ESECCP) in 2018. It received its legal status from Ethiopian Charities of Societies Agency being registered as an Ethiopian Resident Charity Organization.

The Ethiopian society of emergency professionals association (ESEP) was established in 2012 but changed its name and registered to Ethiopian society of emergency and critical care professionals (ESECCP) in 2018. It received its legal status from Ethiopian Charities of Societies Agency being registered as an Ethiopian Resident Charity Organization. ESECCP is dedicated to representing professionals whose goals are saving lives and protecting property and the environment during emergencies and disasters.

The Ethiopian Society of Emergency and Critical Care Professionals (ESECCP) has made remarkable strides in advancing emergency and critical care services in Ethiopia. Despite being a relatively young society, its establishment and growth have had a profound impact on healthcare delivery and training in emergency medicine and critical care for both physicians and nurses throughout the country.

The roots of the society can be traced back to the early 2011s when a group of dedicated healthcare professionals recognized the urgent need for standardized emergency and critical care services in Ethiopia. With a vision to improve patient care and foster professional development, these individuals came together to form the Ethiopian Society of Emergency Professionals (ESEP).

ESEP focused on advocating for emergency medicine and nursing as recognized specialties, developing training programs, and establishing a network of professionals dedicated to enhancing emergency care. Through collaborative efforts with local and international partners, ESEP made significant progress in establishing emergency medicine and nursing as distinct medical disciplines within the Ethiopian healthcare system. In recent years, acknowledging the growing importance of critical care services, ESEP expanded its scope and evolved into the Ethiopian Society of Emergency and Critical Care Professionals (ESECCP). This expansion allowed the society to address the critical need for specialized critical care training and development in Ethiopia. ESECCP has actively organized conferences, workshops, and training programs to enhance the knowledge and skills of healthcare professionals in emergency and critical care. These initiatives have played a vital role in setting standards of care, promoting evidence-based practices, and fostering a platform for knowledge sharing and collaboration among professionals in the field.

Furthermore, the society has been actively engaged in advocating for policy changes and resource allocation to strengthen emergency and critical care services in the country. Through partnerships with government agencies, academic institutions, and international organizations such as WHO, AFEM, IFEM, WCEA, and AHA, ESECCP has exerted influence on policy decisions and facilitated improvements in emergency and critical care infrastructure, equipment, and training. Currently, there are more than four universities offering emergency and critical care nursing programs at both the graduate and undergraduate levels in Ethiopia. Additionally, five universities provide emergency and critical care residency training

programs across the country. As a result, there are now over 500 trained nurses and physicians specializing in emergency and critical care who actively contribute to the country's health task force. Moreover, a subspecialty program in Critical Care Medicine has been initiated, with five fellows enrolled at St. Paul Millennium Medical College. Furthermore, more than eight Emergency and Critical Care Nursing graduates have joined PhD programs, with two having already completed their PhD degrees. These initiatives demonstrate a commitment to enhancing sub-specialized training and expertise in critical care within the Ethiopian healthcare system.

Overall, the Ethiopian Society of Emergency and Critical Care Professionals has played a pivotal role in shaping the landscape of emergency and critical care services in Ethiopia. From its humble beginnings to its current endeavors, the society continues to make significant contributions to healthcare delivery, education, and professional development in the field of emergency and critical care.

1.2. Vision, Mission, Core values and Organogram of the Organization

Vision:

- ESEP vision is to have excellence in the field of emergency and critical care through education, research, advocacy, and empowered multidisciplinary professionals in Ethiopia.

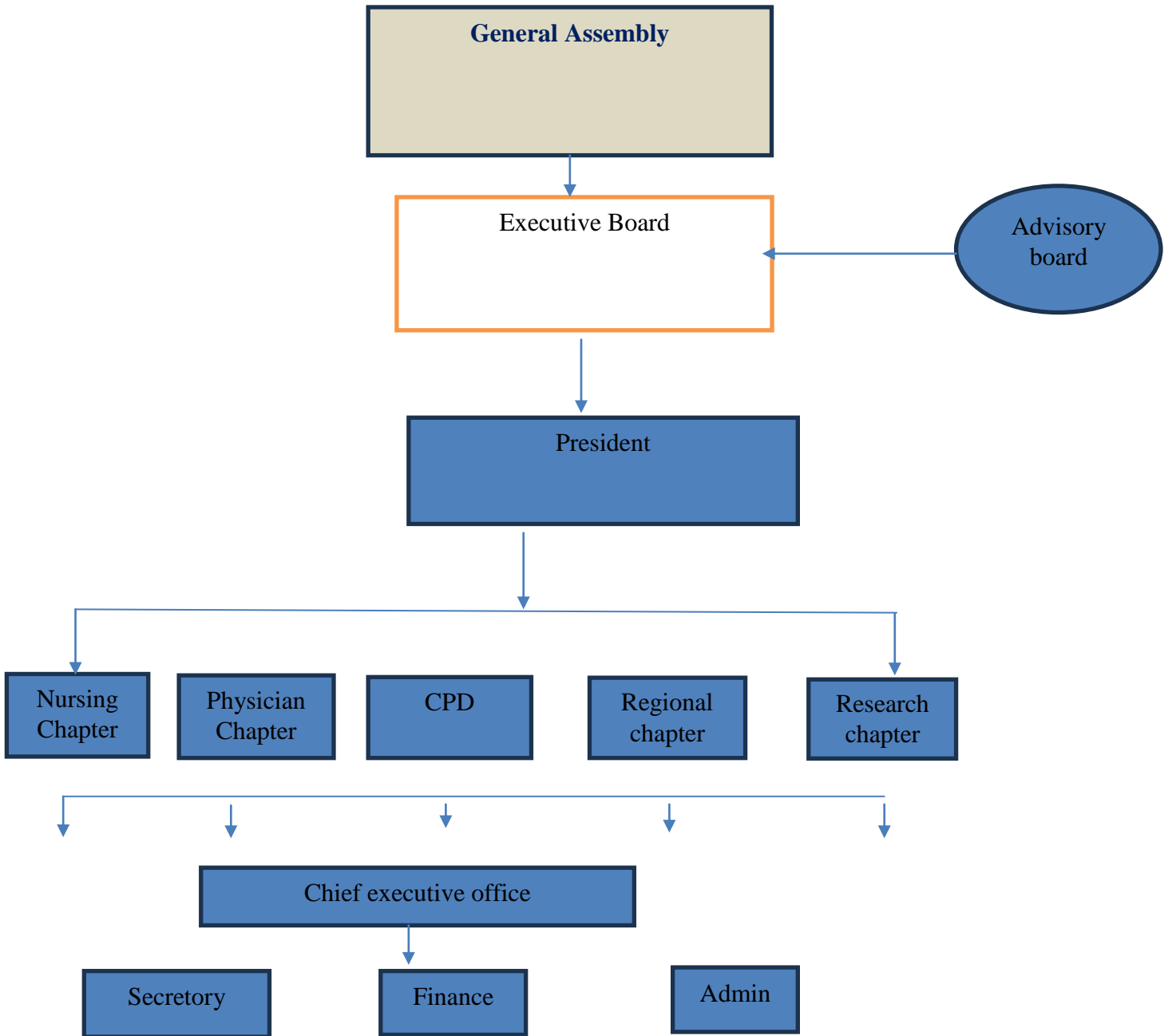
Mission:

- ESEP strive to strengthen emergency and critical care systems in Ethiopia, through leading collaborative efforts and championing advocacy. We drive the strategic research agenda, provide guidance for education and training, and facilitate the development of sustainable policies and frameworks to strengthen emergency and critical care systems in Ethiopia.

Core values:

- Professionalism
- Academic and service excellence
- Accountability and transparency
- Engaging stakeholders
- Collaboration in acute care continuum
- Evidence generation
- Integrity and honesty
- Capacitate leadership

Organogram of the Organization:



1.3. Purpose and Objective of the Manual

The major purpose of this financial manual is to provide a general framework for the accounting and finance related activities of the organization and strengthen the internal control systems in order to ensure best utilization of available resources. The manual is designed in a way to stipulate policies, procedures and rules relating to all area of accounting; including record keeping, analyzing, reporting, internal control, monitoring, workflow management and financial management.

Specifically, this manual is therefore intended to help the organization to:

- Define and set-out clearly the financial and accounting policies and procedures; and ascertain that transactions of the organization are recorded in accordance with Generally Accepted Accounting Principles (GAAP);
- Put in place a system that will provide adequate internal control over the resources of the ESEP so as to enhance the efficiency of the overall management of its operations; and
- Serve as a source of information of the organization for future planning and budgeting;

1.4. Organization of the Manual

This manual is organized in fifteen sections. Section one provides background information about ESEP vision, mission core valuation and structure of the association. The Financial and Accounting Systems, Policies and Principles adopted by ESEP presented in section two. The third and fourth sections deal with Bank and Cash Operations respectively, while section five discusses Accounts Receivable. Account Payable/Liabilities, Payroll and Budgeting are covered in sections six, seven and eight respectively. In the ninth, tenth and eleventh sections the manual discusses Revenues, Expenditures and Fund Balance. While Fixed Assets, Adjusting and Closing the Accounts, Financial Reports and Documentation of Transactions are presented in the last four sections. The various forms and chart of accounts deemed necessary for the financial operations and proper recording of transactions and reporting of the Organization are annexed at the end of this manual.

1.5. Amendment and Ownership of the Manual

The issue and implementation, and when necessary the revision of this manual will be made with the approval of the Executive Board of ESEP. However, no change shall be put into effect without a written approval from the Board of Management. The ownership of this Financial System and Accounting Procedures Manual is ESEP.

1.6. Effective date of the manual and Enforcement

The manual will be put into use from the date it is officially approved by Executive Board of ESEP. This manual will be effective from June 8, 2024 and the Senior Management Team is responsible for enforcing use of this manual by all ESEP staffs and team members.

SECTION TWO: Financial and Accounting Systems, Policies and Principles

2.1. Accounting systems

The ESEP shall use a computerized accounting systems, the Peachtree accounting software, or other appropriate accounting software are recommended to be continued for accounting transactions. The accounting system of the ESEP is a double entry system. These accounting policies must be applied in a consistent manner.

2.2. Accounting Policies

Accounting policies, which must be applied in a consistent manner, since they are the basis for the recording transaction and hence for the preparation of financial statements. The major accounting policies are: -

- **Modified cash basis** of accounting is adopted under which income is recognized in the accounts when cash is received and expenditures are recognized in the accounts when they are incurred, regardless of their payments in cash during the reporting period.
- **Stocks:** Stocks are expensed at the time of purchase
- **Fixed Assets:** Fixed Assets are expensed at the time of purchase or acquisition. Depreciation is not computed and included in the accounts all fixed asset shall be register on the fixed asset register Book (FARB) at time of purchase
- **Income:** Income is recorded in the accounts before service charges of domestic banks are deducted.

2.3. Accounting principles

Accounting principles are a number of basic rules, which are developed over-time from fundamental logical set of assumptions, concepts, and conventions. These rules are referred to as “Generally Accepted Accounting Principles” and to be applied to all accounting and financial activities. These include:

- a. **Going concern principle** – Assumes the organization (ESEP) and is to be operation in the foreseeable future.
- b. **Cost principle**- acquisition of goods and services should be recorded at the actual amount paid which will be the base for reporting.
- c. **Matching principle**- cost incurred in a period should be matched with revenue raised during the period and for the purpose of that expense. This helps to prepare the reports in a manner which best reflects the cause and effect relationship existing between cost and revenue. Also it is useful to determine the fund balance of projects.
- d. **Objectivity principle**- accounting information shall be based on a verifiable and objective data.
- e. **Consistency Principle**- Accounting theory, practices and methods shall be applied consistently from one period to the next to provide comparability between periods.
- f. **Full disclosure principle**- All information that might influence the decision making of potential user of financial statements must be disclosed.
- g. **Exception Principle**- Encompasses such fairly specific concepts, which provide for adaptability of accounting principles to change.
- h. **Materiality Principle**- Items of small significance need not be accorded strict theoretical treatment.
- i. **Conservatism Principles**- Where alternatives for and accounting determination are available, the alternative that portrays the least optimism shall be selected.

2.4. Classification of Costs/Expenses

The expenditure of ESEP is classified into program costs and administrative expenses. The program costs are related to activities of the projects for the fulfillment of the organization objectives. These costs cover up to 80% of the financial and material resources of ESEP.

Administrative expenses are those expenses that are related to running expenses of ESEP. These expenses are to facilitate implementation of different development projects. Administrative expenses should not exceed 20% of ESEP expenditures. Classification of cost items should be as per the Charity and society Agency regulation. The types of expenses include but not limited to be: employee related, program/project expenses, utility expenses, communication expenses, transport expenses, administration office expenses and facility expenses.

2.5. Petty Cash Payments and Procedures

- Petty cash required for small and petty purposes must be kept on imp-rest system. The following procedure is followed in setting up the fund:
 - ✓ A cheque is prepared in the name of the petty cashier for the amount of fund to be established.
 - ✓ The cashier cashes the cheque and records it as a debit in the Petty Cash Book PCB (Form No.1)
 - ✓ The accountant assigns the code number on the Bank (cheque) Payment Voucher BPV (Form No.2) to pass the following entries: (Dr Petty Cash Fund; Cr Cash at Bank).
- All payments from petty cash shall be effected through strict use of pre-printed and pre-numbered petty cash payment voucher PCPV- (Form No.3). The petty cash fund established must be reasonably adequate to cover about one month's disbursements. Only payments up to Birr 1000 could be made from petty cash fund. Under no circumstances shall petty cashiers be allowed to have access to the accounting records.
- Petty cash funds must be kept separately from other cash received, authorization for petty cash payments must be pre-defined and Surprise cash count must be made by the responsible accountant (Auditor)
- All paid vouchers and receipts, etc. must be stamped 'REPLENISHED' and referenced to the cheque payment voucher number and date by which replenishment was made.
- Petty cash Payment must be coded at the time of preparation and daily payments must be sequentially recorded by the cashier
- Subsidiary ledger postings can be done from the individual Petty Cash Payment Vouchers or summary of Petty Cash payments can be prepared as a medium for postings.
- Advances taken from petty cash must be settled within three days of their payment upon the presentation of the necessary financial documents.

- The petty cashier presents the final documents to the account against which payments have been effected along with the detailed original copies of the Petty Cash Replenishment and Reporting Form (PCRR)-(Form No.4)-whenever a significant portion of the fund is expended.
- When petty cash fund established becomes unnecessary, the account shall be closed immediately upon the approval of the ESEP President/Manager and petty cash fund must be regularly reconciled with the cash payment vouchers and any discrepancy has to be rectified immediately.
- Daily cash collection must not be mixed up with or used as petty cash.
- Surprise cash count may be made at any time and at the point of replenishment as well as when closing books. Count the cash on hand and documents in suspense and enter in the cash count form (Form No.5). If a difference occurs charge the cashier for any shortage or make him/her deposits the overage against a Bank Deposit Slip (BDS) Form No. 5.

2.6. Cash Receipts/Collections

- All cash or cheque receipts shall be acknowledged by ESEP's official serially sequenced and pre-numbered cash receipt voucher.
- ✓ Donations in foreign currencies are stated in the accounts in Birr at the rate of exchange prevailing on the date the bank account of the ESEP is credited. In addition, Income is recognized when materials and/or cash grants are received. The ESEP shall withhold a minimum of 20% from all project funds as service charge and deposit it in reserve fund. The grant management received from donation will be treated by as per the development of ESEP protocol.
- All collections made whether in cash or in cheque shall be deposited to a bank account intact on the date of collection or on the following day. The making of payment out of cash collection is specifically prohibited.
- Cashiers shall never keep third party funds in the Association's safes. If found so, the fund shall be delivered to the Organization against official receipt.

2.7. Cheque Payments

The President/General Manager, and others designated by the Executive Board President are authorized to sign cheques.

- a) All payments above Birr 1000.00 must be paid by cheque.
- b) Before cheques are issued for payment, Cheque Payment Voucher (Form No. 2) must be prepared and approved by authorized persons.
- c) Payment vouchers must be supported by appropriate documents such as supplier's invoices, minutes, receipts, and goods receiving note that should be attached to them. Where such supporting documents are already attached to another accounting document such as journal voucher it may be sufficient to cross reference to such journal voucher on the cheque payment voucher.
- d) All supporting documents must be stamped "PAID". If an error is committed during the preparation of a cheque a "VOID" mark should be put on the face of the cheque and should be attached with the cheque stub.

- e) Cheque payment voucher is pre-numbered and printed in two copies. The original is detached from the pad and is attached to the supporting documents.
- f) All payments to local suppliers, Government departments and other institutions should be prepared by the name of the payee.
- g) Cheques must be drawn in strict numerical order and Cheques should be made out to the payee exactly as per the payment voucher.

2.7.1. Procedure

When signing cheques, the following should be verified:

- a) Payees on voucher/cheque stub/cheque/cheque schedule are exactly the same; Amount on voucher/cheque stub/cheque are the same; words and figures on cheque agree and date is correct; and Cheque has all necessary stamps/crossings etc on it.
- b) Correct cheque numbers are written to voucher; vouchers are properly authorized and its supporting documents stamped "paid"; and Cheque schedule addition is correct, words and figures agree, and correct cheque numbers are entered.
- c) Ensure that vouchers/cheques/cheque lists etc have been reviewed by finance officer and any prior cheque signatory/signatories have properly signed in all appropriate places.
- d) When cheque is issues, the entry is: (Dr. Appropriate account; Cr. Bank)

2.8. Petty Cash Fund

- The limit of ESEP's petty cash float is Birr 5000. The float may be changed when decided by ESEP's Management.
- The established amount of petty cash fund shall not exceed unless authorized by the President/ED of ESEP's. The Funds shall be replenished when at least 3/4th of the limit is utilized.
- Petty cash should be kept by a cashier. The cashier is fully responsible for her/his holdings.

2.9. Receivable/Advances

- All travel advances should be accounted for within 10 days after arrival of the traveler and no advance may be issued to an employee unless and until all existing advances are settled.
- Receivables that cannot be collected are called bad debts. Provisions for doubtful debts are made on specific basis. Accounts write-offs must be documented and approved by the President/General Manager prior to accounting action.
- Receivables not collected by their due dates shall be forwarded to court action for collection through the due process of the law.
- Outstanding receivables not settled within a month after the staff is returned or the task is completed will be deducted from salary.

2.10. Liabilities/Advances

With regard to Liabilities/Advances, no invoice should be considered for payment or entry unless it is accompanied by Goods Receiving Note (GRN) and other relevant supporting documents. Plus, severance pay shall be calculated at the end of each year based on actual period of service of each employee (one month's gross salary for the first year and 1/3 of the salary there after) and be transferred to separate fund by deducting it from concerned fund balances and deposited to the bank in a separate account.

2.11. The Financial Transaction Recording/Accounting Cycle

The accounting cycle is the procedural sequence of accounting activities which starts with the recording of transactions and ends with the preparation of financial statements and the post-closing trial balance. The complete series of activities involved in double entry accounting during a fiscal period is called the accounting cycle. The sequence of activities involved in the cycle includes:

- a. Journalizing - opening trial balance.
- b. Coding, analysis and summarization of records of source documents (receipt vouchers, invoices, cheques, payment vouchers (PV), etc.).
- c. Posting of sorted and summarized journal entries into ledger accounts.
- d. Closing trial balance taking to test the balancing of the ledgers.
- e. Trial balance adjusting entries and their journalizations.
- f. Post-closing trial balance taking.
- g. Producing financial statements (Revenue and Expense Statement, Balance sheet, etc.).

2.12. Budget

- ESEP will have one consolidated annual budget. In addition to the consolidated budget, individual agreements with donors may be treated as a budget for the project period.

2.13. Fiscal Year

- The fiscal year of ESEP is July 08 to July 07.
- Books of accounts will be closed at the end of the fiscal year. Adjusting entries must be passed for mistakes that need to be corrected and prepayments (if any) at the end of an accounting period before closing the accounts.

2.14. Financial Reports

- Accounting method of ESEP will be the 'Modified Cash Basis' accounting, i.e. Income is recognized when material and/or cash grants are received; expenses are recognized when incurred;
- The principal financial reports include: the income and expenditure statement, the balance sheet, budget report, donor reports etc.
- Interim financial reports shall be reported at the end of each quarter.
- Draft financial reports for the year should be prepared within three months after the close of the financial year.

2.15. Annual Audit

- Recognized external auditor appointed by the Executive Board shall audit ESEP's books of accounts annually.

2.16. Document Maintenance, Preservation and Disposal

- All used and unused financial documents should be kept under the custodianship of the President/General Manager Department. Unused financial documents of ESEP will be registered in their sequential order in a register book.

- Issuance of unused documents will be made upon confirmation that the previously issued one has been properly and fully utilized. Annual inventory of unused accountable documents shall be taken at the end of each fiscal year.
- The books of accounts and the corresponding vouchers and other documents will be kept by ESEP for ten years after they have been audited. After ten years, all documents will be disposed under the supervision of the President/General Manager.

SECTION THREE: BANK OPERATIONS

3.1 Opening an Account

The Executive Board should apply to the Charity and Society Agency (CSA) so that CSA will write a permit letter for ESEP to open the account. A letter to be written to the CSA should contain the proposed signatories' names and their positions, organization's name and the intended bank branch. They inform the bank the manner in which the account/accounts are going to be operated and the name as well as the title of the signatories. Signatories shall deposit their specimen signatures with the bank.

The fund that constitutes the opening balance as well as subsequent deposits may come from donations or other sources.

Once the account has been opened, normal operation takes place as follows:

- a) Checkbooks are prepared by the bank and issued to the customer. Upon receipt of the cheque book, verify immediately that it contains exactly the number of cheque leaves ordered. Any missing leaves must be reported immediately quoting the number and asking for a "stop payment".
- b) The use of ESEP bank accounts for other than official transactions is prohibited. In no circumstances may Society fund be logged in a private bank account, nor private bank account be logged in Society bank account.
- c) All cheques for payment of sums due by the ESEP and other withdrawals from ESEP bank accounts shall be signed by at least two authorized people. The ESEP may have a number of authorized senior staff, two people from (President, Vice president and/or Finance Officer) may be designated as the principal signatories and others emergency signatories who sign only in the absence of the one of principal signatories. The ESEP President may sign as alternative or additional signatures.
- d) Cheque books, when not in use must be kept under lock and key in a strong-room, safe or steel cabinet under the sole custody of the Finance Office or his/her delegated officer. Care must be taken at all times to ensure that cheques cannot be extracted for fraudulent purposes. When a cheque is spoiled or cancelled it must be stapled to the counterfoil remaining in the book. When a cheque is reported lost, it should not be replaced until the Finance Office satisfies himself/herself that the cheque has not been cashed. He/she should request the bank to stop payment of such a cheque and await confirmation from the bank (in writing) that the cheque has not been cashed, and that a stop has been placed upon it.
- e) Before a cheque is re-issued, the payee must sign an indemnity to the effect that should it be discovered that the lost cheque had been cashed by him, he should refund to the ESEP the amount paid him on the replacement cheque.

3.2 Deposits

Deposits can take the form of cash, cheque, or CPO as appropriate. Any receipts in the form of cheque for deposits will have the availability of funds ascertained first before they are considered good funds, especially if they emanate from private individuals.

For all types of deposits, receipts should be obtained from the bank. Normally, banks issue two types of deposit receipts, for cash and cheque. In both cases before deposits are made, the cashier lists out the item on the blank deposits /forms in duplicate checks the items and totals carefully, counts the cash to be

deposits and takes it to the bank. After having deposited the money, the cashier obtains deposit slip bearing a stamp of the bank and a signature of the teller.

Upon receiving the deposit slip accounts pass the following entry (Dr. Bank; Cr. Cash on hand; or Cr. Other appropriate account) - for Chart of Accounts see Annex 1.

3.3 Cheque Payments

Cheque payments are orders to a bank to make cash payments to the person or organization named in the cheque from bank current accounts held by the maker. Cheque payment helps to avoid the risk of carrying large amount of cash.

All payments above Birr 1000.00 must be paid by cheque or through bank transfer. Before cheques are issued for payment, Cheque Payment Voucher must be prepared and signed by authorized persons. Payment voucher must be supported by appropriate documents such as supplier's invoices, receipts, and good receiving note that should be attached to them. Where such supporting documents are already attached to another accounting document such as journal voucher it may be sufficient to refer to such journal voucher on the cheque payment voucher.

Cheque Payment Voucher is pre-numbered and printed in two copies (see Form No. 2). The original is detached from the pad and is attached to the supporting documents. Cheque numbers must be entered on the relevant cheque payment vouchers and the cheque payment voucher number must also be entered in the cheque pad. Ensure also that cheque numbers are used in sequential order. Canceled cheques must be kept attached to the cheque stub.

No expenditure is to be effected unless properly approved. Only original documents are accepted for payment. All supporting documents must be stamped "PAID". If an error is committed during the preparation of a cheque a "VOID" mark should be put on the face of the cheque and should be attached with the cheque stub.

If bounced cheques are not cashed immediately, they must be returned and reversal journal entries be passed. Cheques to be paid to individuals may be stamped "pay only" cheques to be prepared in the name of organizations or directly to be deposited to bank accounts number of payees may be crossed.

To minimize the risk of abuses, a cheque should be signed by two signatories, i.e., finance officer and the President or the vice President and the president or the finance officer and the vice president. The limit of authority to sign cheques is illustrated in Annex 2.

It is strictly forbidden to:

- a. Sign on blank cheques and leave them at the disposal of others;
- b. Cash cheques from collections, or any other fund;
- c. Mail cheques to payees;
- d. Break up a single payment into two or more cheques with the intention of overriding the cheque signatory limit.

The name of the payee, amount paid, date and running bank balances should be stated on the stub and signed by the signatories.

Before cheque payment voucher is prepared, Payment Request Form should be prepared (see Form 6). The payment request form shows the amount requested and the reason for payment. It could be printed or

stenciled. It is prepared in two copies. The original goes to accounts while the copy is retained by the requesting unit. Accounting Entries: (*Dr. Appropriate account; Cr. Bank*)

3.4 Bank Transfer

Normally banks act on authority given to them to debit a particular account and effect cash transfer to third parties. Such authorities can assume the form of letters. In such cases, the letter has to be signed by the persons authorized to operate the account. If an authority to debit is given to the bank and the bank act on it, the debit note should come from the bank. Afterward payment out of the bank account will be made as explained in 3.3 above.

A journal entry should be passed in the books by accounts. Journal Voucher (JV) is used to record all transactions that are not posted to the ledger account through other vouchers (See Form No. 7). Copy of the transfer letter and the debit note received from the bank are attached to the JV.

3.5 Reconciliation with Bank Account

The account section collects bank statement monthly. Upon receipt of the statement of account, the balance shown may not agree with the balance in the books. Therefore, bank reconciliation is necessary at the end of each month. The responsible accountant must prepare reconciliation statements.

Reconciled statements should be filed properly, in all cases obtain duplicates or photocopies of missing documents from the bank and all outstanding items should be followed up closely and all required adjustments be prepared and recorded as quickly as possible.

- a) Bank statements must be obtained as frequently as possible and in any case not less than monthly, and compare the bank statement and the cash book balance (See Form No. 8).
- b) If the balances are not agreed reconciliation has to undertake by the end of the first week of the following month. The reconciliation statement must detail all outstanding cheques, outstanding debits and credits and fully explain any differences between the balances.
- c) Action must be taken to make the necessary entries in the accounts to rectify the differences between the bank statement and the cashbooks. In particular direct debits and credits to bank statements must be brought into the cashbook and ledger accounts
- d) The Cashier accountant has to present the bank reconciliation to the Finance Officer for review and approval. The accountant has also to file the approved bank reconciliation in a “reconciliations” file.

3.6. Closing of Bank Accounts

Any bank account not required to be operated must be closed immediately. The President/General Manager has to take the matter in writing for obtaining necessary resolution. When it is decided to close a bank account, the following actions should be completed:

1. Transfer balance in the account (leaving the minimum amount required) to the other bank account.
2. Surrender all the cheque leaves to the bank under a receipt.
3. After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.
4. Confirm closure of the bank account and transfer of balance to the competent.

3.7. Internal Control

On Cheque payment

- Opening of bank accounts, appointment and change of cheque signatories and closing of bank accounts should be authorized and communicated to the concerned banks immediately by the Executive Board.
- Prior to the preparation of payment vouchers, the validity of attachments of supporting documents should be properly compared with vendors' invoices, Goods Received Notes, etc
- Cheque payments should be made from properly budgeted amounts. In addition, the payment vouchers and supporting documents should be canceled with a "Paid" stamp to avoid double payment.
- If there is a change in the signatories of bank accounts, the bank should be notified immediately about the changes and effective date of the changes. Signatories shall not be from those employees who are responsible for the preparation of cheque payment voucher, collections and disbursement.
- Each cheque should be signed by at least two authorized signatories.
- Avoid signing blank cheques; never accept postdated cheques; and notify the finance officer immediately about bouncing cheques.

On bank reconciliation

- Checks that the date, number and amount showed on every cheque stub agrees with the corresponding date on the bank statement and note the difference, if any, and that voided cheques are not cashed.
- Check all deposits are included in the month's Bank Statement and ensure that bank statements and reconciliation reports are properly filed for future references.
- All canceled (void) cheques should remain attached to the cheque stub. Make sure that an independent person not involved in the preparation of cheques and deposits prepares the bank reconciliation statement.
- When collecting cheque books, the person in charge should check that all the cheques are in place and in sequence and all cheques must be fully accounted for.
- Bank reconciliation report shall be prepared not less than 10th date of the next month.

SECTION FOUR: CASH OPERATIONS

4.1. Cash

Cash is a medium of exchange for goods and services. It consists of coins, notes, cheques on hand as well as cash on deposit with bank. It is the most liquid of all assets and hence it changes hands, places and vanishes into commodities within the quickest time possible. Hence, it requires the most efficient system of recording and controlling.

4.2. Petty Cash

Petty cash is a fund used to meet various expenses of recurring or non-recurring nature of small and moderate accounts. Petty cash should be kept on the imprest system whereby the cashier is advanced a float of a fixed amount, which should be replenished from time to time. The amount of the Petty cash float should be reasonable in relation to requirements.

The petty cash float of Head Office and Branch Offices is Birr 5000.00 and 1500.00 respectively. The float could be increased upon decision by the management based on specific situations. Payments of up to Birr 1000.00 may be paid from petty cash. Petty cash fund should be kept separate from other funds (cash received or collected). The petty cashier should not have also access to the accounting records or cheque books

4.2.1. Setting up the Fund

After the amount has been determined prepare a check in the name of the cashier, get the cheque signed by authorized people and hand over to the cashier. Cashier cashes cheque and keeps cash in safe. Account entries: (*Dr. Petty cash fund account; Cr. Bank account*)

4.2.2. Operations

- Payment request forms are presented with the supporting document to the President/General Manager or to the delegate for approval. The approved payment requests are forwarded to Finance.
- Finance checks documentation for corrections and if in order passes to the cashier.
- Cashier, prepares payments in pre-numbered Petty Cash Payment Voucher and get the signature of authorized person.
- Make the payee sign for the money she/he takes or attach the relevant invoice to the voucher, and all supporting documents must be stamped "PAID" before they are replenished.

4.2.3. Replenishment

- Petty cash is replenished before it is completely exhausted or when the petty cash on hand falls to about 3/4th of the originally set up fund.
- Cashier detaches the original of 'PAID' payment vouchers together with the supporting documents and sends to accounts.
- Upon receipt of the completed Petty Cash Replenishment and Request Form; Accounts checks and analyzes voucher, by account, title code, and total; and replenish by preparing cheque in the name of the cashier for the amount expended.
- All paid vouchers must be referenced to the cheque payment voucher number; and the Petty Cash Payment Vouchers should be marked 'REPLENISHED' with a stamp and filed as support for the replenishment check.

- The petty cash fund should always remain at a constant level. Accounting Entries: (Dr. Appropriate account; Cr. Bank)

4.3. Cash Receipts

Source of cash receipts, could be donations/grants, income generated by the ESEP or from miscellaneous income. Cash received, must be evidenced by pre-numbered Cash Receipt Voucher (Form No. 9) prepared by the cashier in three copies. Receipts are printed upon written request by the Finance Officer. Whenever possible, cash must be deposited to the bank intact daily, the making of any payment or advance out of cash received being expressly forbidden. The cashier should number deposit slips sequentially for each fiscal year at the time of preparation. Cheques received must be in the name of the Organization.

The finance officer shall write acknowledge letter to donors when bank confirmed that the cash is deposited in ESEP bank account by attaching original receipt. The letter shall be signed by the President/ED.

Upon receiving of the Cash Receipt and the supporting documents, Accounts check accuracy of analysis and pass the following entry: (Dr. Cash/bank; Cr. Account receivable or Cr. Income or Cr. Appropriate account)

All unused cash receipts must be kept in safe custody in the stores, and the required number of pads is given to the cashier upon completion and return of the used pads. Receipts withdrawn from stores are recorded in a register book. This record should show the positions of used and unused stock at any given time. The cashier should sign when she/he receives the receipt pads. A receipt voucher not used due to error should be marked as void and kept in the pad with all copies.

4.4. Purchase Advances

Until appropriate supporting documents are produced small amount of payments can be paid by Suspense Payment Voucher (Form No. 10) from the petty cash fund. The President/General Manager shall approve purchase advance as per limit of authority. Upon presentation of proper receipts or supporting documents to the cashier, the suspense voucher shall be settled in front of the payee. For actual purchase or service a petty cash voucher or cheque payment voucher shall be prepared. Accounts shall pass the appropriate accounting entries.

4.5. Travel Advances

For all travels, Travel Advance Form (Form No. 11) shall be filled by the requesting unit. The form shall be signed by the applicant and authorized by the respective unit head. The advance must be settled within 10 days return from trip by filling the Travel Expense Form (Form No. 12) and attaching detail report about the field trip and when requesting advance detail scope of the work shall be presented with the request.

4.6. Cash Count

The Internal Auditor shall make cash count at irregular intervals. Procedure for cash counts will be as follows:

- The person delegated to check the cash will drop at the cashier's and take possession of the cash in the presence of the cashier. The checker will also proceed to count notes and coins in detail and put down the details on the Cash Count Form.
- The result should be the same with the amount of the petty cash fund. Then he/she makes the cashier sign on the cash count form after he/she has signed.
- If a difference persists after the detail count, the cashier will be responsible for such difference. Where the difference is an overage an official cash receipt must be issued immediately and where there is shortage he/she will pay the difference.

4.7. Internal Control

On petty Cash

- Petty cash fund must be operated on imprest system where fund amount is always equal to the sum of the cash on hand and the sum of the vouchers (petty cash & suspense vouchers) paid from the fund; and segregate petty cash funds from other collections of cash.
- Ensure that the entries in the PCPVs are completed in ink and the amounts in words and figures tally and ensure petty cash payments do not exceeded from the pre-set upper amount limit unless senior authorities of the Organization approve exceptions.
- Petty cash payment vouchers should be pre-numbered and printed; petty cash payment vouchers and supporting documents should be received before replenishment; and Cheques for petty cash replenishments should be made to the order of the petty cashier.
- Petty cash payment vouchers and their attachments should be stamped either “paid” or “replenished” immediately after the replenishment cheque is signed and after signing on the CPV, replenishment cheques should be collected by the cashier.
- Petty cash in hand and related documents must be kept in a safe. When carrying cash from and to banks, the cashier should be protected by accompanying drivers.
- The petty cash funds will always remain at a constant level and the cashier shall also balance cash on hand and cash book daily.
- An internal auditor shall do surprise cash count as appropriate.

On Cash Receipt

- Make sure that receipt vouchers are pre numbered and printed by order of the proper authority.
- Ensure daily cash collections are deposited intact in the bank account of the Organization.
- Make sure that cash collecting and recording responsibilities are separate.

SECTION FIVE: ACCOUNT RECEIVABLE

5.1. Accounts receivables

Accounts receivables are claims from staff, other organizations and individuals to which ESEP granted/rendered fund/services on credit. Receivable in ESEP include project advances, salary advances, purchase advances, deposits and prepayments, and sundry debtors.

5.2. Staff Advances

Salary advances may also be given to the staff in case of serious problems upon submission of a written salary request according to the regulations of the Organization. The President/General Manager should approve the request. Upon receipt of the approved loan and salary advance requests, accounts will pay the staff in cash or cheque. For all advances the maximum deduction is 1/3 of the employee's monthly salary. If there are different kinds of deduction, the primary deductions will be given priority. Accounting entries: (Dr. Individual staff loan account; Cr. Cash/Bank)

When collections are made from staff members in cash or by deducting from their salaries, the following entry is passed (*Dr. Proper asset or expense account; Cr. Individual staff loan account*). If payment is effected in cash: (*Dr. Cash; Cr Individual staff loan account*).

5.3. Travel Advance

Travel and per diem advance is amount advanced to the employees of ESEP for approved business travels. Travel advance should be limited to reasonable expected expenses such as transport, lodging meals and reserve for unseen expenses. Additional advance must not be given before the previous advances are settled if any. All travel advances shall be requested ahead of two days. Accounting entry for advance payment is: ((Dr. Accounts Receivable (individual staff account); Cr. Cash/Bank).

If the amount of advance is small, it could be paid from the petty cash fund by suspense voucher. No accounting entry is required if the advance is paid by suspense voucher, until actual invoices are submitted to finance. Reports on all field trips must be submitted to the Finance Officer and President/General Manager within ten days from the date of return to office.

5.4. Purchase Advance

Purchase advance is money advance given to employees to purchase goods and services for ESEP's use. Advance payment should be approved by President/General Manager as per limit of authority. Purchase advance should be cleared within specified period against the invoice of the supplier and good received note. Additional purchase advance must not be given before the previous advance is settled.

The purchase shall be liable until the purchase advance is settled and to effect payment purchase committee minute, purchase order, purchase request, tender document as appropriate shall be attached. Accounting entry for advance payment is: ((Dr. Accounts Receivable (individual staff account); Cr. Cash/Bank)

5.5. Insurance Prepayment

An insurance premium is paid in advance in order to cover vehicles, cash, etc. for which service is to be received at a later date. A comprehensive insurance coverage for possible damages on vehicles and their passengers, cash insurance, life insurance, medical insurance should be obtained. The type of insurance ESEP shall be clearly stated on the administration manual.

Insurance should be notified to make the expiry date fall on the end of the fiscal year. Upon receipt of debit note, cheque should be prepared. The accounting entry is: (Dr. Prepaid insurance/Insurance expense; Cr. Bank). Relevant adjustment of the expired value of insurance must be made at the end of the year if the expiry date does not fall on the end of the fiscal year. The accounting entry is: (Dr. Insurance expense; Cr. Prepaid insurance). Terms and conditions stated in the policy should be adhered to. Check also that all vehicles are insured under comprehensive coverage.

5.6. Other Receivables

This may mainly consist of individuals, companies or government organizations to which advance payment has been effected for purchase of goods and services. Upon receipt of proper documents the following entry is passed by accounts: (Dr Account Receivable - Sundry debtors; Cr. Bank /Cash). When the purchased material is fully received by Goods Receiving Note or service rendered is confirmed by concerned authority, the following entry is passed: (Dr. Appropriate expense; Cr. Account receivable – Sundry debtors)

5.7. Internal Control

On staff Advance

- Request for salary advance must be approved by the President/General Manager and no additional loan will be provided to any staff without ensuring settlement of previous loans/advances.
- Salary advance should not exceed the gross one month salary of an employee who served for one year and the gross two months' salary of an employee who served for more than two years.

On Travel Advance

- Travel advances shall be approved as per the signatory levels. Upon request for the travel advance, the traveler should fill the form and attach scope of the work to perform during the field trip. Travel advance should be limited to reasonably expected expenses such as transport, lodging, meals, and reserve for unforeseen expenses.
- Travel advances must be cleared in full within 10 days upon return from trips and additional advances must not be given before the previous advances are liquidated if traveler has returned from previous trip.
- The per diem rates (local and foreign per diem rates) shall be stated on HR/administrative manual.
- Upon settlement the traveler must present all necessary supporting documents or actual expenses such as land transport and/or airline receipt, or any other receipts for incidental costs. Otherwise, ESEP shall not cover the expenses.

On Purchase Advance

- Purchase advances should be made in cheques in favor of the purchaser.

- Purchase advances should be cleared within specified period against the invoice of the supplier and goods received note. Purchase advances made in cash, if any should be cleared within three days after items purchased are delivered to store against appropriate store documents and additional purchase advances should not be given before the previous advance is cleared.

On Prepayments

- Concerning on prepayments, ensure that the unexpired portion of prepaid expenses is recognized and adjusted to receivable account as at the fiscal period, and keep both the receipts and contract document properly secured for eventual reimbursement.

SECTION SIX: ACCOUNTS PAYABLE/LIABILITIES

6.1. Liabilities

Liabilities are the claims of outsiders on ESEP. Liability/Accounts payable normally arises as a result of goods purchased on credit or services obtained on deferred payment basis. They form liability items in the balance sheet. The most common payables include: Purchase payable, transportation payable, and payroll deductions.

6.2. Goods/Services Bought on Credit

When goods/services are bought on credit the supplier sends credit invoice to be settled after a specified period. Until settlement, the value of the invoice remains a liability. Upon receipt of the invoice along with the goods receiving note and purchase requisition, Accounts prepares a journal voucher and passes the following entry: (Dr. Appropriate expenditure account; Cr. Accounts payable – Supplier account)

6.3. Taxes and Withholdings

6.3.1. Income (Salary) Tax

Every person deriving income from employment is liable to pay tax on that income at the rate specified. ESEP has the obligation to withhold the tax from each payment/salary to an employee and to pay to the tax authority the amount withheld during each calendar month. The Personal Income Tax should be calculated in accordance with current Income Tax Proclamation.

6.3.2. Withholding Tax

Organizations in Ethiopia having legal personality are required to withhold 2% of the gross amount of payment they make from tax payers for providing goods and services if the organization/individual has TIN or withhold 30% of the gross amount if the organization/individual has no TIN: Withholding tax will be calculated on invoice prices before VAT or TOT.

- i. Supply of goods involving more than Birr 10,000 in any one transaction or one supply contract;
- ii. Rendering of services involving more than Birr 3000 in one transaction or one service contract (list services is detailed in Proclamation No. 78/2002).

When withholding tax from payment, the ESEP should issue serially numbered official receipt to persons and organizations from which tax is withheld and transfer to the government before the end of the following month (see Form No. 13).

6.3.3. Unclaimed and Withheld Salary

Unclaimed and withheld salaries are net salaries which are not collected by employees or payment that has been barred by the action of management. The entry to recognize the liability is treated under the Payroll section. Upon settlement of the taxes, deposit of pension and payment of salary withheld to the employees, the following entries are passed: (Dr. Income tax or Dr. Withholding tax or Dr. Pension; Dr. Unclaimed salary; Cr. Cash or Bank).

6.4. Other Payables: Other payables must be settled according to respective agreement (if any).

6.5. Internal control

For Internal control purpose:

- Ensure avoidance of penalties on defaulting payments of liabilities.

- Personal income tax should be paid to the revenue authorities within one month from the date of collection. In addition, the pension deduction in the Organization's ledger should be paid to the revenue authorities within one month from the date of collection.
- Unclaimed or withheld salary should be deposited with the bank. Unclaimed salaries should be paid according to the payment procedures and upon written authorization.
- Ensure that accrued expenses such as water, electricity, telephone, service fees are estimated at the end of fiscal period.

SECTION SEVEN: PAYROLL

7.1. Payroll

Payroll fund represents the net salaries and wages obtained, after the gross pay has been reduced by all payroll deductions such as income tax, advances, loans and others.

7.2. Preparation

- Salaries and wages should be computed only in respect of ESEP's employees and at authorized rates of pay. After the payroll sheet is prepared, it is checked by the Finance Officer, Approved by President/General Manager.
- Salary and benefits to employees shall be paid on the 25th day of the month.
- The bank is requested to transfer net salary of employees to their personal bank account. Employees will not sign on the payroll; instead, the bank deposit slip shall be attached as evidence of the salary payment.
- All departments shall inform in written to the President/General Manager about any staff not eligible to the particular month salary. If salary of an employee who was not at work is deposited to his/her account, the concerned department that didn't inform about the employee shall take the responsibility
- Payroll reconciliation with previous month should be done before payment is effected, and the payroll should be examined at irregular intervals to verify the names of employees.

The following entry is passed when salary is paid to staff and payroll is submitted to accounts. Which include: (Dr. Salary expense (gross salary); Cr. Payroll fund; Cr. Income tax; Cr. Pension tax; Cr. Loan (if any); Cr. Unclaimed salary (if any); and Cr. others).

Salary of terminated employee should be paid as soon as they submit their clearance - they need not wait until the payroll is prepared. Plus, payment of temporary employees shall be paid by Wages Sheet, after it is checked and approved by the respective Officer. Where payments are paid every fortnight, income tax on wages must be calculated on monthly gross wages.

7.3. Internal Control

- Payroll preparation and payment functions should be segregated. Information like pay rate, allowance, and service charge, if any, should be made available to accounting unit at the time of employment. Moreover, payroll should be approved by the President/General Manager or by their duly authorized representatives.
- Payment of salaries and wages should be made direct to employees or to their legal representatives. Unclaimed pays not paid out within one week from the effective payday must be deposited with bank and not used as a petty cash and other purposes.
- Ensure payroll reconciliation with previous month is inquired on irregularities, and make sure that payroll information is kept confidential.
- If payroll deductions other than payable to government are outstanding for more than 6 months, the total balance shall be transferred to general fund by attaching letter with personal file of the employee.

SECTION EIGHT: BUDGETING

8.1. Budget:

A budget is a comprehensive, formal plan, expressed in quantitative terms, describing the expected operations of a Society over some future time period. A budget deals with a specific entity, covers a specific future time period, and is expressed in quantitative terms to attain its goal.

8.2. Budget procedure

1. An annual budget of ESEP shall include the expected incomes and expenditures by line items during a Fiscal Year.
2. Components of a budget shall include expected revenues, operational expenditures, and capital expenditures planned as part of a specific project agreement or consolidated annual plan of action of ESEP containing the assumptions of existing or forthcoming funds in respect of project interventions that fall within its institutional mandate.

8.3. Budget Planning Process/Steps

There are essential steps pursued to prepare an authentic budget. These are dissemination of guidelines (if any), budget preparation and budget review and budget approval.

8.4. Budget Planning Guidelines Preparation and Dissemination

Planning guideline is highly desirable and provides guidance on how to prepare program budget in view of program goals and objectives, financial policies, government policies and objectives and donors requirements. The guideline should also be up-dated in view of changing organizational strategies and other external factors.

Budget coordination unit under the program division at each project by receiving the budget guidelines from the notice of award and partnership office will involve in preparing budget guidelines for the ESEP. Then the Finance Office is responsible to provide budget guidelines to Project personnel and finally submit the budget to General Manager and the final approval will be made by the Executive Board. Similarly section/branch offices are responsible to provide the same to Head office.

8.5. Budget preparation and approval

With regard to budget preparation

- a) ESEP shall follow fund accounting and make continuous project-based budgetary preparations, taking into account budgetary contributions necessary to finance operational and capital expenditures to be made to keep ESEP going in progressive achievement of its legitimate mandates.
- b) The budget of ESEP's annual plan of action shall be prepared assuming expected revenues, operational expenditures, and capital expenditures envisaged by existing or forthcoming funds to be acquired financially, materially, and technically in respect of project interventions that fall within its institutional mandate.
- c) The President/General Manager and Finance Officer in charge shall work together and prepare the budget of annual plan of action, using the most recent and up to-date information including membership contribution, grants and donations etc. In the preparation of the budget of a specific

project or annual plan of action, all current and anticipated situations like currency fluctuation inflation of cost and the like should be taken into consideration; and provisions should be made to the best possible. Any project thus prepared with an appropriate budget should be sent to funding partners at the earliest possible time in order to obtain approval before implementation.

- d) Each Department/section is responsible for preparing their draft budgets; these should be reviewed and revised as necessary by the senior/top management, and consolidated by the Finance Officer to produce the draft budget for submission to the ESEP's President/General Manager and later Executive Board. The budget should be prepared and approved in accordance with the budget instructions issued by President/General Manager.
- e) The budget should include the anticipated revenue from all sources, and all sums required to meet the anticipated expenditure during the year to which the budget relates.
- f) The President/General Manager should review accuracy and completeness of plans and budgets. It must be constructed to show as accurately as possible the amount expected which should actually be required to maintain the services of the ESEP and which should actually be receivable during the year.
- k) All proposed plans and budgets should be reviewed and approved by each successive level of supervisory management. The budget should be finalized at least one month before the start of the financial year to which it refers.

8.6. Budget approval

After a thorough review of budget and refinement, the remaining step is budget approval, which involves the final checking of prepared budget and endorsing. Budgeting requires a lot of attention to detail, and one must be careful not to leave out any important steps. Use the checklist below when you do your budgeting:

- ✓ Plan your activities;
- ✓ Work out expenditure headings and income headings;
- ✓ Cost your expenditure items carefully, including: allowing for inflation, salary increases, cost of living, and unusual expenses;
- ✓ Work out what income you can expect carefully and conservatively;
- ✓ From your income and expenditure budget, develop a cash flow budget; present the draft to the board and donors for feedback; and include feedback and adjustment if any.
- ✓ Finalize your income and expenditure budget and your cash flow budget, ready for use.
- ✓ Finally, the President/General Manager will present the budget to the Executive Board /Donors for approval.

8.7. Budget execution

All spending should be within the budget limits. While a budget is prepared it should be compared with the previous budget. The budget should be broken down on a monthly basis so that a cash flow plan would be made. (Form No.14)

8.8. Budget Control

The budget is a business of everyone in the organization; therefore, all actors should understand how it is drawn up, why it is important and how it is monitored. An important part of the control function of

budgeting is the comparison of budgeted data with actual operating results. The comparisons are presented in periodic budget performance reports.

Once the budget has been prepared and approved, the Finance Officer starts the task of recording the budget and comparing it with actual figures and resulting variance. Before any payment/purchase is effected budget clearance should be obtained from the Finance Officer. Budget comparison reports should be prepared and presented at the end of every month to the President/General Manager. The program coordinators shall prepare variance explanation report in collaboration with finance officer and the finance unit shall strictly follow and report on any substantial variance between the budget and actual should be carefully investigated and reported to management, for the appropriate decision-making.

Transfer of budget from one budget category to the other has to have the approval of the President/General Manager. For all transfers exceeding the allowed limit/percentage prior approval of donors is required.

SECTION NINE: REVENUE/INCOME

9.1. Revenue

Revenue represents the total income generated by an organization from membership fee and donations, and supports either in cash or in kind.

9.2. Sources of Income

9.2.1. Income from Donors: ESEP shall solicit funds from domestic and international donors for its specific programs/projects. Funds shall be credited to accounts pertinent to each program and project thereof. ESEP shall charge the projects 20% and more of the income as service charge.

9.2.2. Contribution in Kind: These donations include contribution in kind such as materials, facilities, volunteer services, etc.

9.2.3. Other Sources: Funds shall also be raised/ mobilized from membership fee, membership contributions, special fundraising events, gifts and other methods. The membership contribution is 500.00 Ethiopian birr, if required it will be adjusted by Board of Management.

9.3. Accounting Entries

Income in cash or in kind is recognized on receipt. The entries are: (Dr Cash/Bank; Cr Income). For donation in kind, i.e., material, facilities and voluntary services, the journal entries are: (Dr Appropriate Expenditure Account; Cr Income)

9.4. Internal Controls

- Ensure that records are maintained for all donations including the donor's name, date and the compliance requirements.
- Follow-up the implementation of the donations whether they are in accordance with donor's requirements.
- Ensure that subsidiary ledger is maintained for each donor and make sure that donated materials are physically inspected. Ensure that donated materials and free voluntary services are recorded at fair market value.

SECTION TEN: EXPENDITURES

10.1. Expenditures

Expenditures are financial commitment or cost incurred in connection with implementing projects or running cost of the organization.

10.2. Kinds of Expenditure

Expenditures are regrouped and reclassified to facilitate meaningful interpretation of economic analysis and financial information for decision-making. Expenditures may be classified as *program or activity expenses* where resources are consumed in operating program activities. Expenditures may also be classified as *administrative costs*.

According the Charities and Societies Proclamation, the administrative cost shall mean costs for emulations, allowances, benefits purchasing goods and services, traveling and entertainments necessary for administrative activity of the organization. The organization shall allocate not less than 80% of its expenses in the budget year for the implementation of its purposes and an amount not exceeding 20% for its administrative activities. Details of project expenditures should align with the details of budget in the project agreement. By doing so it is possible to control the budget versus actual expenditure reports.

10.3. Recording

The recording of expense transaction and the precautionary measures are dealt with in the payment sections of this manual. The account distributions and coding are all done in the petty cash, cheque payment vouchers and journal vouchers. The treatment of payroll payment is dealt in Section 7 of this Manual.

10.4. Internal Controls

- Ensure that all expenses are properly accumulated, classified and summarized in the expense ledger account.
- Finance Officer shall prepare quarterly budget/expenditure variance analysis with recommendation.
- Ensure that expenditure coding and posting are properly done; expenditures are made from the related budgets and project funds; and make sure all expenditures are included in the year-end report.

SECTION ELEVEN: FUND BALANCE

11.1. Fund Balance

Fund balance is the accumulated balance of the difference between the Incomes received and Expenditures incurred in an accounting periods. Fund balance is a balance sheet item. The difference between incomes and expenditures is transferred to the fund balance account. It should be ensured that project funds are kept separately from any other funds.

11.2. Classification of Fund

Restricted Fund – This fund accounts for the operating resources of ESEP, which are expandable only for purposes specified by donors.

Unrestricted fund –This fund accounts for all operating resources over which the Donor has full control.

11.3. Accounts Recording

All expenditures should be closed to the respective revenue centers. The balance on each Income center shall be closed to the appropriate fund balance account.

11.4. Internal Controls

- Accounts should ensure that restricted funds are not spent without prior approval of donors, and source of funds are properly reported to the controlling government agency.

SECTION TWELVE: FIXED ASSETS

12.1. Fixed Asset

Fixed assets include all movable and immovable but durable property owned for use by the society. Any item which costs Birr 1,000.00 and above and which lasts for more than a year is considered as fixed asset. Assets or supplies whose value is less than the fixed asset amount shall be controlled using memorandum register. All fixed assets of ESEP are either donated, constructed or purchased and are recorded at cost or invoice value, transport charge, insurance, custom duties, clearing charges etc. Donated fixed assets are recorded at market value. If historical cost or fair market values are not available, fixed assets may be capitalized at amounts determined by any reasonable basis.

12.2. Procedures

12.2.1 Fixed Asset Register

Fixed asset register records should be maintained in which assets are individually identified by a number, which also appears on the asset itself so as to facilitate control of physical existence. The Fixed Assets Register must also contain:

- ✓ Name and description of the fixed assets, Date of acquisition, Acquisition cost, Supplier name, Identification number, Tag number, and Location(custodian or user of the asset)
- ✓ Depreciation rate: (Year-by-year record of deprecation and net book value, Funding Source—to purchase the asset, Purchase reference / payment documents, and Condition of the asset).

Fixed assets may be disposed of for various reasons. Decision for disposal of fixed assets emanates from the management based on assessment report or any other legal authorization documents. The disposal must be approved by the General Manager. The implementation of the decision shall be carried with the consent of the concerned government (Charities and Societies Agency). Tag numbers should immediately be given for fixed assets purchased or acquired free of charge. Fixed asset tag numbers should closely indicated the location of the fixed assets, type and code numbers. (See Form No. 15)

12.2.2 Physical Inventory

Physical inventory of the entire fixed asset should be made at the end of every fiscal year. This will be done by the count committee assigned by the management which will submit a count report with the necessary recommendations. The result of the count should be compared with the record and appropriate investigation should be made if difference arises.

12.3. Internal Control

- ✓ Only required assets, which must be used efficiently and effectively for fulfillment of the overall objectives of ESEP, shall be purchased.
- ✓ Fixed assets must be kept in a secure place that ensures their working conditions. Fixed assets must be insured against such risks as fire & lighting, burglary, etc.
- ✓ Physical inventory of fixed assets shall be taken at least once during the fiscal year in order to verify the existence and condition of the assets. The physical count should be compared with the record, if there happen any difference, it should be accounted for immediately.
- ✓ The fixed asset register should contain all existing assets. No fixed asset should be disposed of without prior approval of an authorized official (committee assigned by charities and ESEP)
- ✓ Transfer and disposal of fixed assets of the organization should be managed in compliance with CSA guideline.

SECTION THIRTEEN: ADJUSTING AND CLOSING THE ACCOUNTS

13.1. Trial balance

The Trial Balance takes the balances from all of the accounts and ensures that the final total balances. The Trial balance consists of two straight column figures:

- On the left-hand side will be the debit balances
- With the credit balances appearing on the right.

A trial balance should be extracted every month to check the general accuracy of posting and to reduce the amount of time that will be consumed to sort out differences of longer period transactions to be extracted.

13.2. Adjusting the Accounts

13.2.1. Adjusting Prepayments

Since, as a policy of ESEP, prepayments are recognized as expenses at the time of payment adjusting entries are required to come up with the unexpired portion. The entries would be as follows: (DR Prepayment account; CR Expense account)

13.2.2. Adjusting Accrued Expenses

The accounting entries to recognize accrued expenses at a closing date would be: (DR Expense (by type); CR Accrued liabilities (also subsidiary))

13.3. Closing the Accounts

All nominal accounts of revenue and expenditures will be closed to a summary account that summarizes the financial operation of ESEP during particular period. To close income accounts, the following entries are made: (DR Income (by type); CR Income and expenditure summary). To close expense accounts, the following entries are made: (DR Income and expenditure summary; CR Expenses)

SECTION FOURTEEN: FINANCIAL REPORTS

The purpose of reporting is to give policy-makers and management a consolidated view of the accomplishment of the association, the constraints and problems it has faced and the way resources has been used.

Financial reports are summary of all the transactions for a specific period and show the financial position of an organization. They should meet the qualitative characteristics of relevance, understandability, reliability, verifiability, neutrality, timeliness, comparability and consistency. The objectives of financial reports include:

- Serve as information sources to management and other authorities for planning and economic decisions;
- Provide the Charities and Societies Agency, donors and other stakeholders with information for predicting, comparing and evaluating earning and spending power;
- Judge management's ability to utilize resources effectively in achieving primary goals;
- Serve as source of disclosure for underlying assumptions with respect to matters subject to interpretation, evaluation, prediction or estimations.

14.1. Types of Reports

14.1.1. Financial Reports:

Balance sheet - is a statement showing the financial position of an organization as at a specific date. It shows exactly how much the organization is worth at the moment when the snapshot is taken.

Revenue and Expenditure Statement - is used to look at the year's performance. It compares the budgeted income and expenditure with actual revenue and expenditure and identifies variances. For example, the monthly income and expenditure report will tell you what the difference is between your income and expenditure budget for the month and what actually came in or was spent. It will also tell you what the difference is between the budget and the actual expenditure for the year. These differences are called variances. This is where your budget becomes a living tool, a way of managing the finance of the organization. By looking at the differences, you can take action to prevent the cash flow problem, you can take action to control expenditure when it rises too high, and you can look for trends that will indicate that your budget was wrong and needs to be adjusted.

The reason for significant variances should be reported. Being able to see where the variances are, and what they are, helps you to identify problem areas. The point of analyzing the variances is to give you the information that will enable you to make decisions and take action.

Cash Flow Statement – is details of cash balance at the start and end of the reporting period that shows the change in cash over a specified period of time.

Notes to the Accounts - constitute an important part of the financial statements as they give the reader of the financial statements additional information detailing those contained in the balance sheet and revenue and expenditure statement. They also include the accounting policies adopted by the organization in

preparing the financial statement. The notes to the accounts are parts of the financial statements presented as explanatory details to financial statements.

14.1.2. Management Reports

Management reports are produced for the consumption of management for decision-making purposes. These include:

- Revenue/Income Statement by Budget Line;
- Expenditure report by cost center (donor, project, area, etc.);
- Donor Report;
- Other reports as required by management.

14.1.3. The Donor Report

Donors require that an NGO is able to demonstrate financial soundness before granting the release of funds. This is why the donor report is so important. In most cases the report will include a budget compared to actual summary, accompanied by a narrative report on the activities being undertaken. If the reporting period coincides with the preparation of the management accounts, a donor report will not involve too much extra work.

Where there are several donors it is important to set up the accounting systems so that the information required by the donor agency can be easily retrieved. Otherwise the Organization will be involved in a tedious information gathering exercise every time a report is required. The use of Cost Centers is particularly useful here. When putting together a report to donors:

- Do try to meet reporting deadlines (request an extension if this is not possible)
- Do produce accurate and verifiable figures
- Do not set out to conceal under-spends or over-spends
- Do add notes to the budget comparison report to explain any significant variations
- Do keep the donor informed of any potential problems

14.2. Dates for Production of Reports

- Quarterly financial reports are produced for the Executive Board
- The financial reports stated above should be produced in draft form within one month after the end of the fiscal year.
- The financial statements should be reviewed by management and submitted to the external auditors within 30 days after the draft is completed.
- The financial statements of ESEP shall meet the objectives:
 - ✓ Serve as information source of management & other stakeholders
 - ✓ Provide donors/users with information for predicting, comparing and evaluating earnings and spending power of ESEP
 - ✓ Judge management's ability to utilize resources effectively in achieving primary goals

14.3. Audit

The audit is an independent assessment of your record-keeping systems and your financial position. All books of accounts of ESEP shall be audited annually by a recognized external audit firm.

An audit is an independent report that covers:

- How much money the organization has received and how much it has spent in the fiscal year,
- How and to what the money was spent,
- Whether the money was spent in accordance to the policies, rules and regulations of the organization,
- To see the efficiency and effectiveness of the organization,
- To see that donor requirements are fulfilled,
- To assess whether the accounting policies are appropriate to the organization's circumstance, consistently applied and adequately disclosed, and
- To give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error.

From the donor point of view, audit is very important because it is an independent assessment of the operations of the organization. The General Assembly, Executive Board and Government also require the audit report. The President/General Manager is responsible in facilitating and coordinating the audit activities. All other staffs have the responsibility to fully cooperate with the auditors by providing any required information or documents. When necessary, the auditor may visit to the project areas and ask what he/she want see.

The audit work must be finalized within three months after the fiscal year is over. After the audit work is completed audit reports must be distributed to the Executive Board, Donors and Government institutions. All members of management including the President/General Manager are responsible for the implementation of recommendations cited by external auditors in their audit report.

SECTION FIFTEEN: DOCUMENTATION OF TRANSACTIONS

15.1. Introduction

Proper accounting record keeping relates to documenting transactions. Documentation should be clear and well organized. Staff responsible for documentation must ensure the following:

1. Each expenditure (whether by cheque, cash or bank transfer) should be explained and supported with appropriate documentation.
2. Each expenditure must be authorized by appropriate staff. Each expenditure must be clearly described (i.e. training, supplies, etc) and charged against the appropriate account code. The cheque number or bank transfer details must be noted.
3. Each payment must have supporting documentation that justifies the expenditure. This may include the following items:
 - a) Original invoices approved for payment
 - b) Approved payment voucher, and approved purchase order as appropriate
 - c) Delivery note or certification of receipt indicated on the invoice, and deliverable certification signed by the officer in charge for monitoring the training activities, if appropriate
 - d) Original receipts
 - e) Approved cheque or cash requisition
 - f) Any other document that will justify the expenditure. The more documentation provided the better
 - g) All paid invoices are stamped with a paid stamp.
 - h) Documentation will be kept for a period of Ten years.

15.2. Donor requirements

The Association should only incur expenses and charge donor grants if the payments are reasonable, allocable and allowable. The following is an explanation of these terms:

- a) **Reasonable:** Costs that are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business to carry out the grant.
- b) **Allocable costs:** A cost is allocable to a grant in accordance with the relative benefits received. A cost is allocable to the award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - i. Is incurred specifically for the award.
 - ii. Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received or; Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- c) **Allowable costs:** Shall mean those costs that conform to any limitations of the grant. To be allowable under the general standards a cost must:
 - Be necessary for the performance of the grant agreement
 - Be net or less any applicable credits such as purchase discounts, rebates, etc
 - Conform to any limitations or exclusions in the award
 - Be treated in the same fashion as costs incurred by the grantee with non-donor funds
 - Be determined in accordance with generally accepted accounting principles applicable to the type of grantee
 - Not be included as a charge to other Associations/ programs in the current or prior period
 - Be adequately documented

ANNEX 1: DIFFERENT FORMS

Ethiopian society of emergency and critical care professionals)

Form No. 1

Petty Cash Book

Cashier _____

Date	Particulars	Amount					
		Debit		Credit		Balance	

Ethiopian society of emergency and critical care professionals

Form No. 3

Petty Cash Payment Voucher

N° _____

Date _____

Pay to _____

Purpose of payment _____

Amount in Figure Amount in words _____

Signature of receiver _____ Date _____

Account Title	Account Code	Amount	
		Debit	Credit

Prepared by

Checked by

Approved by

Name _____

Signature _____

Distribution:

Original - Accounts

Copy - Pad

Ethiopian society of emergency and critical care professionals

Form No. 4

Petty Cash Replenishment and Reporting form

Date _____

Cashier _____

Date	PCPV N°	Description	Amount (Birr)
Total Replenishment			
Cash on Hand			
Petty Cash fund			

Checked by

Name _____

Signature _____

Approved by

Ethiopian society of emergency and critical care professionals

Form No. 5

Cash Count Form

Name of Cashier _____

Account Code _____

Count	Cash Proof
_____ x 100 = _____	Balance brought forward Birr _____
_____ x 50 = _____	Add: Collections/Receipt _____
_____ x 10 = _____	Subtract: Payments (Deposit) Birr _____
_____ x 5 = _____	Balance per Book(1) _____
_____ x 1 = _____	Total Count _____
Coins = _____	Suspense Vouchers _____
Total = Br _____	Total(2) _____
_____	Cash short over(1-2) _____
_____	Indicate action taken _____

Prepared by (Account)

Confirmed by (Cashier)

Name _____

Signature _____

Date _____

Original - Accounts

Copy - Cashier

Ethiopian society of emergency and critical care professionals

Form No. 6

Payment Request & Authorization

N° _____

Date _____

Pay to: _____

Amount in figure Birr

Amount in words _____

Source of fund _____

Reason in detail _____

Type of payment: Cheque _____ Bank Transfer _____

Requested by

Checked by

Authorized by

Approved by

(Initiated by)

Accounts _____

Ethiopian society of emergency and critical care professionals

Form No. 7

Journal Voucher

NO. _____

Date _____

Accounts Code	Description	DEBIT		CREDIT	

Prepared by

Checked By

Approved by

posted by

Cash Receipt Voucher

Received From _____

Sum of Eth. Birr _____

_____ Birr



In Payment of _____

Cheque No. _____

Subject to Bank Clearance

Cashier's Signature

For Accounts only

Account Code	Particular	Debit		Credit	

Distribution of Copies

White-Payee

2nd Copy- Accounts

3rd Copy- Pad

Approved By

Ethiopian society of emergency and critical care professionals

Form No. 10

Suspense Payment Voucher

Date _____

Payee _____ Section _____

Purpose _____

Amount in Birr _____ in words _____

	Requested by	Checked & approved by	Recipient's Signature
Name	_____	_____	_____
Signature	_____	_____	_____
Date	_____	_____	_____

NB:

This suspense voucher should be referenced and attached to the invoice/payment voucher for which payment was authorized. The cashier would mark "SETTLED" in the presence of the pay upon receipt of the invoice/payment voucher.

Travel Advance Request Form

Date _____

Name of Traveler _____ Position _____ Dept _____

Trip to _____ Salary _____

Date of departure _____ Date of return _____

Total No. of days _____ Per diem rate _____

Budget Source _____

Purpose of Travel _____

Per diem advance Birr _____

Fuel advance Birr _____

Land transport Birr _____

Air transport Birr _____

Other expenses Birr _____

Contingency Birr _____

Total advance Birr _____

Signed _____

Applicant

GM/Department Head

Approved _____

President/General Manager

NB: This amount must be settled within 5 days after return from the trip. Detailed report about the trip shall be attached when settling the travel advance.

Ethiopian society of emergency and critical care professionals

Form No. 12

Travel Expense Form

Date _____

Name of Traveler _____ Position _____ Dept _____

Trip to _____ Salary _____

Purpose of Travel _____

From To	Departure		Arrival		No. Of Days
	Date	Time	Date	Time	

Signature Applicant

Signature: ED/ Department Head

For Accounting use only

Total No. of days away _____ Per diem Rate _____

Total per diem expenses _____

Other costs not covered by per diem _____

Land Transport _____

Air Transport _____

Others (attach receipts) _____

Total expenses _____

Less travel advance (PV# _____) _____

Balance due to applicant _____

Balance due to ESEP _____

Approved _____
President/General Manager

NB: For settlement please attach all receipts/invoices and all other supporting documents and submit to Finance.

Ethiopian society of emergency and critical care professionals

Form No. 13

ቀን _____

Date _____

Receipt for Withholding Tax on Payment

የተቀናሰበት ግብር ከፋይ

ስም.....

Tax payer's Name

የግብር ከፋይ መለያ

ቁጥር.....

Tax payer's identification No.

ክልል..... ክ/ከተማ..... ቀበሌ..... የቤት

ቁጥር.....

Region Sub City Kebele .House No

የግብይት ዓይነት.....

Type of Transaction

የገንዘብ መጠን...../.....

Amount

ተቀናሽ የተደረገ 2% ግብር ብር..... /.....

2% Tax Withheld Birr

ተቀናሽ የተደረገ 30% ግብር ብር..... /.....

30% Tax Withheld Birr

የባንክ ሰነድ ቁጥር..... የቼክ ቁጥር.....

Bank Voucher No.

Cheque No

የሽያጭ ደረሰኝ ቁ.....

Sales Invoice No

በገቢ ግብር አዋጅ ቁጥር 286/1994 አንቀጽ 53 መሠረት ከላይ ስማቸው ለተጠቀሰው ግብር ከፈጸምነው ክፍያ ለግብር ሰብሰቢ መ/ቤቱ 2% ግብር ብር..... ቀን ሰን ማስቀረታችንን እናረጋግጣለን።

We have withheld from the above named Taxpayer Birrrepresenting 2% tax payable to the Tax Authority as per Article 53 of the Income Tax Proclamation No. 286/2002.

በገቢ ግብር አዋጅ ቁጥር 286/1994 አንቀጽ 91/1 መሠረት ከላይ ስማቸው ለተጠቀሰው ግብር ከፈጸምነው ክፍያ ለግብር ሰብሰቢ መ/ቤቱ 30% ግብር ብር..... ቀን ሰን ማስቀረታችንን እናረጋግጣለን።

We have withheld from the above named Taxpayer Birrrepresenting 30% tax payable to the Tax Authority as per Article 91/1 of the Income Tax Proclamation No. 286/2002.

ስም.....
Name.....

ፊርማ.....
Signature.....

የስራ ኃላፊነት.....
Position

ማህተም.....
Seal.....

ስርጭት ዋናው - ለተቀናሰበት 1ኛ ኮፒ - ግብሩን ለቀናሰው 2ኛ ኮፒ - ጥራዝ
Distribution:- Original – To Taxpayer 1st Copy – to the withholding agent's account 2nd copy – Pad

Fixed Asset Register

Type of Asset _____ Ledger/ A/C N° _____

ID N° _____

Serial N° _____

Supplier _____

Engine N° _____ (For Vehicles)

Chasis N° _____ (For Vehicles)

Location _____

Date	Original Cost	Depreciation Rate (%)	Depreciation Expense	Accum. Depreciation	Book Value	RESOGrks

Person Responsible

ID/Name _____

ANNEX 2: Chart of Accounts

1. Definition

The chart of accounts is a listing of the classifications and coding of ledger accounts by the groups they belong to in the balance sheet and the revenue and expenditure summary. An organization's chart of accounts tracks who owes money, how much money is owed (and to whom), what have been earned, what have been spent, and what is owned. The headings in the chart of accounts should be the same as those in the budget, so that the information obtained from the bookkeeping system would enable you to use your budget as the main tool for your financial management. The Transactions are analyzed, recorded, summarized and reported under a properly designed chart of accounts.

Every chart of account has two basic kinds of accounts: Balance sheet accounts and Income and expenditure accounts.

Balance sheet – The balance sheet shows exactly how much the organization is worth at the moment when the snapshot is taken. Balance sheet account includes: assets, liabilities and equity (fund balance).

- Assets are money and things owned by an organization,
- Liabilities are debts or money owe to third parties,
- Fund Balance is the worth of an organization. In our case a Fund balance is what ESEP has at any balance sheet date.

The algebraic definition of the balance sheet is: $Assets = Liabilities + Fund\ balance$

Income and expenditure - Income and expenditure accounts track the sources of income and the purpose of each expenditure over a given period of time. Excess of Income over expenditure, will be added to fund balance. When there is deficit (less income than expenditure), it is subtracted from the fund balance.

2. Classification of the Charts of Accounts

The classification codes are as follows:

	<u>Main ledger code</u>	<u>Classification code</u>	
	Account number	Donor ID	Project ID
Assets	1000	00	00
Liability	2000	00	00
Fund Balance	3000	00	00
Revenue	4000	00	00
Expenses (Operating/project)	5000	00	00
Expenses (General & Admin)	6000	00	00

ANNEX 3: Bank operation

Banking Operations			
	Opening bank account		Board
	Change in bank account authorized Signatories		Board
	Closing bank account		ED
	Cheque Signing		
		Up to 500,000 Birr	Finance Officer and General Managers, or other delegated signatories
		>500,000 Birr	President and General Manager

