BAKERY 168

Financial & Accounting Manual



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# 1. OBJECTIVES AND SCOPE OF THE MANUAL

## 1.1 Objectives

The objectives of this manual are to ensure that:

* all financial reports are reliable, accurate and complete in compliance with appropriate accounting frameworks and financial reporting standards;
* there are adequate segregation of duties and internal controls of the Company;
* authority is designed to specific bank account transactions including the opening and closing of bank accounts and petty cash limits are maintained to ensure that the responsibility of officer is restricted on using of physical cash
* all revenues are properly measured and recognized and receipts are accurately and completely accounted for;
* all expenses and payments made are valid to the achievement of the Company’s objectives and all procurements are valid and concluded on the best price and quality from reputable suppliers;
* all payroll payments are accurately and properly paid to staffs;
* all fixed assets are properly capitalized and accurately depreciated by using appropriate accounting estimates; and
* all transactions are recorded completely and accurately in the financial records.

## 1.2 Scope

The manual is applicable to all accounting and financial application and control of the Company. The scope of this manual includes:

* Financial reporting and accounting frameworks
* Approval, authority and delegation of authority
* Treasury process
* Revenue and receivable process
* Purchase and payable process
* Payroll process
* Fixed assets and other properties
* Other accounting records
* Information Technology General Control

# 2. FINANCIAL REPORTING AND ACCOUNTING FRAMEWORKS

## 2.1 Basis of preparation

In accordance with Prakas No. 068BK MEF dated 08 January 2009 of the Ministry of Economy and Finance and Announcement No. 097/09 MEF dated 28 August 2009 of National Accounting Council, the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”) have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods.

The financial statements of the Company therefore have been prepared in accordance with the CIFRS for SMEs. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with above Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period as notified in following point. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The related accounting frameworks of the company adopted with the CIFRS for SME are notified as following sections:

Financial Statements:

Section nos. 3, 4, 5, 6, 7, 8 and 10 set the requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. These sections are:

Section 3 – Financial statement presentation. This section explains fair presentation of financial statements, what compliance with the CIFRS for SMEs requires, and what a complete set of financial statements is.

Section 4 – Statement of financial position.

Section 5 – Statement of comprehensive income

Section 6 – Statement of changes in equity

Section 7 – Statement of cash flows

Section 8 – Notes to the financial statements

Section 10 – Accounting policies, estimates and errors

Non-Financial Assets

Section 17 – Property, plant and equipment. This section addresses the various categories of capitalized assets and expense.

Income and Expense

Section 23 – Revenue: This section addresses the various categories of revenue recognition (sale of goods, rendering of services, interest, royalties and dividends, construction contracts and barter transactions).

Section 26 – Share-based payment: Share-based payment transactions include equity-settled and cash-settled share-based payments.

Section 28 – Employee benefits: Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management.

Non-financial liabilities and equity

Section 21 – Provisions and contingencies. This section applies to all provisions (i.e. liabilities of uncertain timing or amount), contingent liabilities and contingent assets.

Section 22 – Liabilities and equities. This section establishes principles for classifying financial instruments as either liabilities or equity and addresses accounting for equity instruments issued to individuals or other parties acting in their capacity as investors in equity instruments (i.e. in their capacity as owners).

Section 29 – Income tax. This section covers accounting for income tax. It requires an entity to recognize the current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized tax amounts comprise current tax and deferred tax. Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past periods. Deferred tax is tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amount and the tax effect of the carry forward of currently unused tax losses and tax credits.

Others:

Section 30 – Foreign currency translation. This section prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency.

Section 32 – Events after the end of the reporting period: This section defines events after the end of the reporting period and sets out principles for recognizing, measuring and disclosing those events.

2.2- Functional Currency and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The Company maintains its accounting records and its financial statements in United States dollars “US$”, the Company’s functional currency. The functional currency is US$ because of the significant influence of the US$ on its operations.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. 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 currencies other than US$ are recognized in the statement of comprehensive income.

Presentation currency shall be thereafter US$ and KHR (Khmer Riel) and the conversion of currency is accordance with the exchange rates from National Bank of Cambodia.

## 2.3- Reporting Period

The Company’s reporting period is “as at 31 December 20xx”. The initial reporting period shall be a “Nine-month period” starting from 01 March 2013 to 31 December 2013. The subsequent reporting period shall be one-year period ending 31 December 2014 and the year after.

## 2.4- Accounting System and Process

The company uses the computer software program “QuickBooks” as the accounting system. Other Microsoft Office is used for monitoring of financial reports and analysis of data. Manual book records are also used to control dairy work such as stationary control sheet…etc.

# 3. APPROVAL AUTHORITY AND DELEGATION OF AUTHORITY

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **Preparer** | **Approval Authority** | **Delegation of Authority to sign** |
| Business and commercial contracts | Financial Manager and Secretary General | Majority of Board members |  |
| Financial transactions | Accountant | See a purchase authorization |  |
| Petty cash | Accountant | Financial Manager, Secretary General |  |
| Bank account | Financial Manager and Secretary General/ Finance Officer | President, VPs, Secretary General, Financial Manager |  |
| Financial statements | Financial Manager, Secretary General ,Finance Officer | Majority of Board members |  |
| Annual budget | Financial Manager and Secretary General | Majority of Board members |  |
| Business plan | Financial Manager and Secretary General | Majority of Board members |  |

# 

# 4. TREASURY PROCESS

## 4.1- Authorization on Bank Accounts

### 4.1.1- Maintaining of Bank Accounts

President, Vice Presidents and BOD-Finance have the authority to create and close those bank accounts. The General Manager will notify the Bank via an official signed letter to open and close bank accounts each time it is required.

All bank accounts must be opened in the name of BAKERY 168 (“BAKERY 168”).

### 4.1.2- Designation of Bank Signatories

Signatories on all bank accounts are President, Vice Presidents and BOD-Finance. Two signatories at least must be required for authorization on bank accounts. The General Manager will notify the bank by official letter who the signatories are and what they are authorized to sign, including specimens of their signatures.

|  |  |  |  |
| --- | --- | --- | --- |
| Name of Bank | No | Signatories | Note |
| ABA Bank and other banks | 1 | President | Seal is required to chop on the check slip. |
| 2 | or Vice President |
| 3 | or Vice President |
| 4 | or Financial Manager |

If necessary, the BOD will, in writing, confirm with the banks the signatories and again supported by latest specimens of signatures.

### 4.1.3- Use of Cheques

Only one cheque book must be used at any one time and spare cheque books must be kept in the safe box.

The serially numbered cheque book is purchased from bank. If so, such serial numbering system exits, the cheque is numbered serially, in ink, starting with No.1, upon receipt of cheques. The numbering sequence must be continued without interruption for cheques books received subsequently.

Responsible Officer controls the stock of cheque books by a register in which a receipt and issues must be recorded. All cheques must be accounted for. Cheques shall be made out to a payee who is the provider of goods and/or service as evidenced by supporting documentation. Cheques shall never be made out to third parties or to non-defined payees e.g. bearer, cash, etc.

Cheque shall not have erasures or corrections. If a mistake is made anywhere on a cheque it should be voided and a new cheque prepared. Authorized persons must sign on those cheques to ensure that this instruction is adhered to.

Signed cheques must be kept in secure location within Responsible Officer, and placed in the safe all the time. When held for pickup, that officer must compare cheques with the register before releasing them to payees and proof of recipient must be identified on a copied of cheques.

A voided cheque is one that, owing to an error in preparation, is not actually used. Responsible Officer must care that such a cheque is properly “voided”. If, for any reason, cheques are returned by the payees, such cheques must be voided and the original entry should be reversed.

Cancelled cheques must be clearly marked “cancel”.

Outstanding cheques must be accounted for in the bank reconciliation form prepared at the end of each month when closing the monthly accounts.

Signature on the cheques is stated in the designation of signatories.

Even two authorized signatories at least are approved to issue a cheque, a limit for cheque issuance and withdrawal amount is determined, especially the exact amount for capital expenditure or large expenditure.

### 4.1.4- Application of Bank Transfer

Bank transfer, where the local banking system can process bank transfers promptly and accurately, this method of payment can be used. When payments are made by means of a bank transfer, officially noted Bank Transfer Request, should be prepared using the forms provided by the bank for this purpose.

Responsible Officer completes on the Bank Transfer Request form referring to supporting documents for payment. Signatories team signs on the form and then the transfer will be processed at bank office.

## 4.2- Managing on Petty Cash

### 4.2.1- Petty Cash Safe Box

Petty Cash must be kept in a locked safe box. In a safe box, code will be in a sealed and signed envelope accessible for the Company and kept in safe place.

The key and pass code of safe box are separately hold by different person.

### 4.2.2- Petty Cash Book

Responsible Officer maintains on the Petty Cash Book, in Excel, which records all the payments made from cash available for the payment of amounts not exceeding US$200 (two hundred US dollars) per payment. Payments exceeding US$200 will be used by writing cheques. Special condition shall be accepted.

The maximum amount of petty cash holding will not exceed US$200 (two hundred US dollars). All petty cash amounting exceeds US$200 will be deposited into bank account immediately.

Monthly closing of the Petty Cash Book is recommended, however, the Petty Cash can be replenished more frequently, as the need may arise, during a particular month.

### 4.2.3- Use of Petty Cash

The petty cash is used for daily operation transactions such as administration expense, utilities and other cases.

## 4.3- Application of Controls

### 4.3.1- Bank Reconciliation

The bank reconciliation is made for each account on monthly basis, reconciled between balance per bank and balance per book. It shall be prepared and approved by respective persons (Accountant and General Manager).

In the case of differences, the explanations need to be given with proper justification and the adjustments shall be made.

The bank reconciliation should be prepared by the accountant and approved by General Manager who should sign the bank reconciliation statements to indicate that they have prepared and approved the reconciliation and accept it as accurate.

Bank Reconciliation form sees in Annex TR1

### 4.3.2- Bank Statement

Bank statements shall be obtained immediately after the end of each month from respective banks. The bank statements must be obtained with the original copy.

### 4.3.3- Petty Cash Reconciliation

Cash count is performed by responsible officer or a person who is not involve of handling the Petty Cash, on a regular basis in order to reconcile the actual cash against the petty cash book. The count is performed on monthly basis.

Any discrepancies found during the count should be investigated immediately and has to supervisory officer on the form where indicated.

Cash Count Sheet sees in Appendix 7.11

Must be prepared showing the actual counted date, time of count and signed by counter with verification of supervisory officer.

Finally, General Manager has to approve on the Petty Cash Reconciliation.

### 4.3.4- Surprise Cash Count

General Manager or supervisory officer shall conduct a surprise cash count randomly in order to ensure that petty cash is properly kept by responsible person.

# 5. REVENUE AND RECEIVABLE PROCESS

## 5.1- Revenue Measurement and Recognition

Revenue is measured based on the guidelines for recognition as income in the financial statements and to strengthen the internal controls of the following items:

* Interest income gained from Company’s deposit in banks, MFI or other financial institutions.
* Consulting fees generated from consulting service based on Terms of Agreement
* Membership fees generated from the BAKERY 168’s members
* Royalty fees generated from BAKERY 168’s partners
* Training & workshop fees generate from training delivery to BAKERY 168’s member and outside stakeholders
* Donations and grants from individual and organizational donors.

Revenue is recognized when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably. Revenue from the above sources is recognized in the statement of income and expenditure in the date in which they are entitled in the company’s invoice.

Interest income, consulting fees, membership fees, royalty fees and training fee will be recognized on the accrual basis of accounting.

Donation and grants are recognized according to matching principle and/or the term and condition of donation and grants.

## 5.2- Application of Controls

### 5.2.1- Invoicing

Manual invoice shall be prepared for the purpose to request for payment from a client. Invoice shall be printed with the Company’s Letter Head and in sequential number referring to issuing period (e.g. IN201305-001 referring to invoice for May 2013).

Two copies of invoice shall be printed which one is sending to client and another one filling for accounting purpose. All invoices sent to client shall be identified by the Company’s official stamp.

Invoice Form sees in Annex RR1

In case of correction of invoice form or adjustment of invoice amount, Credit note shall be prepared to cancel the original invoice and replaced by the new sequential numbered invoice. Credit note shall be printed with the Company’s Letter Head and in sequential number referring to issuing period (e.g. CN201305-001 referring to credit note for May 2013).

Two copies of credit note shall be printed which one is sending to client and another one filling for accounting purpose. All credit notes sent to client shall be identified by the Company’s official stamp.

Credit Note Form sees in Annex RR2

### 5.2.2- Receivable Control

Each client shall be provided with a receivable account which the credit term shall be determined and approved within the Term of Agreement.

Receivable accounts shall be classified into respective ages including not due, due from 0 to 30 days, due from 31 to 60 days, due from 61 to 90 days and due over 90 days.

Responsible officer shall extract the Receivable Aging at the end of month and review on the due receivable to ensure that the overdue receivable balance is properly classified. The control over receivable aging shall be performed by supervisory officer in order to analyze the overdue and provide provision accordingly. The general provision of 1% shall be made for all receivable aging over 31 days.

### 5.2.3- Cash Collection

Cash collection should be matched to invoice amount. The collection shall be made by cheque, bank transfer or petty cash. The cash shall be collected at client site or at Company office by responsible officers.

Official Receipt shall be made for every cash collections to acknowledge the cash collected and Receipt Voucher shall be prepared accordingly to confirm the cash received. Receipt Voucher Form sees in Appendix 7.1. Official Receipt shall be manually printed in sequential numbering with a two-copy form: one is giving to client, one is filling for accounting purpose.

All Official Receipt and Receipt Voucher must be signed by responsible officer to confirm cash collected and/or receipted and payee to confirm cash paid.

# 6. PURCHASE AND PAYABLE PROCESS

## 6.1- Procurement Process

### 6.1.1- Purchase Requisition

Purchase Requisition Form shall be prepared in advance to ensure that the purchase is properly authorized. The Purchase Requisition shall be stated with items to be purchased, purpose of the purchase and in budgeted line. The form must be used for all purchased. The Purchase Requisition Form sees in Annex PP1

### 6.1.2- Quotation and Bidding

For the purchase of goods or services valued up to US$ 500, a simple purchase without quotations can be made. A purchase request must be approved by General Manager in line with the budget.

For the purchase of goods or services valued between US$ 501 and US$ 1000, at least two berbal quotations from suppliers should be obtained. The Quotation form should be used to document the quotations obtained. The quotation form should be reviewed by responsible officer/Admin Manager and approved by General Manager. A purchase request must be approved by President or/and other board member in line with the budget.

The process of quoting or bidding is determined on the volume of procurement. All purchases amount not exceeding US$1000 per purchased item and/or US$5,000 per purchase transaction shall be proceed by the three comparative quotations which provided by different suppliers. However, all purchases other than above threshold shall be proceeding by the bidding which will be arranged by the Company’s procedure.

Responsible officer shall proceed for selecting the quotes according to purchased items and prepare the evaluation sheet for comparable quotations. The Evaluation of Quotes Sheet sees in Annex PP2

### 6.1.3- Purchase Order

Purchase Order Form shall be prepared after the purchase price and quantities are confirmed with suppliers. The form shall be stated the ordered quantified, agreed price and other term and condition with signature of Supervisory officer and sent to suppliers for acceptance of order. The Purchase Order Form sees in Annex PP3

### 6.1.4- Level of Authorization

The level of authorization on purchase and payable amount was designed as below:

|  |  |  |
| --- | --- | --- |
| **Items to be purchased or payable** | **Limit of amount (in US$ or equivalent in other currencies)** | **Approval** |
| Office stationary and other administrative expenses | All amounts, but less than US$ 500 | Secretary General, Treasure, or ED |
| Fixed assets | Between US$ 501 to $ 5,000 | President or Vice-President, Secretary General, Financial Manager |
| Fixed assets | More than US$ 5,000 | Majority of Board members but in line with the budget plan which is approved by board meeting |

### 6.1.5- Delivery Order/Goods Receipt Note

Delivery order shall be obtained from supplier to confirm the goods are delivered in accordance with goods ordered. Responsible officer shall verify and inspect the quantity and quality of goods and then signed on delivery order. One copy of delivery order from supplier shall be kept in file for accounting purpose. In case there is not a Delivery Order, the Goods Receipt Note shall be used and kept in file for the accounting purpose.

## 6.2- Purchasing

Responsible officer will do purchasing in accordance with procurement process. The purchase may be made on site or at office by phone call or e-mail. Technical officers are responsible for purchasing of technical equipment and materials under supervisory of General Manager.

## 6.3- Application of Controls

### 6.3.1- Supplier Accounts

Every end of the month, Responsible officer shall obtain an account statement from each supplier to ensure that the amount payable by the company is matched to amount receivable by the supplier. The supplier accounts shall be obtained by original copy or scanned copy.

### 6.3.2- Payment

The payment will be made to suppliers before and upon the credit term. Original supplier invoices and other supported references shall be attached and checked before a process for payment. Payment Voucher shall be made and passed to Supervisory officer for verification and General Manager for approval. Payment Voucher must be stamped “PAID” and “POSTED” to ensure that the payable item was paid and the transaction was recorded in accounting system. Payment Voucher sees in Appendix 7.8

### 6.3.3- Payable Control

Each supplier shall be created with a payable account which the credit term shall be determined and approved within the contract or agreement.

Payable accounts shall be classified into respective ages including not due, due from 0 to 30 days, due from 31 to 60 days, due from 61 to 90 days and due over 90 days.

Responsible officer shall extract the Payable Aging at the end of month and review on the due payable to ensure that the overdue payable balance is properly classified.

# 7. PAYROLL PROCESS

## 7.1- Recruitment Process

Refer to Personnel Policy

## 7.2- Payment Process

Monthly payroll listing is prepared to verify the staff’s monthly based payment and other payable wages and salaries. The listing shall be prepared by responsible officer and checked and approved by General Manager. By the way, for General Manager and Management team monthly payroll will be approved by Chairman. Monthly Payroll listing form sees in Annex PR1.

Staff salary and other benefits will be paid by Bank transfer, Cheque or Petty Cash in accordance with monthly salary and other benefits agreed in the employment contract. The Payroll Slip shall be prepared to confirm the cash has been paid by the Company and received by staff.

## 7.3- Taxes on Salaries

The salaries are paid on the net basis in which individual employees pay their salary taxes in accordance with the tax regulations in relation to salaries and fringe benefits. The Company, who pays a role of withholding agent, pays the taxes on salaries of the employees to the tax authorities on behalf of the employees.

In case, the employees already negotiate the net amount paid by the Company for their salaries, the basis of tax calculation will be different.

## 7.4- Confidentiality

Regarding to the salaries and fringe benefits, all employees should respect the below confidentiality:

* Employees should not tell their own salaries and fringe benefits to others.
* The person who prepares the payroll recording should not provide any information in relation to salaries and fringe benefits to others.
* The payroll recording should not be shown to other employees who are not authorized to access them.
* The soft copy of the payroll recording should be protected with a password to prevent unauthorized access.

# 8. FIXED ASSETS AND OTHER PROPETIES

## 8.1- Capitalization of Assets

Fixed Assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Fixed Assets are capitalized according to its value and/or useful life. Fixed Assets amounted US$ 100 at historical cost and/or more than one year of useful file shall be capitalized.

## 8.2- Depreciation Method and Useful Life

The Company applied the straight-line basis for the method of depreciation of fixed assets over their useful life. The useful life of fixed assets is categorized according to following class of assets:

* Leasehold improvements 5 years
* Furniture and fittings 5 years
* Motor vehicles 5 years
* Office and IT equipment 3 years

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets. Gains and losses on disposals are determined by comparing proceeds with carrying amount. Gains and losses are included in the statement of comprehensive income.

## 8.3- Application of Controls

### 8.3.1- Fixed Assets Movement

Responsible officer shall prepare a movement schedule of fixed assets in accordance with their class. The movement schedule shall contain with cost less accumulated depreciation and shall be reconciled by opening cost balance plus additions during the year and minus depreciation charge for a year and other deductions. The movement schedule shall be prepared in Excel spreadsheet by tracing all reconciled balance to balance per accounting record in the system.

### 8.3.2- Fixed Assets Register and Tag

All new fixed assets items shall be registered in the Fixed Assets Register sheet which is prepared to control the assets of the Company. The fixed assets items which are damaged, broken or unable to use shall be removed from the register by request for removal to Supervisory officer. The fixed assets register shall be updated at least once a month and shall be reconciled the cost balance to accounting record in order to ensure the completeness of fixed assets. Fixed Assets Register sees in Appendix 8.1

All fixed assets are tagged with the Company fixed assets code. The code shall be identifiable according to each fixed asset item and its class. Responsible officer shall immediately retag the code when the original one was removed from fixed assets item.

### 8.3.3- Fixed Assets Count

The count of fixed assets shall be performed twice a year by Responsible officer with an observer. The fixed assets have to be counted to ensure the existence of items and to be identified the situation of items. The evidence of fixed assets count shall be signed and kept in file for accounting purpose.

# 9. ACCRUAL AND PREPAYMENT

## 9.1- Accrued Income

Income from receivable is taking on an accrual basis when it is earned and not at the time that cash is received. With the monthly basis, responsible officer will record and summary the accrued income from the period.

With reference to the income that will be recognized on the accrual basis of accounting, the advance payment of income from a receivable for a specific period of time is recognized as unearned income in the Balance Sheet. When we get the payment from the customers before making any services, it will be also referred as unearned service revenue in the Balance Sheet.

## 9.2- Accrued Payable

The accrued payable must be prepared on a monthly basis to update in accounting system.

The Company has the obligation to pay the monthly income tax; the responsible officer must calculate the amount of income tax based on the law of taxation of Cambodia and then attach to the Journal Voucher as income tax expense and accrued tax payable.

## 9.3- Accrued Expenses

Accruals must be made for material costs relating to the period reported when supplier invoices have not been received or paid.

The pro-rata shares of annual expenditures such as bonuses and incentive are recorded as expenses and accrued expenses.

Where actual expenditures may fluctuate each year such as audit fee; it is appropriate to accrue an estimate, based on budgeted or expected cost for the year.

Reconciliation should take place to ensure that the accrual is sufficient to cover estimated actual expenses.

## 9.4- Prepayments

Prepayments are incurred when payments are made for the future for one or more than one accounting periods. The prepayments must be prepared on a monthly basis to update the prepayment account in the Balance Sheet.

# 10. TAX PAYMENT

## 10.1- Withholding Tax

Every payment on the item of expenses which is subjected to have claim withholding tax, the responsible officer must deduct the amount base on the withholding tax rate for tax payment. The withholding tax to be withheld shall be calculated on the amount to be paid to person before withholding the tax.

The responsible officer should submit a tax declaration and pay the tax withheld to the tax department in the form as specified by the tax department by the 15th day of the following month in which the payment is made.

## 10.2- Tax on Profit

The Company has the obligation to pay a monthly payment of the tax on profit at the rate of 1% of turnover inclusive of all taxes, except VAT, realized in the previous month. The prepayment will be deducted from the tax on profit as the annual liquidation of the tax.

The tax on profit shall be fixed at 20% of taxable income from the gross income realized carried on by the company and reduced by the deductions which are directly related to the carrying on of the income which are allowed by the provision tax on profit.

The responsible officer should calculate the tax on profit monthly basis based on the percentage above and records it into accounting system by using Journal voucher.

The calculation of the profit tax is followed by the Prakas on the profit tax of the Ministry of Economy and Finance.

# 11. OTHER ACCOUNTING RECORDS

## 11.1- Journal Entries

The journal entries are made for all adjustment and/or reclassification of account balance to the financial statements. The journal entries are categorized into standard and non-standard adjustment. The standard adjustment as those entries which are reoccurred throughout the accounting period and they are adjusted in accordance with the same amount and entries. The other category of adjustment was used for unexpected correction of account in accordance with management judgment and estimations.

Journal Voucher shall be made by responsible officer and approved by General Manager. It must be indicated the journal number with sequence, date of adjustment of transaction, description, account codes and adjusted amount. Journal Voucher sees in Appendix IV (7.10)

AMENDMENT AND REVIEW

This manual should always be reviewed and approved together with all articles as described as above. Any amendments on the manual for subsequent changes will be notified in memo and/or revised in previous manual.

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APPENDIXES