Future for Palestine فلسطين الغد

Future for Palestine

(Non-Profit Organization)

Finance and Accounting Manual

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Section 1: Introduction

Clause (1)
Manual Objective

Objectives of this manual are:

- To adhere to the generally accepted accounting principles and have no contradiction with the standards approved by the ministry with regards to the international generally accepted accounting standards for managing non-profit companies accounts issued in this regard.
- Ensure that the entire staff involved in the finance and accounting functions is fully aware of the guidelines and accordingly they take necessary action to ensure applying these functions systematically.
- Ensure that Finance and Accounting guidelines are formed, documented and served as a single point reference for the staff of Future for Palestine.
- To precisely and accurately adhere to implement clear and transparent procedures to account for financial operations in accordance with the authority matrix, policies and procedures of the company.
- To govern the conduct of business and the company's relationship with its employees.

While using this manual it must be remembered that no two situations are exactly the same. Further it is neither practical nor feasible to anticipate all possible work situations in advance and present policies, which supply complete ready-made answers. Within the framework illustrated in the manual, it is possible to address probable situations that may arise in the normal course of business and employee relations.

All references in this manual to the word "Company" shall be deemed to be referenced to "Future for Palestine Ltd (Non profitable company)".

Clause (2)
Policy Presentation and Updating

The Finance & Accounting Policy Manual is a dynamic document, which will be reviewed and updated periodically, to respond and adapt to changes in market conditions, growth and expansion of the company and other related factors that may have an impact.

The Finance Department is responsible for the overall updating and management of the policies manual. Accordingly the Finance Department has the authority to make amendments to the manual. Therefore, any revisions will be deemed invalid unless authorized and formally approved as per the Delegation of Authority Matrix (DOA). Any such approved changes and as directed by the Finance department, will be updated by the Finance Managerand subsequently communicated to all employees, in accordance with the company's policies and procedures in effect at that time.

Clause (3)

Policy Clarifications & Interpretation

All queries relating to the interpretation of the Manual should be addressed to the Finance Department of the company. It is very important that this Manual remains as the property of Future for Palestine Company. The contents of this manual are confidential to the company sinceNo one other than the company's employees is allowed to have access to this manual.

This manual shall always be kept in a safe place and must not be copied without prior written approval of the management. Circulation of the policies manual and subsequent updates to it shall be controlled, monitored and registered.

Section 2: Definitions

The words and phrases contained in this manual have the following meanings, unless the context indicates otherwise:

The company	Future for Palestine Company (Non profitable) Ltd
The board	Company's Board of Directors
Person	Human or juridical person
Financial System	The system that regulates financial aspects of the company, which aims to ensure that all financial procedures and accounting records are in accordance with the system.
Records	All of the documentation that proves the financial operations for the company and used as a basis for the accounting records.
Accounting principles	The rules and guidelines the company adopted to follow when reporting financial data that should be consistent with the international and local principles.
Fixed assets	Company owned pieces of property such as cash in hand, cash in banks, furniture, computers, equipments ... and other assets that are expected to generate future economic benefit for the company.
Accounts receivable	Accounts Receivable is generally referred as the claims against donors and others arising from contractual agreements and advanced payments to employees and other outstanding debts. Accounts receivable is among the largest and most liquid assets in the Financial Statments of most companies. A properly managed accounts receivable portfolio can expedite cash flow and support corporate cash requirements.
Beneficiary	The one benefiting from company's services and is representing the client/ accounts receivable.
Accounts payable and liabilities	Accounts payable are obligations that are due for services received by the company in the normal course of business or the obligations that are due for contract payments such as debts payable to the company's lenders for financing small projects. Accounts payable and liabilities are typically fixed in amount and have a specified due date.
Revenues	The amounts of grants and donations that a company actually

	receives from internal and external donors and that doesn't contradict with the policies and objectives of the company. Revenue also includes revenue of implemented projects by the company.
Expenses	The costs that the company incurs to conduct business operations and implement projects.
Other Balance Sheet Items (prepaid expenses)	Pre-payments are expenditures for materials or services before services or materials are received. They include items such as prepaid insurance, rent, membership fees, and employee expense advances.
Annual Changes in Net Assets	Is the difference between annual revenues and expenses
Bank	Palestinian bank where the company's accounts are including the company's cash.
Balance sheet	A financial statement that summarizes a company's financial position at a specific point of time
Income statement	statement that measures a company's financial performance over a specific accounting period
Cash flow statement	The statement that shows all cash inflows and cash outflows in a company records.
Disclosures	Disclosures are part of the financial statements and is required in the presentation of complete and reliable statements
Owner's equity	The amount of owner's equity is the amount of assets minus the amount of liabilities at a specific date.
Financial year	The financial year of the company starts Jan. 1st and ends on Dec. 31st
Day	Calendar day unless specified otherwise
Functional Currency	The primary Currency that a company uses in its business activities and reports (US Dollars)

Section 3: Accounting and Reporting

Clause (1)
General Accounting Principles

The company will report its financial results in accordance with the International Financial Reporting Standard (IFRS), based on the historical cost principle. The financial results will be demonstrated in US Dollars (USD).

Estimates

The preparation of financial statements of the company requires the use of several accounting estimates and assumptions. The Company's management evaluates its estimates and assumptions based on available information and its former experience; It uses the results of those assessments to evaluate the carrying value of assets and liabilities. Due to the use of these estimates, actual results may vary relatively, however the estimates have no effect on the financial statements for the current period.

The basic underlying assumptions, which form the basis of accounting standards, are as follows:

1. **Neutrality**: Neutrality is the absence of bias towards predetermined results. Neutral financial accounting information is directed towards the common needs of external users and is independent of assumptions about particular needs for specific users of the information.
2. **Objectivity**: Financial statements must be based on actual, verifiable events and should be reported in an unbiased manner.
3. **Verifiability**: The accounting information is verifiable when independent measurers use the same measurement and obtain similar results.
4. **Reliability**: In order for financial statements to be reliable some assurance must exist that these statements do in fact represent what purport to represent.
5. **Relevance**: Relevance refers to the existence of the close relationship between the financial accounting information and the purposes for which this information is prepared. To be useful, financial information should be relevant to one or more users of the financial statements.
6. **Unit of Measurement:** The best common denominator in which diverse business transactions can be measured is money. Fluctuations in the value (purchasing power) of money can be ignored without any impairment of the usefulness or validity of the financial statements.
7. **Timeliness:** Financial accounting information should be available to users when it is needed. Delay in availability results in the financial accounting information having limited impact on future actions. The lack of timeliness reduces or eliminates the usefulness and impact the information. The two aspects of timeliness:

- Frequency of reporting; and
- The lag time between end of reporting period and the date the financial statements are issued.

8. **Matching Concept:** Net income is best measured by matching of costs against the revenues to which the costs have given rise. In this way, total resources used in operations are matched against total resources received from operations. Costs can be divided into two groups; those applicable to the production of revenues in the current period (expenses) and those applicable to the production of revenues in future periods (assets).
9. **Entity Concept:** Financial accounting statements and records pertain to a specifically defined business entity separate and distinct from the people or groups concerned with it. The entity concept directs that the account records should reflect only the activities of the business.
10. **Accounting Period:** The financial accounting process provides information about the economic activities of an organization for specified time periods that are shorter than the life of the organization. The shortest period is typically a month. The longest period is typically one year.
11. **Historical Cost:** The resources (assets) held by an organization and the claims against those resources (liabilities) are to be recorded at their original prices (costs).

Depreciation is calculated on a straight-line basis over their estimated useful lives at annual percentages rates designed to write-off the cost of the depreciable fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset or group of assets may not be recoverable. In case of such events or changes and when the carrying value exceeds the estimated recoverable amount the value of the asset is reduced to its recoverable amount , which is higher than the fair value less selling costs and value in use.

Expenses incurred to replace any part of the property and equipment that is accounted for separately is capitalized and the carrying value is recorded for the replaced part. Subsequent expenditures are capitalized only when it increases future economic benefit related to real estate and equipments. All other expenses are recognized in the income statement and statement of owner’s equity changes as an expense when they occur.

12. **Recognition Concept:** Changes in the company’s assets and liabilities are caused by internal and external events. Before these changes are measured and classified, the events causing the change should be subject to recognition in the accounting records:

The effects of internal and external events on the company's assets and liabilities should be recognized and reported in the time periods which they relate in accordance with the following criteria, rather than when the cash is received or paid.

13. **Reporting Standards** In addition to the accounting principles mentioned above, there are also several reporting standards, which the company must apply:

- Disclosure: Accounting reports should disclose fully and fairly the information they purport to represent. Full disclosure or completeness requires that all material accounting data that might be of significance to a competent user must be disclosed. The information given must not only be complete; it must be undistorted by the value of judgments or outlook of the person preparing it.
- Comparability: The conduct of comparative analysis in the company between periods constitutes one of the major characteristics assumed for the audience of financial accounting. Comparability calls for like events to be reported in the same manner. Comparability also requires that changes in Accounting Principles be restricted to situations where the new principle is clearly preferable to the old. When a change is made, its nature, effect, and justification must be explained.
- Consistency: Closely allied to comparability is consistency. Accounting procedures, like any reporting mechanism, should be consistently applied from one report to another. It is imperative that accounting procedures be the same from period to period for the same accounting entity so that users will be able to analyze trends and changing relationships over time.
- Materiality and Prudence: This may cause accounting practice to depart from the basic theory derived from reporting standards. The following is a brief description of Materiality and Prudence which must be adhered to:
  - Materiality: An item is material if its inclusion or omission would influence or change the judgment of a reasonable person. It is immaterial and, therefore, irrelevant if its inclusion or omission would have no impact on decision maker.
  - Prudence (or Conservatism): Historically, prudence has been viewed and sometimes applied as a rule requiring the understatement of assets and revenue. Typically prudence would require expenses or liabilities to be recorded when probable, but revenue and assets only when certain. It therefore calls for caution, and a careful assessment of risks and uncertainties, when deciding on whether or how to record potential revenue, expenses, assets or liabilities.

14. **Basis of Financial Statements Preparation:**

- The company presents its financial statements (Balance sheet, Income statement, Statement of owner's equity changes, and Cash flows statement) in accordance with International Financial Reporting Standard (IFRS) and with no contradiction with the instructions approved by the ministry with regard to the international generally accepted accounting standards for managing non-profit companies accounts issued in this regard.
- All financial transactions to be included in the company's financial statements should be accounted for using the accrual basis of accounting.

15. External Audit of Financial Statements

- A reputable certified public accountant will perform the external audit. The attest function, that is the expression of a professional opinion on the company's financial statements, will satisfy the users as to the fair presentation the company's financial position.
- The external audit function should also assist the company in anticipating change and in informing them of ways to improve performance.

16. Relationship with Internal Audit

- The Finance Department should extend and provide the internal audit with all required reports and supporting documents as and when needed by the internal auditor.
- Any recommendation provided by the internal audit, as a result of periodic internal audit check, should result in a corrective action by the Finance Department.

In addition to the basic underlying assumption mentioned above, there are also several reporting standards, which must be applied to the results obtained from the accounting procedures.

Clause (2)
Reporting Requirements

Reporting requirements fall in two categories:

1. Statutory - These are reporting requirements imposed by governmental or other regulatory bodies. Following is a list of these requirements:
   - Audited financial statements to be submitted to the Ministry of Commerce upon request.
   - Required financial statements to be submitted according to the stated dead line set by Ministry of Finance/ Tax Department
2. Management Reporting Requirements – the company's management specifies these reports in order to meet the company's objectives. They would primarily include monthly financial reports, including:
   - Balance sheet for the month
   - Income statement for the month
   - Cash flows
   - Budget variances
   - owner's equity changes
   - Aging of accounts receivables
   - Aging of accounts payable
   - Revenue analysis
   - Analysis of general and administrative expenses

Clause (3)
Basis of Financial Statements Preparation

- The company presents its financial statements (Balance sheet, Income statement, Statement of owner's equity changes, and Cash flows statement) in accordance with International Financial Reporting Standard (IFRS) and with no contradiction with the instructions approved by the ministry with regard to the international generally accepted accounting standards for managing non-profit companies' issued in this regard.
- All financial transactions to be included in the company's financial statements should be accounted for using the accrual basis of accounting.

Clause (4)
External Audit of Financial Statements

- A reputable certified public accountant will perform the external audit and an audit report to be provided to the company's management and board of directors.
- The company's management should hire a reputable certified public accountant to perform the external audit. The attest function, that is the expression of a professional opinion on the company's financial statements, will satisfy the users as to the fair presentation of the company's financial position.
- The auditor should be nominated by the finance department manager in coordination with the general manager and has to be approved for hiring by the board of directors.
- No auditor may have a direct interest in the work of the company's business.
- The external audit function should also assist the company in anticipating change and provide guidelines for improving the management's decesions.

Clause (5)
Relationship with External Audit

1. The Finance and Accounting departments should extend and provide the external audit with all required reports and supporting documents not later than the end of the first month of the next fiscal year.
2. Any recommendation provided by the external audit, as a result of the external audit check, should result in a corrective action by the Finance Department.
3. When the external Audit is done, the company receives a draft of both the audited financial statements and the external auditor report, as well as a list of all adjustments and reclassifications as proposed by the external auditor no later than the end of the second month of the next financial year.
4. The accountant and finance manager shall review both the draft of the audited Financials and the draft of the external auditor report and reconcile it with the accounting records. They also shall review the amendments done by the auditor to recommend to the general manager whether to accept or reject them. For this purpose the accountant and the finance manager shall meet with the external auditor to discuss and approve these matters.
5. A revised draft of the audited financial statements as well as the draft of the auditor's report to be received when necessary.
6. The external auditor shall issue his final report on the financial statements of the company, after providing him with the required documents duly signed such as the letter of general representation and letter of board meetings representation and others.

7. The audited financial statements and the auditor's report in this regard to be presented to the board of directors for discussion and approval.

Section 3: Maintenance of Finance and Accounting policies

Clause (1)
General Policies

1. Maintenance of Finance and Accounting policies refers to the process involved in the upkeep of the Financial Policies Manual of the company in order to ensure that the policies currently adopted by the company will result in appropriate presentation of financial transactions in its financial statements. This involves the periodic evaluation of the company's accounting policies against the ministry standards, and/or International Accounting Standards, recommending changes to the policies whenever necessary. All policy changes should be classified as either retrospective or prospective.
2. Retrospective application results in the new Finance and Accounting policy being applied to events and transactions as if the new policy have always been in use.
3. Prospective application means that the new Finance and Accounting policy is applied to the events and transactions occurring after the date of changing the policy.

Clause (2)
Changes in Finance and Accounting Policies

1. A change in Finance and Accounting policy shall be made only under the following conditions if:
   - Required by law,
   - Required by an accounting standard setting body,
   - The change will result in a more appropriate presentation of events or transactions in the financial statements of the company.
2. A change in accounting policy, which is made on account of adoption of international accounting standards, shall be treated according to the transitional provisions, if any.
3. A change in Finance and Accounting policy shall be applied retrospectively or prospectively:
   - The change in Finance and Accounting policy shall be applied prospectively when the amount of the adjustment of the opening balance of retained earnings cannot be reasonably determined.
   - As a rule, the change in Finance and Accounting policy shall be applied retrospectively. Any adjustment resulting from the change in policy shall be reported as an adjustment to the opening balance of retained earnings.
   - Comparative information shall be restated unless it is impracticable to do so.

4. When a change in Finance and Accounting policy has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the company shall disclose the following in the notes to the financial statement::
   - The reason for the change,
   - The amount of adjustment for the current period and for each period presented,
   - The amount of the adjustment relating to periods prior to those included in the comparative information, and
   - The fact that comparative information has been restated or that it is impracticable to do so.

Clause (3)
Discussion, Evaluation and Approval Process

1. The finance manager will study thoroughly the implications of any proposed change in policy.
2. For purposes of introducing changes to company's policies, the finance manager shall assess all proposed changes prior to their approval. The Board of Directors shall approve all policy changes that will have a material impact on the company financial statements or a significant impact on key internal and external users.
3. The finance manager may invite representatives from different departments, the company's external auditors or other third parties whenever the need arises in order to ensure optimal results from the evaluation process.

Section 4: General Ledger

Clause (1)
General Policies

General Ledger facilitates the recording, processing and reporting of financial information while maintaining and safeguarding the company's records.

Accounts:

1. Sequential number shall be given to all entries forms (entries, payment vouchers, receivable vouchers…). Hard copies shall be filed by the finance department for the purpose of future reference and audit.
2. All entry forms shall have no errors or amendments. In case of one, a new voucher shall be used.
3. All cancelled entry forms shall be kept in a way that prevents reuse and shall be crossed or stamped with "cancelled"
4. Preparing, reviewing, entering and posting journal entries shall be done by different people to ensure the segregation of duties
5. Opening, omitting, and modifying the master chart of accounts shall be according to DOA.
6. All books of accounts and supporting documents shall be properly controlled, filed, and retained for a minimum of 10 years.

Chart of Accounts:

1. A unified chart of accounts shall be approved by the management. The finance manager shall approve any changes (additions, updating, omitting) to the chart of accounts for his revision and recommendation.
2. The chart of accounts shall be revised annually, and inactive accounts shall be omitted (if any).

Clause (2)
Accounting Entries

1. Accounting entries shall be daily prepared by the financial or administrative assistant
2. Entries shall be reviewed and approved by the accountant
3. In case of an error in the accounting entry, that entry shall be reversed and the correct entry shall be recorded.
4. Accounting entries shall be prepared based on the related supporting documents

5. Accounting entries to be classified according to the approved chart of accounts

Clause (3)
Posting to General Ledger

1. Posting of journal entries to the General Ledger shall be performed on a daily basis at the end of each working day.
2. At the end of each day, sequential voucher numbers shall be reviewed for all daily vouchers issued, to ensure that all transactions have been entered and posted.

Clause (4)
Recurring and Nonrecurring Entries

1. All recurring adjusting journal entries shall be identified for posting to General Ledger system in each Accounting period. This includes but not limited to:
   - Prepaid expenses amortization
   - Intangible assets amortization
   - Accrued Expenses
   - Allowances
2. Non-recurring adjusting journal entries shall be prepared to properly reflect account balances which includes but not limited to:
   - Correcting errors in posting
   - Accrued revenues and expenses (prepaid)
3. Accounts must be reconciled accurately. The reasons for the differences shall be examined, managed and reviewed by the related managerial party within the finance department and shall be entered as soon as approved as per the DOA.
4. Reconciliation entries shall be based on evidentiary and supporting documents

Clause (5)
Reconciliation of Subsidiary and General Ledger

1. Subsidiary Ledger reconciliation is the process of agreeing the detailed balance in the subsidiary ledgers to the General Ledger summary accounts. The lack of agreement between the two balances is due to:
   - Time lags that prevent recording transactions in the same period
   - Errors by either party in recording transactions
2. The following subsidiary ledgers shall be reconciled monthly with their respective controlling accounts in the General Ledger:
   - Cash management
   - Accounts Receivable
   - Fixed assets
   - Accounts payable.
   - Salaries
3. On a monthly basis, reconciliation (if applicable) should be performed between the Subsidiary Ledger(s) and the General Ledger balances. The accountant performing the reconciliation should be independent of the accountants who maintain the detailed records and the control accounts.
4. Reconciling items shall be investigated and any adjustment required in the accounts shall be recorded only upon approval by the authorized persons.
5. The Finance Manager should approve the reconciliation.

Clause (6)
Period / Year End Closing

1. The Period End Closing is the process that the company uses to reconcile, consolidate, and report financial information on a periodic basis without producing a zero balances in the income statement (revenues and expenses accounts). (Accounting period is usually one month, therefore, period-end closing means monthly closing).
2. The Year-end closing process follows the same periodic closing procedures except that it involves closing temporary or nominal account balances and transferring them to the owner's equity or capital account. This is accomplished through the preparation of closing journal entries that transfer the net income or loss for the period to Retained Earnings. The Year-end closing entries produce a zero balance in each temporary account.
3. The company's financial books should be closed and report on monthly basis; Sub-accounts of payables and receivables and fixed assets accounts by the 4th day of the new month and for the

general ledger accounts by the 6th day of the month as a maximum in order to give management accurate figures about the company financial position and allow it to react quickly to resolve any financial problems.

4. It is the responsibility of the accountant to close the accounting records on timely basis and provide management with current, complete and accurate financial information that can be used in management and decision-making.
5. All transactions related to the prior month / year should be recorded, validated, and posted into the Accounting system prior to commencing the closing process.
6. The closing process involves the performance of specific tasks to facilitate the generation of periodic financial statements. The tasks involved include but not limited to:
   - Preparation of adjusting entries: accruals, prepayments, etc...
   - Preparation of financial statements
   - Opening of the books for succeeding period
   - Reversing of accruals
   - Confirm suppliers balances
7. Subsidiary ledger to be reconciled with the general ledger on a monthly basis.
8. The deadline for monthly and seasonal closing (every 3 months) and mid-year and yearly for internal and external reports is the last day of the relevant period.
9. The Period / Year End Closing process shall be approved in accordance with the company's Delegation of Authority Matrix (DOA).

Section 5: Pre operating expense

Pre-Operating Expense is an expense incurred before starting up the business, which may consist of establishment costs, such as legal and secretarial costs that incurred to create a separate legal entity, or expenditures for new operations or lunching new product or processes.

1. Pre-Operating Expenses incurred to facilitate the creation of the company and not related to fixed assets construction, shall be recognized as an expense when they are incurred. Examples of Pre–Operating Expenses during the creation period are the followings:
    - Legal expenses,
    - Administrative expenses,
    - Employee's salaries and benefit,
    - Consulting services expenses.
2. Any expense that may be incurred during the establishment period and is related directly to a fixed assets construction shall be capitalized as Construction in Progress, and shall be disclosed at balance sheet under fixed assets section.
3. The accuracy of expenses presentation and categorization is the responsibility of the finance manager
4. Pre-Operating Expenses shall not be recognized as intangible assets.

Section 6: Accounts Receivable

Clause (1)
Account Receivable Classification

- Receivables- Activity are classified as follows:
  - Donors receivable
  - Revenue generating projects receivables
- Other Receivables:
  - Advances
  - Employee loans (receivables)
  - Other miscellaneous receivables
- Prepayments
  - Prepaid insurance
  - Prepaid maintenance
  - Prepaid Utilities
  - Other prepayments.

Clause (2)
General Policies

1. It is the responsibility of the finance department to manage the activities related to Accounts Receivable.
2. It is the policy of the company to recognize revenue when the services are rendered and billed to the customer not when the payments have been received.
3. Funds received to be deposited on the same day collected in the company's bank account for this purpose, unless on a holiday, and in such case to be deposited on the following working day after the completion of the accounting procedures.
4. A master file should be centralized for future reference and in order to control the duplication errors.
5. Supporting document to be kept and retained for 10 years according to local rules and regulations

Clause (3)
Donors Receivable

1. These receivables are defined as any receivables resulting from donors' commitment to make payments against the implementation of specific projects or general and administrative expenses.
2. Finance department shall debit or credit these receivables directly when occurred.
3. Finance department shall monthly follow up on these receivables balances.

Clause (4)
Revenue Generating Projects Receivables

1. These receivables are defined as any receivable resulting from the company agreeing with the project beneficiary to finance the implementation of specific project for a specific percentage yield in return.
2. Finance department shall debit or credit these receivables directly when occurred.
3. Finance department shall monthly follow up on these receivables balances.

Clause (5)
Employee Receivables

1. These receivables are defined as the receivables resulting from employee loans and advances from the company.
2. Finance department shall debit or credit these receivables directly when occurred.
3. Finance department shall monthly follow up on these receivables balances.

Clause (6)
Other Receivables

1. These receivables are defined as any other receivables which have not been mentioned before like receivables resulting from deferred fixed assets sale, violating the company's policies and rules … etc.
2. When the amount is deposited, the finance department should confirm the bank deposit notification to ensure that the amount was deposited in the relevant company bank account.
3. Finance department shall debit or credit these receivables directly when occurred.
4. Finance department shall monthly follow up on these receivables balances.

5. For past due accounts receivable, the finance department shall contact the beneficiary on a monthly basis to remind him with the payment required.
6. In case of any violations and legal dimensions, the finance department shall prepare the required accounting entries upon the receipt of necessary documents from the concerned authority. Based on the accounting principle of "conservatism" the revenue from violations should not be recognized until the appeal court verdict is given.

Clause (7)
Collection Follow-up

1. Specific bank account designated for collection purpose should only be used for receiving collected payments.
2. Bank accounts that are related to account receivable should be accessed online on a daily/weekly basis to check on payments received in-order to promptly apply those payments against their accounts.
3. An acknowledgement should be sent for all payment received.
4. Account receivable aging report shall be prepared on a monthly basis by the account receivable division. The report shall be used to follow up on pending accounts receivable.
5. For accounts, which are "Late", a monthly reminder letter should be sent to the receivable owner reminding him about the late bill.
6. For accounts, which are ""Delinquent "a third reminder letters should be send and signed by General Manager and legal representatives. The third, should state that it is a final notice and that legal action can be started unless payment is received within certain amount of days. This can be used as a final warning before initiating legal action.
7. The board of directors shall be notified with the defaulting receivables which are being subject to legal actions.

Clause (8)
Allowance for Doubtful Accounts and Write-off

1. An adequate allowance for doubtful receivables should be established to provide for all reasonably anticipated losses inherent in the receivable balances per the accrual method of accounting. Receivables known to be uncollectible should be charged to the allowance account. In determining the allowance for doubtful accounts the following are to be considered:
   - Current over all aging and trends from previous uncollected receivables;
   - Economic conditions and trends; and

- Evaluation of each individual receivable (prior payment experience, financial status of debtor, etc.).

2. The allowance should be calculated based on the receivables due balance.
3. All delinquent outstanding receivables should be reviewed on a monthly basis, to determine the adequacy of the allowance for doubtful accounts.
4. Receivables write-offs should be considered based on the following criteria:
    - Accounts receivable due for more than one year, or
    - There is sufficient evidence that the receivable cannot be collected regardless of the age of the said receivable.
5. Receivables write-offs shall only be affected and recorded upon the approval in accordance with the Delegation of Authority Matrix (DOA).

Clause (9)
Adjustments

1. Adjustments to accounts receivable should be documented in a debit or credit note
2. All adjustments to customer accounts receivable should be approved by the finance manager or by finance manager and general manager depending on the amount.

Clause (10)
Reconciliation Accounts Receivable with General Ledger

1. The accountant will be responsible for ensuring that the Accounts Receivable subsidiary ledger is reconciled with the General Ledger control accounts on a monthly basis.
2. Corrections or adjustments to the information will be performed through the Sub Ledger (SL), on a monthly basis. This is to ensure consistency of information between SL and the GL. Errors discovered will be summarized and corrective action will be taken immediately on the Sub Ledger (SL), if necessary.
3. Each beneficiary group shall have separate General Ledger (GL) account for the balance, which shall be supported by Sub Ledger (SL).

Section 7: Fixed Assets

Clause (1)
General Policies

Fixed Assets are tangible assets that:

1. Are of significant value and relatively utilized over a long term period.
2. Are held by the company for use in operations.
3. Are acquired or constructed and ready to be used and with the intention of being used on a continuing basis.
4. Are not intended for sale in the company ordinary course of business.
5. Have useful lives of more than one year.
6. Fixed Assets are categorized as tangible or intangible assets. Tangible assets are defined as assets that have physical existence and used by the company to generate revenue (such as buildings, land and hardware). Intangible assets are assets that do not have definite or physical existence (for example trademark, copyright and goodwill). Intangible fixed assets can be purchased or are internally developed.
7. Fixed Assets are comprised of the following:
    - Land
    - Buildings
    - Motor vehicles
    - Furniture
    - Office equipment
    - Computers and software and server
    - Software Applications
    - Telephone system
    - Internal equipments for buildings/ leasehold improvements

    Note: The above categories can be enhanced, or new categories can be added.

8. It is the finance manager and the accountant authority to classify the fixed assets.
9. Fixed assets should be purchased under the procurement policies and procedures adopted by the Company's management.
10. Fixed assets should be recorded at cost in case they were purchased by the company. However, in case fixed assets were granted to the company they should be recorded based on

the market price/ cost (whichever is lower) on the receiving date, in addition to any expenses incurred by the company to add these assets.

11. In the case of a discount on purchases of fixed assets, the discount should be deducted from the cost of the purchase.
12. The finance department is responsible for keeping and following- up assets records and follow-up of assets while each department will be concerned with the physical management of the company's assets.
13. Fixed assets must be insured from the date added to the register of fixed assets.

Clause (2)
Capitalization

1. Fixed assets item should be capitalized if it meets the following criteria:
   - It physically exists and in use.
   - It has an estimated useful life in excess of one year.
   - It has a cost equal to or in excess of the defined minimum capitalization thresholds.
   - It has not been acquired for subsequent resale but if it is intended for use on a continious basis in the company ordinary course of business
2. Intangible assets expenses should be capitalized if it meets the following criteria:
   - Possible future economic benefit
   - It provides legal rights.
   - It can be independently exchanged or sold.
3. All buildings and lands should be capitalized.
4. Any fixed assets equals to or more than $1,000 should be capitalized, however softwares should be capitalized if it is more than $5000.
5. Fixed assets repair and maintenance is the routine checkup, maintenance and repair in order to keep the asset in good working condition. costs should be capitalized, if **all** the following conditions are met:
   - The productive life of the asset or its capacity (based on technical information) is increased by more than 12 months.
   - The repair and maintenance cost exceeds 20% of the original cost.
   - The amount of repairs and maintenance exceeds $ 1000.

   Expenditure that does not meet these criterias should be expensed in the period that it is incurred in.

Clause (3)
Additions

1. Fixed Assets purchases and additions should be in line with the company's approved capital expenditure budget. All purchases as well as any exception should be approved in accordance with (DOA).
2. Items of Fixed Assets should be recognized at the date the risks and rewards of ownership have been substantially obtained. The following factors should be considered when judging if the risks and rewards of ownership of an asset are passed to the company:
   - Passing of legal title
   - Physical possession
   - Assumption of risk for loss or damage
   - Deployment into service or capacity to be deployed into service.
3. Items of Fixed Assets should initially be recorded at cost. Cost should either be the purchase price, including any incidental costs of acquisition and installation, or the direct cost of work plus attributed overhead.
4. The following – but not limited to- are expenses added to the purchase price of the fixed assets:
   - Material
   - Labor
   - contract costs, including the sub-contractors
   - Construction
   - Consulting services
   - Insurance
5. Interest must be capitalized as part of the historical cost for loans used to finance the construction of assets. Capitalizing the interest must stop when assets are ready for its intended use.

Clause (4)
Capital Work in Progress

1. Construction and related costs are capitalized and classified as "Capital Work in Progress" up to the date of commencement of operations and utilization.
2. The total cost incurred in constructing new fixed assets should be capitalized. These costs should include material, labor, financing charges and any other direct expenses (insurance and transportation costs), an allocation of related General and Administrative expenses and any costs incurred in preparation for construction of the fixed assets.

3. Capital work in progress should be transferred to the relevant category of Fixes Assets at the earlier of the date of final acceptance or the date where the asset is technically capable of operating and providing the service for which it is intended.
4. Each capital work in progress project should maintain sub accounts classified in accordance with the categories of fixed assets in chart of accounts and sub-classified in accordance with the expense type to ease its monitoring and follow up.
5. In case of general cost allocated to any capital work in progress project and not related to any fixed assets category, such costs should be distributed pro rata based to other categories accounts based on their amounts at the end of the project.

Clause (5)
Transfers

1. Transfer of assets is intended to transfer any fixed assets between the branches or departments or divisions of the company.
2. The process of transferring any asset starts by a manager placing a purchase order to acquire a fixed assets and the person with the authority sees the possibility to meet the purchase need by transferring an existing asset in the company. Accordingly, the asset is transferred in coordination with the heads of departments or heads of divisions concerned.
3. Prior to any transfer of asset, all department heads concerned should approve transfers of fixed assets between departments of the company.
4. Depreciation of assets should start on the transfer date and allocated on cost center or the transferee department as a depreciation expense
5. The transferred assets should be recorded based on its book value.
6. The transferee department should obtain a record for checking and reception of the transferred assets to its department and document its physical condition.

Clause (6)
Disposal, Sale and Write-offs

1. All disposal, sale or write-off of fixed assets should be approved in accordance with (DOA).
2. Finance department should be responsible to manage the accounting activities related to disposed fixed assets.
3. Assets eliminated or removed from service due to non-serviceability should be disposed of either through a sale, scrapping or donation as per the approved disposal procedure.

1. An asset should be removed from the company's records on disposal or sale or when it is withdrawn from use and no future economic benefits are expected from its disposal.
4. Disposal of assets should be documented in a special record called disposal record, which shall contain details of any fixed assets items disposed.
5. Disposal of fixed assets should be reviewed and initially approved by the disposal committee. The disposal committee members should be assigned as per the company's Delegation of Authority Matrix (DOA).
6. The following should be done when a disposal of an asset decision is taken (according to fixed assets record):
    - Writing off the cost of the disposed asset.
    - Writing off the accumulated depreciation, "accumulated until the date of the disposal".
7. The gain or loss on disposal is the difference between the proceeds (if any) and the carrying amount and should be recognized and recorded by the accountant and approved by the finance manager.
8. All major types of fixed assets' actual condition must be reviewed annually and examined whether usable or not (the asset will be considered out of date if the repair costs exceed the cost of the asset).
9. The company allows donating equipments to companies / institutions / other associations but not entitled to donate to individuals.
10. All donations should be approved by the board of directors.

Clause (7)
Calculating Depreciation

1. Depreciation is a method of allocating the cost of assets over its useful life which usually refers to the duration for which the item will be useful (to the business).
2. All fixed assets, except land and work in progress are subject to depreciation.
3. Depreciation should be calculated monthly and charged to the depreciation expense account until the net book value of the asset reaches $1 (one USD) to indicate that the asset is still in use, retaining their original costs and their corresponding accumulated depreciation.
4. Upon commencement of operations or utilization, the costs incurred should be depreciated. If the asset was put into use between the 1st and 15th of the month, one month's depreciation should be charged. Those put into use after the 15th of the month should be depreciated in the following month.

5. Depreciation is calculated as monthly additions to fixed assets during the period, according to the value added and consumption rates that are calculated according to the type of asset.
6. Depreciation should be calculated using straight-line method throughout the economic life of the asset according to the annual percentage rates stated in the table below:

Asset Category	Annual Depreciation Rate
Land	
Buildings	
Motor vehicles	
Furniture	
Office equipment	
Computers and software and server	
Software Applications	
Telephone system	
Internal equipment's for buildings/ leasehold improvements	

7. The useful lives of fixed assets should be re-examined on a periodic basis. If the estimated asset's life changes, the depreciation expense should be adjusted for the current and future periods.
8. Depreciation of fixed assets will not be calculated for assets that are no longer in service as of the beginning of the following month after the date of removing the asset from service and a decision to sell or dispose the asset should be taken.

Clause (8)

Leased Assets

1. Leased assets may either be classified as operating or capital leases, the latter being capitalized. Finance leases to be capitalized include any leases, which at their meet any one of the following four criteria:
    - The lease transfers ownership of the asset to Future for Palestine Company (lessee) at the end of the lease term;
    - The lease contains an option to purchase at a bargain purchase price (significantly lower than the asset's fair market value at the termination of the lease);
    - The lease term is equal to or greater than 75% of the asset's estimated useful life;

- The present value of rentals and other minimum lease payments equals or exceeds 90% of the fair value of the asset at the inception of the lease.

2. Assets acquired under capital lease should be capitalized at the fair value of the leased asset or, if lower, the present value of the minimum lease payment derived by discounting them at the interest rate implicit in the lease if this practicable to determine, or the lessee's incremental borrowing rate should be used. This will normally be the estimated outright purchase price of the asset had it been purchased in an arm's length transaction.
3. The associated asset is amortized in accordance with the company's normal depreciation policies or over the lease term if it is shorter.
4. Lease of land and buildings are classified as operating or capital leases in the same way as lease of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term the lessee does not receive substantially all of the risks and the rewards incident to ownership (and as such cannot be considered a finance lease).
5. Operating leases are by default any lease arrangement that does not satisfy the criteria of a capital lease detailed above.
6. The lease payments for such Operating leases will be expensed in a systematic manner over the period in which the service/benefits are received per the accrual method of accounting.
7. Following the accrual concept, the lease payments must be appropriately accrued for or capitalized as prepayments depending on the timing of the cash flow.

Clause (9)
Verification & Control

1. For identification purposes and to facilitate tracking of fixed assets, all company's fixed assets items should be labeled with an assigned sequential number (Asset Tag Number).
2. A fixed assets register should be maintained by the Finance Department and it should capture the following information related to the fixed assets:
   - Asset serial number
   - Asset description;
   - Amount
   - Date of purchase;
   - Location;
   - Cost;
   - Remaining depreciable value
   - Useful life/depreciation rate;
   - Annual depreciation amount;

- Accumulated depreciation;
- Net book value;

3. The fixed assets register should be updated regularly for additions, disposals, write-offs and transfers.
4. An annual physical count, title verification and reconciliation with recorded amounts should be performed. Physical count results should be compared with the fixed assets register for any discrepancies in order to investigate and for this purpose a committee should be formed as per DOA.
5. The finance department should be notified of any movements of assets including those unusable.
6. A periodic physical count should be performed and its results should be compared with the fixed assets register for any discrepancies.
7. Annual physical count results to be reported to the finance department to reconcile them with the detailed fixed assets records. The finance department will report and document the reconciliation and any discrepancies if any.
8. Fixed assets record should be updated according to the physical count results after investigating the discrepancies and taking proper action.

Clause (10)

Insurance

1. With respect to valuable assets (except lands), the company should maintain an insurance coverage. The amount of insurance coverage should be at least equal to the replacement cost of the fixed assets or their net book value.
2. The company should maintain an adequate insurance coverage with reputable insurance companies. An annual review will be performed to determine the adequacy of the insurance coverage.
3. All new fixed assets purchases and additions will be reported to the finance department prior to receiving the items in-order to obtain the related insurance coverage, if required.
4. The insurance administrator officer has to keep all insurance policies and a copy of them is kept in the finance department.
5. The insurance policy must cover the following:
   - Property: Full coverage for all properties, buildings, raw materials, electric fixed assets, communication devices, office furniture, computers and desktops, electric devices.
   - Full coverage for vehicles.

- Cash; (Transported and/or in the safe): This insurance policy should cover any loss or damage affecting the transported and/or the cash in the company safe.
- All employees, whether technical or administrative.

6. Prepaid insurance premiums to insurance companies should be charged on the prepaid expenses account; the amount should be amortized on monthly basis up to the date of the policy renewal.
7. The insurance administrator officer should coordinate with the company to renew the policy for all departments.
8. It is the responsibility of the finance department to ensure that all company assets are insured through-out the year.

Clause (11)
Insurance Claims

1. The financial department receives all the insurance claims from all different sections and departments in the company.
2. The insurance administrator officer files the claims to the insurance company.
3. The Finance department should follow up on the claims and coordinate on this regard with the insurance administrator officer.
4. The Finance department should record the insurance claims as accounts receivable to the insurance company.
5. The Finance department and the insurance administrator officer are both responsible for following up with the insurance company for it to pay the compensations claims.
6. The Finance department is responsible for sending claims to the insurance company, follow up on them, and receive the claim compensation within a period no longer than two months from the date of filing the claim.
7. The Finance department should send a claim letter regarding any amounts not paid by the insurance company attempting to speed up payments, when the payment has been due since over two months the finance department has to take the following steps:
    - Stopping any installments due to the insurance company till they pay the claims they have and that is by deducting the company due amounts.
    - Preparing a quarterly report covering all the claims that have been filed.

Section 8: Accounts Payable

Clause (1)
General Policies

1. It is the responsibility of the finance department to manage the activities related to accounts payable.
2. All transactions that will result in the company incurring short-term liabilities in the form of accounts payable should be approved in accordance with (DOA) before they are entered into, or posted to the books or paid.
3. All transactions arising in the recognition of accounts payable will be recorded and based on an approved source document such as a supplier invoice adequately supported by the required supporting documents such as purchase requisitions, purchase order, receiving reports, etc…
4. Payables for services will be recorded and charged to expense or capitalized, as appropriate, as the bill is received or the services are completed.
5. Obligations arising from the purchase of products and services will be recognized as a liability (accounts payable) as follows:
    - For products or fixed assets purchases, when the items are received even though the vendor invoice has not been received.
    - For services, when the service was rendered even though the vendor invoice has not been received.
6. No liability will be recorded for the following:
    - Items received on consignment until title passes.
    - Invoices or billings received but the asset purchased has not been received or the services have not been rendered.
7. Accounts payable will be recorded at their face value, net of trade discounts.
8. All payments payable to be paid by checks signed by the authorized signatories. In exceptional cases to be paid from the petty cash fund unless it exceeds the amount of $500.

Clause (2)
Invoice Verification & Matching

1. Suppliers/ Sub-contractors invoices shall be submitted by the related departments to the finance department only after obtaining the delivery approval.

2. Supplier/Subcontractor invoices should be checked for clerical and calculation accuracy, agreement of unit cost and quantity received to the original purchase order, receiving reports, Subcontractor agreement, and other supporting documents / reports.
3. Only original, stamped, and signed suppliers' invoices will be accepted and recorded by the finance department.
4. The finance department will segregate all invoices under dispute and will not process these invoices to record the liability. An exception report will be generated and the concerned parties (purchasing, vendor) will be informed of the dispute in order that appropriate action can be taken to resolve the problem.
5. Recording of invoices (debt expenses and credit purchases) should be done by the accountant. Amounts recorded should be based on vendor/subcontractors invoices. The vendor/subcontractor invoice should be in agreement with the approved purchase order and material receiving report.
6. The finance department is responsible to specify (upon entering the invoice) the payment date, payment method (and other payment details) of the associated invoice by taking into consideration the following factors:
    - Terms of Payment.
    - Discount.
    - Payment policy.

Clause (3)
Accrued Liabilities

1. The company policy requires the recognition of expense in the period in which it was incurred.
2. Obligations incurred in the current or prior periods for future payments, which are not yet due, should be recorded as accrued liabilities, even though its amount and timing of payment may be unknown although payment is imminent.
3. Expenses must be accrued when the liability becomes known.
4. Each accrual transaction must have a clear audit trail maintained linking each accrual transaction to the appropriate supporting documentation.
    - The documentation shall be permanently retained with the journal voucher and used as a source document.
    - All supporting documentation shall be readily accessible for management review and audit purposes.

5. All accrual journals will be processed by the Finance department at month-end for services and/or supplies received but not invoiced by the supplier
    - o Accrued expenses of the company may include, but not limited to:
        - Utilities
        - Payroll Costs
        - Vacation Reserves
        - Tickets
        - Worker's Compensation
        - Freight
        - Unclaimed Wages
        - Financing charges
        - Commissions
        - Advertising
        - Legal and Accounting Expense
        - Insurance
        - Rent
6. Accrued liabilities should be classified as current if the expected time of payment is within one year and all accruals expected to be paid after one year must be classified as long- term liabilities.
7. Actual liabilities shall be applied against prior month-end accruals upon the receipt of the proper supporting documents from vendors. Excess or shortages in accruals provided in prior months shall be accounted for.
8. Accrued liabilities must be reconciled to the general ledger on a monthly basis and not after the 10th day of the next month.
9. The reconciliation must be reviewed by the accountant and approved by the Finance manager.

Clause (4)

Year-end Accruals

1. Effort must be made at year-end to accrue all expenses that have been incurred but not invoiced/paid.
    - o Anticipated expenses should not be accrued.

- If a project will stretch over the end of the year, the portion of work completed and billable must be accrued.
- Accruals from year-end can be reversed only as an actual liability is recognized for that accrual.

Clause (5)
Accrual Assessment

1. The Finance department will process all invoices received on the last working day of the month. Invoices not received at this cut-off date will be accrued for, as appropriate by the Finance department, before the 5th business day of the following month.
2. All open purchase orders with receiving documents should be reviewed for accrual appropriateness. A copy of open purchase orders that contain goods or services, which were received by the end of the month being closed, will be forwarded from the Procurement department to finance department along with receiving reports and other supporting documents by the 5th business day of the following month.
3. All liability should be maintained for all vacation earned but not yet taken by employees. Such liability should be recorded at the employee's current rate of pay. At each month end, this liability should be adjusted to reflect vacation earned and/or taken during the current month.
4. All judgmental estimates must be based on the best credible information available at the time (i.e., historical data, budgeted figures or other verifiable information) and should be approved by the Finance Manager.
5. In some instances, an accrual is based on confidential information (i.e., legal accruals, bonuses, etc.). The supporting documentation for the journal voucher should indicate the confidential nature of the information along with the name of the person responsible for maintaining the information.

Clause (6)
Cash Disbursements

1. Payment can be made in cash to the supplier out of the petty cash but not to exceed the amount allowed by the policy of cash payment to the supplier.
2. Disbursements shall immediately be recorded to the company's ledgers. .

Clause (7)
Invoice Booking

1. Vendor or Supplier invoices should be addressed to the Finance department. Supplier invoices received by other departments should be forwarded immediately to the Finance Department in order to expedite the verification and processing of payment.
2. Supplier invoices should be checked for clerical and calculation errors, matching of unit cost and quantity received to those in the original purchase order, receiving reports, and other supporting documents/reports.
3. No payments will be made for purchases made without purchase order unless payments are for Public Relations, employee training, utilities and petty cash.
4. The Finance department, after receiving supplier invoices, should contact the concerned department to get supporting documents related to the invoice in order to process the invoice booking and payment.
5. In case of invoice booking for contracts, procurement department should provide copy of the contract to Finance department function in order to process the booking and payment of such invoices.
6. Original, stamped, and signed suppliers' invoices will be accepted and recorded by the Finance department. Copies of supplier's invoices can only be accepted in case of lost invoices after the approval and signature of the authorized personnel as per the DOA.
7. Invoices received, which exceed the total of the contract /purchase order, shall require an amended Purchase Order or contract as per the DOA.
8. The Finance department shall segregate all invoices which are under dispute and will not process these invoices by recording the liability. An exception report will be generated and the concerned parties (procurement department and vendor) will be informed of the dispute in order that appropriate action can be taken to resolve the problem.
9. Recording of invoices for expenses and purchases should be done by the finance department and the amounts recorded should be based on vendor invoices. The vendor invoice should agree with the approved purchase order and the material receiving report.
10. Finance department should maintain and update an invoice / payment requests log sheet which should include the requesting department name, vendor name, invoice date, invoice amount and status of invoice and payment. This log sheet should be used for tracking and follow up purposes.
11. Finance department should specify, when entering the invoice, the payment date, payment method and other payment details of the associated invoice and consider:
    - Terms of Payment
    - Discount

- Payment policy

Clause (8)
Payment Processing

1. All payments should be made in accordance with contracts signed between concerned parties.
2. All payments should be made after the purchase order has been fully served and supported by an authorized purchase requisition, receiving reports and invoices or related contracts and agreements.
3. All payments will be made in accordance with the company Delegation of Authority (DOA).
4. Advance or partial payments to vendors will only be according to DOA and will only be authorized if it is in accordance with the approved purchase order, contract or written agreement.
5. Supplier invoices should be checked by the finance department against supporting documents and approved as per DOA before paying.
6. A payment voucher is used as an official document to approve each payment. This payment voucher should be reviewed and approved as per (DOA).
7. All Payment vouchers and supporting documents should be filed.
8. Payment terms have to be followed unless there is a valid reason not to do so.
9. In cases where a discount for early payment is offered, the payment due dates should be taken into consideration to avail the company to the early settlement discount opportunity.
10. It should be taken into consideration the right to the company to retain payments before paying vendors or suppliers. These amounts shall be released upon completion and handing over of the works or delivery of the required material.
11. Total payments should be paid to the vendor/ supplier only upon producing of a valid income tax clearance certificate or a paper that ensures paying the income tax of the related contract.
12. Payments should be made, to fulfill the company obligations to other external parties, by one of the following methods:
    - Cheques
    - Bank Transfers
    - Cash from the petty cash custody as per the predetermined rules for payment from such custodies (*Please refer to Petty Cash Policies in the Cash Management section*).
13. Specific days and time period should be dedicated on weekly basis during which the Accounting Section issues signed and approved cheques to internal or external parties.

14. In case of payment by cheque, the payee should sign the copy of the cheque signifying receipt of cheque. However, if the cheque is sent by mail to the payee, the sent letter number shall be noted with the cheque number and date in the portion where the beneficiary needs to sign a copy for this cheque should be attached to the payment voucher, provided that all cheques to be issued by the company shall bear the following phrase (to be encased by the first beneficiary).
15. Payments by bank transfer should be made only after approval of the bank in accordance with the Delegation of Authority Matrix (DOA).
16. To cancel, replace or reissue cheques the accountant should obtain the required approvals as per the Delegation of Authority Matrix (DOA) and then coordinate with cash management and treasury operation function to complete the respective process.
17. Cheques issued by the company to vendors/ suppliers that are un-cashed after six months of issuance should be cancelled in coordination with Cash Management and Treasury Accountant. After cancellation, Payables Accountant should contact the vendor / supplier to inform him of cancellation.

Clause (9)
Control of Documents and Records

1. All Payment Vouchers and supporting documents should be filed for 10 years.
2. Except for the Finance department staff no one else should have access to the documents without written consent from the finance manager. The Internal Audit staff and the external auditor may have access to the required documents under the supervision of the Finance Department staff.
3. All invoices and supporting documentation used as source documents to record transactions will be stamped with an appropriate notation, e.g. “ENTERED” or “POSTED”, or “PAID”, dated and referenced in order to create an audit trail and avoid double recording.
4. The invoices accompanied by all supporting documents should be stored in the suppliers’ file. All supplier files should be filed in alphabetical order.

Clause (10)
Reconciliation with General Ledger

The finance department is responsible for ensuring that the accounts payable subsidiary ledger is reconciled with the general ledger control accounts on a monthly basis.

Section 9: Accrued Liabilities

Clause (1)
General Policies

1. Liabilities incurred -that have not been billed to the company- will be accrued and recorded at the end of the month as expenses. These shall be reversed automatically at the beginning of the following month to avoid double recording of the expenditures when payments are made to settle the obligations.
2. The finance department shall establish a list of commonly incurred expenses that may have to be accrued at the end of each period. This list shall serve as a reminder and help ensure that expenses have been identified. Examples of such expenses are:
    - Salaries and Wages,
    - Vacation and Airfares,
    - End of Service Benefits,
    - Professional Fee,
    - Rent,
    - Insurance,
    - Interest and commission for loans,
    - Utilities (i.e. telephone, electricity, water),
    - Other unrecorded accounts payable.
3. Accrued Liabilities are item of expenses that have been incurred during the period, but have not yet been recorded or paid and the billing invoices have not yet been received by the company at period end. As such, they represent Accrued Liabilities at the end of the period and are usually based on estimates. Unrecorded interest and charges, rents, end of service benefits and salary expenses are examples of accrued expenses
4. The amount recorded for accrued expenses shall be calculated properly, taking into consideration that accrued liabilities come into existence with the passage of time or with the occurrence of an event.
5. Obligations that accrue with the passage of time (e.g., salaries and wages) shall be recorded over the time period in a systematic and rational manner. Obligations that accrue when an event takes place shall be recorded at that time.
6. The finance department shall do the following toward the end of the month:
    - Review open invoices and determine unpaid amounts to be recorded as accrued liabilities in the accounting period in which the report was issued.

- Prepare a summary of all the unpaid salaries at the end of the month, based on the approved payroll report.
- Prepare a detailed analysis that illustrates the calculation of accrued liabilities that result from utilities such as electricity, water and telephone.
- calculate monthly amounts for the following employees' benefits:
    - o Annual leave pay allowance.
    - o Tickets allowance
    - o End of service benefit allowance.
    - o Prepare and enter necessary accounting entries to record the benefits.

7. All accruals shall be recorded and classified in sufficient detail to support financial and management reporting.
8. Processes and documents for recording these liabilities shall be reviewed to confirm their completeness and impact on the accounts. Supporting documents shall also be validated as per the DOA before recording related accounting entries .

Clause (2)
Payroll Processing

1. Processing payroll is the activity of paying employees a timely and accurate basis, while appropriately recording all payrolls related information.
2. The finance and administration department shall be responsible for the preparation of payroll including monthly salaries and other benefits.
3. Salaries paid should be based on the appointment contract and any subsequent amendments should be according to regulations. The basic salary and all bonuses to be subject to income tax.
4. The accountant should always review the attendance summary and any paid advances or leaves or unpaid leaves or any privileges to confirm that it has been taken into consideration before calculating the salary.
5. Payroll processing shall start during the last three working days of the month so that salaries will be ready for distribution before the start of the succeeding months.
6. All information, such as names, addresses and bank account numbers for all staff members must be entered to the computer system.
7. Payroll will be paid on monthly basis by direct bank deposit, for all employees, labor could be paid by check or in cash.

8. The accountant must review the payroll statement for the bank and compare it with the monthly payroll statement to ensure the accuracy of salaries to be transferred to employees' bank accounts. The bank payroll statement shall be approved by the company's general manager.
9. The bank payroll statement shall be reviewed and a formal letter shall be sent to the bank signed by the authorized signatories.
10. Payroll bank account shall be reconciled on monthly basis by the accountant that has no responsibilities for the preparation of the payroll or payment processing.
11. The personnel and payroll data are strictly confidential information and shall not be shown or divulged to unauthorized accountants and shall be secured in a place to be out of reach for any persons after working hours.
12. Full time employees are entitled for end of services benefits and enrolment in the savings account shall be according to policies adopted in the company for this regard.

Clause (3)
Salaries Recording

1. In case of not paying the salaries before the end of period closing for a certain month, salaries amount shall be recorded as accrued salaries. This entry shall be reversed upon payment of the salaries
2. Employee benefits shall be reviewed on a monthly basis.

Clause (4)
Employees Income Tax

1. The company is responsible for identifying and paying the income tax on a monthly basis based on the Palestinian income tax law.
2. A record of necessary information to calculate the income tax amount for employees (salary amount, number of children ...etc.) shall be retained. These data shall be entered into the payroll system in order to calculate net salaries and tax amount deducted accurately.
3. Income tax due on employees' salaries to be paid monthly.

Section 10: Owner's Equity

Clause (1)

General Policies

1. Owner's Equity in should be classified in the accounts as follows:
    - Contributed Capital
    - Reserves (Statutory and General)
    - Surplus

Clause (2)

Reserves

1. The company will set aside 10% of its annual income as a statutory reserve until such reserve equals 50% of contributed capital.
2. The statutory reserve will be used by the company to strengthen its financial position in front of banks and external parties.
3. The statutory reserve could be used by the company to cover any extraordinary losses on the condition that the retained earnings and general reserves have been used first to cover the loss.
4. All decisions involving the statutory reserve should be recommended and approved according to DOA.

Clause (3)

Surplus

1. Surplus represent the company accumulated annual net surplus/ (deficit) after deduction of reserve allocated.
2. The surplus account should be debited or credited during the periodic closing of the books when the nominal or income statement accounts are closed, according to the period results.
3. Any surplus in the company earnings must be exclusively allocated for the implementation of the company goals and objectives stated in the company's memorandum of association and its policies and procedures. It is strictly prohibited to distribute any dividend to shareholders of the company.
4. The retained surplus account should be debited or credited for other types of transactions that constitute valid charges or credits to the account, as follows:
    - Appropriation of a portion of the surplus for reserves or other.
    - Adjustments of prior period transactions.
    - Adjustments due to a change in accounting policy.

Section 11: Other Balance Sheet Items

Clause (1)

General Policies

1. Pre-payments shall be deferred and charged to operations as the benefits are realized. Pre-payments that are identifiable with specific future revenue shall be charged to expense in the periods in which the related revenue is recognized; (interest or rent, for example).
2. Any amount paid in advance shall be considered as a pre-payment if the following criteria are met:
    - The amount is actually paid.
    - The expense period covers future periods.
3. Pre-payments shall be sub-classified based on their nature (i.e. prepaid rent, prepaid insurance, advances to suppliers, etc…).
4. Pre-payments shall only be made when there is a tangible benefit for the company in making them, like getting a discount or reducing the purchase price of an item or a service or it is a contractual arrangement.
5. Pre-payments shall be made against an invoice or a contract.
6. Pre-payments shall be amortized over the period of the prepaid expense.

Clause (2)

Other Non-Current Liabilities

Other non-current liabilities are obligations that do not meet the definition of a current liability or long-term liability. Included in this classification are all liabilities that do not fall under any of the classifications provided under current liabilities and non-current liabilities such as provisions for end of service benefits.

1. A liability arises as services are rendered by the employees who shall be entitled to receive such retirement benefits.
2. Liabilities also arise at the end of period as soon as the tax effects of current timing differences are determined or calculated.
3. Other Non-current Liabilities shall be valued based on the cost of the compensation received or on the amount calculated and determined as due to third parties.
4. Events and documents that are related to the registration of these liabilities must be reviewed to ensure completeness and to identify its impact on the company accounts. Supporting document should be verified according to DOA before recording the related accounting entries

Section 12: Revenue

Clause (1)
General Policies

Revenues are classified as follows:

1. Grants
2. Activity revenue (Projects/ services)
3. Others (deposits interest, assets selling, currency exchange, rents… etc.)

Clause (2)
Revenues from Grants

1. Company's revenues from grants shall be classified upon the existence of restrictions from the donors on the timing and the ways of use of the grant.
2. All grants shall be classified as incontinent grant unless there are restrictions on the use of this grant from the donor.
   - **Non- Contingent Grants:**
     - This account is to record any amounts granted to the company when the donors commit to make payments to the company without assigning any restrictions on its use.
   - **Temporary contingent grants:**
     - This account is to record grants that will be used for a specific purpose for a specific time period, or to be invested for a specific time period
     - When restrictions from donors are met, grants to be re-classified from being contingent grants to non- contingent grants in income statement and statement of owner's equity changes.
     - Grants that are no more subject to restrictions of use to be recorded in a separate account for that period.
   - **Contingent Grants:**
     - This account is to record grants that are subject to restrictions of use, or invested that is the use of the investment return is permanently restricted.
     - The finance department has to issue receipts for all grants received by the company.
     - Grants to be recorded in the currency in which the donor makes the payment.
     - In case the donor does not require to have a separate bank account for his grant or his project, then the grant to be recorded on the general grants account. Otherwise, a sub

account from the general grants account shall be created to record the grant under the name of the donor.

- The Finance department shall check and ensure that the donating party is eligible as per the company's policies and the law and official regulations of the Palestinian National Authority.

Clause (3)

Activity revenue (Projects/ services)

1. Returns from projects and provided services to be recorded on this account and to be recognized in revenue in the income statement when accrued. Related accounting entries shall be recorded in the same period.
2. Revenues shall be recorded when accrued (when issuing invoices or related vouchers) to the beneficiaries according to the agreed upon terms. Revenues to be monitored and reconciled with the subsidiary ledger.

Clause (4)

Other Revenue

1. Other returns to the company that has not been mentioned before to be recorded on this account with all related entries.
2. In case of a return resulting from rents to parties other than projects, rent return to be recorded on this account on a monthly basis when the rent claim to the renting party is issued according to the contract terms. These returns to be monitored and reconciled with subsidiary ledger.

Clause (5)

Unbilled Revenue

The company encounters instances where services have been provided and revenue has been earned but not yet invoiced. The revenue should be recognized in the income statement and an estimate of the earned value should record under revenue from projects. An equivalent amount should simultaneously be recorded in the balanced sheet as unbilled revenue.

Clause (6)

Deferred Revenue

Revenue which has been invoiced in advance by the company should not be recorded immediately. In such instances, the amount invoiced should be initially recognized in the balance sheet as deferred revenue under "Liabilities". The revenue should then be released to the income statement, under revenue from projects, as and when the revenue is earned.

Section 13: Expenses

Clause (1)
General Policies

1. Company expenses to be classified as follows:
   - Projects expenses (activity)
   - General and administrative expenses
2. Company's expenses to be recognized and reported in the time periods which they relate.

Clause (2)
Projects expenses (activity)

Project expenses are the cash outflows or the decrease in assets or increases in liabilities (or a combination of both) that arise from the company activities and services that form the company's scope of work and objectives.

1. Expenditures related to the company's activities to be recorded as expenses in an account related to activity operations in the income statement.
2. Projects' expenses to be monitored and recorded for each project separately.

Clause (3)
General and Administrative Expenses

1. General Expenses all activity expenses that are not included in the previous categories of expenses. General and administrative expenses should be matches to, whenever possible, with the associated revenue. General and Administrative expenses include but not limited to the following categories:
2. Employee's costs are those incurred by the company in compensating the company's management and staff who operate the company business. Costs include those paid or payable to present employees for their day-to-day activities, any costs associated with the provision of end of service benefits and any additional compensation offered to those employees whose contracts may be altered or terminated as part of an overall business restructuring plan.
3. At the end of the accounting period employee benefits shall be calculated and recorded of the paid days worked. An additional accrual shall be made at the period end (monthly) where employees are allowed to carry forward unused annual leave entitlements into future accounting periods. This accrual will charge the cost of annual leave to the income statement for the period in which the holiday entitlement was earned. Employee's expenses represent the total gross costs of employees. They include the following, but not limited to:

- Basic salaries
- Overtime
- Housing allowance
- Travel allowance
- Transportation allowance
- Training expenses
- Medical insurance expenses
- Nature of work allowance
- Leave pay (period end accrual)
- End of service benefit
- Other allowances

4. Utilities; utilities usage charges shall be expensed as incurred and an accrual entry shall be made at period end if necessary. Standing charges shall be charged over the period to which they relate.
5. Insurance; insurance expenses include the cost of premiums paid. Insurance cost shall be expensed over the period to which the insurance relates with any advance amounts being treated as a prepayment.
6. Rental and Leasing; rental and leasing costs include the cost incurred in respect of renting or leasing property and other equipment. Rental costs shall be expensed in the period to which they relate and to be spread across the rental period/lease term evenly.
7. Legal and Professional Fees; legal and professional fees include all fees paid for accountancy, consultancy and other professional services provided to the company.
8. Subscriptions Fees; Subscriptions expenses include amounts incurred in respect of newspapers, magazines and trade journals and for membership fees for professional organizations. Subscription costs shall be expensed as incurred. Annual subscriptions or fees shall be spread over the period to which the subscription applies.
9. Allowance for doubtful accounts to be based on management's review of the possibility of collecting these debts.
10. Business Travel and Accommodation; business travel and accommodation expenses include employee travel, delegation allowances and accommodation costs.
11. Exchange Gains/Losses; Exchange gains/losses include the amounts arising when currency other than US Dollars (USD);
    - For settled transactions, gains and losses are to be included within the income statement as incurred.
    - For unsettled transactions, gains and losses shall be included within the income statement in the period for which the financial statements are prepared.

12. Administrative Expenses; administrative expenses include all amounts of a non-capital nature, which are not captured in any of the other specific headings.
13. Depreciation; Depreciation is a method of allocating the cost of assets over its useful life which usually refers to the duration for which the item will be useful (to the business). Depreciation expense shall be charged to the period to which it relates as an operating expense.
14. Tax; it is the responsibility of the finance department to prepare tax reports for the company according to tax law in Palestine.

Section 14: Cash Management

Clause (1)

General Policies

Cash on hand, cash in banks and cash equivalents and short-term deposits are those maturing after three months or less. Creditor banks appear as current liabilities in the balance sheet.

It is the responsibility of the finance department to manage banking and cash management activities. This includes the following:

- Supervising opening and closing bank accounts for the company in addition to receiving, signing and handling cheques. (As per DOA).
- Developing and applying controls for the following:
  - Cash disbursement
  - Receiving cash
  - Cash transfers.

Clause (2)

Managing Bank Accounts

1. The accountant responsible for the treasury and cash management will regulate all banking and cash management activities at the company. This section includes:
   - Maintaining bank accounts to service the company operating and financing requirements, through its bank accounts.
   - Supervising the opening, use and closing of the company bank accounts, and the acquisition, signing, and delivery of all cheques.
2. The company should have a bank accounts as follows:
   - Current account functional currency- Other currencies
   - Deposit account functional currency- Other currencies
   - Accounts for specific projects, these accounts are used to deposit grants from the donors when the contract signed with the donor requires a separate account for the granted funds, as the fund should only be used to spend on activities related to the grant only.
   - General accounts, these accounts are used to deposit funds from donors who do not require the existence of a separate account for their project or grant. These accounts will also be used to meet the company's expenses in addition to projects that do not have bank account for of their own. The accountant has to prepare monthly budget

based on the estimated expenses for the next month. This budget should be reviewed and approved by the general manager.

Clause (3)
Transfers between bank accounts

1. Transfers between bank accounts happen for the following reasons:
    - Feeding the current account.
    - Transferring employees' salaries.
    - Transfers to beneficiaries
2. Every bank transfer must be carried out by a letter to the bank signed by the authorized signatures.
3. The accountant must review the bank transfers notices to ensure that the amount has been transferred to the targeted beneficiary's account and in a timely manner

Clause (4)
Investing Excess Cash in Banks

Temporary excess in cash to be deposited in a saving account whether in functional currency or other currencies. The amounts to be transferred from the current account to saving account and vice versa have to be determined by the company's general manager in coordination with finance manager and based on the expected cash flows statements for future periods.

Clause (5)
Opening/ Closing Bank Accounts

1. All bank accounts should be in the name of Future for Palestine Non-profitable Company Ltd Only and only authorized personnel as per the Delegation of Authority Matrix (DOA) are empowered to open or close accounts.
2. No inter-account bank transfers are permissible without the consent and approval of the authorized person in accordance with the Delegation of Authority Matrix (DOA).
3. Opening and closing bank accounts should be for valid business reasons and must be recommended and approved by finance manager to the general manager.
4. The number of bank accounts used by the company should be kept to a minimum, and should reasonably reflect its banking needs and requirements.
5. Selecting banks to deal with should be made and approved in accordance with the Delegation of Authority Matrix (DOA).

6. Selection and use of banking services will be based on, but not limited to the following criteria:
   - Safeguarding of Assets of the company
   - Financial strength of the bank.
   - Ability to perform desired services
   - Nature of service to be provided
   - Technology utilization
7. A log for all the active and closed (inactive) bank accounts should be kept and updated by the Finance Department.
8. Dormant accounts and accounts which have a zero-balance for more than 6 months should be closed unless there is a valid reason to keep them.
9. The accountant must return all blank checks to the bank for the account to be close on the date of closure. This process to be documented.

Clause (6)
Reviewing Bank Account structure and services

1. A review of the bank account structures / services shall be performed on a periodic basis to ensure that all accounts are active and dormant accounts are closed as per the treasury approval and as per the DOA.
2. Bank services and commission rates shall be reviewed regularly to ensure the accuracy of charges and competitive pricing.

Clause (7)
Monitoring Bank Accounts

1. The company bank accounts shall be monitored on a continuous basis to ensure that sufficient cash resources are available to meet the company cash disbursement requirements as they become due.
2. All fund transfers that have been performed between the company bank accounts shall be approved in accordance with the Delegation of Authority Matrix.

Clause (8)
Bank Authorized Signatories

1. Bank account signatories shall be established to enable signature at an appropriate level of authority within the company.
2. The cheques authorized signatories shall be approved to four persons (employees and board of directors). Two out four must sign the cheque and one of them has to be classified as an (A) signature. The cheque must also be stamped with the company's official stamp.
3. For the signature to be recommended and approved in accordance with the Delegation of Authority Matrix.
4. Persons selected as the company bank account signers shall have no responsibility for processing cheques/ fund transfers or reconciling bank accounts, in order to maintain segregation of duties for proper control.
5. Authorized signatories must not sign any blank cheques.
6. Banks shall be notified promptly of all changes in the authorized signatories and their related limits.
7. All cheques /bank remittance advices shall be signed by the authorized signatories in accordance with the requirements of the bank mandate and in accordance with the Delegation of Authority Matrix of the company.
8. In the absence of one of the authorized signatories, a proper delegation memo should be in place authorizing the person to act as the delegated signatory.

Clause (9)
Bank Accounts Reconciliation

1. Bank Reconciliation must be prepared on monthly/ or weekly basis (if possible) for all bank accounts within two days from the date of closing of the accounting period.
2. Bank Reconciliation is the responsibility of the reconciliation division. The person who prepares bank reconciliation should be independent of the cash receipt and disbursement functions.
3. Reconciling items (i.e. payments and receipts) should be clearly identified. Items outstanding for more than two reconciliation periods should be investigated and necessary action should be taken

Clause (10)
Other Currencies

1. All transactions entered in another currency shall be translated into functional currency (US Dollars) based on the other currency amount and the exchange rate in effect on the transaction date.
2. Financial transactions in other currencies which result in debt or income or expense and has not been settled when occurred will be recorded in the functional currency based on the exchange rate in effect on the transaction date. Other currency translation's gains and losses shall be reflected in the income statement as a separate item (when material) in the period the transaction was settled.
3. If a transaction from a certain year was settled through the following year, the difference in the exchange rate at the time of the settlement and the exchange rate at the beginning of the year will be considered as a gain or loss in the same year in which the settlement occurred.

Clause (11)
Handling of Blank Cheques / Bank Transfer Forms (Remittance)

1. All orders for blank cheque and / or bank transfer forms (remittance) books should be documented on standard cheque book and / or bank transfer forms (remittance) order slips and signed by delegated cheque and / or bank transfer forms (remittance) signatories.
2. Blank cheques and unused transfer forms should be stored securely in a safe or locked drawer in the Finance Department.
3. A record of blank cheques received from the bank should be kept securely with the cheques.
4. All cheques should be used in a sequential order.

Clause (12)
Handling of Cancelled/ Lost Cheque and / or Bank Transfer Forms

1. Issued checks may be cancelled in the following events:
   - Elapse of six months from the date of cheque issuance without the cheque being collected by the beneficiary.
   - Written request from the beneficiary in case of cheque damage or loss. A new cheque to be issued for the beneficiary after a month of receiving a bank notice that the cheque was cancelled.
   - Finding an error in the supplier invoice after issuing the cheque. A new cheque to be issued after correcting the error and retrieving the original cheque.

- A dispute between the company and the beneficiary has occurred which resulted in the company filing a lawsuit against the payee, it is always preferable to consult the company's lawyer before giving instructions to the bank to cancel the cheque.

2. Issued bank transfer forms may be cancelled in the following events:
   - Elapse of two months from the date of bank transfer form issuance without the bank transfer form being collected by the beneficiary.
   - Any change in the bank transfer form details.
   - Bank transfer form damage or loss.
   - Elapse of two months from the receipt of the bank transfer form by the beneficiary without doing the transfer at the bank.
3. Approval of the Finance Manager should be obtained for cancelling the checks. The reasons of cancellation shall be stated.
4. Any voided/cancelled cheques should be stamped "Cancelled" and punched so that they are no longer usable and should be filed in a separate folder. The magnetic strip should be punched in order to prevent re-use of the cheque. The bank should be notified to cancel them in its records.
5. The bank should be notified immediately in case of lost cheques
6. For online bank transfers (Remittance), the Treasury personnel should obtain appropriate approvals as per Delegation of Authority Matrix (DOA) and only authorized person should have the right to access the company's bank account online in order to process any transfer.
7. If outstanding cheques have not been cleared for more than 6 months, they shall be cancelled and their amounts should be recorded as an amount payable in the company's records.
8. At the end of the year, cancelled cheques to be reviewed and returned to cash in banks. The amount of these cheques can be accounted for as other revenue as per the recommendation of the finance manager and approval of the general manager.

Clause (13)
Disbursement

1. Payment or disbursement methods disbursement policy is to issue cheques or transfer funds.
2. Cheques shall be prepared and signed as soon as the amount payable is due.
3. Blank cheques shall be kept in a safe or locked drawer with the accountant.
4. All payments shall be approved in accordance with the Delegation of Authority Matrix.
5. Cheques are to be encased by the first beneficiary only and are not to be transferred, display or changed in form to another person.

6. All payments (Cheques or Bank Transfer) shall be supported by relevant supporting documents (i.e. authorized payment request, invoice, proposed prices, contract and service acceptance), as well as other relevant documents, as applicable.
7. Supporting documents and required approvals shall be reviewed before signing it by the Authorized signatories
8. Cheques shall be given to vendors as soon as they have been prepared and signed. Cheques shall be hand delivered and a receipt shall be obtained from the vendor's representative. However, only in exceptional cases and finance manager approval cheques can be sent to the vendor using a certified mail.
9. The following principal disbursement activities at the company shall be assigned to different accountants within the organization to maintain proper segregation of duties and controls:
    a) Initiating/ requesting the payments
    b) Approving payments
    c) Making the payments (Cheque or Bank Transfer)
    d) Recording payments
    e) Reconciliation

Clause (14)
Receiving Cash

1. Cash received, whether cheques or bank transfers, must match with the related supporting documents such as invoices or documents confirming the bank transfer "depositing receipt". As the accountant prepares a summary statement of received cash and cheques, the statement must match depositing receipts and all necessary accounting entries shall be prepared.
2. Money could be received in cash, cheques or bank transfers in accordance with official receipt vouchers. Receipt vouchers must have sequential numbers and to be consist of 3 copies, the original copy to be given to the payer, a copy to be given to the accountant, and a copy to be kept with the voucher books.
3. The receipt voucher should include the payer and the code number for each accounting for record.
4. Cheques and cash received to be deposited in the allocated bank account of the company on the next working day.
5. In case of an error in the receipt vouchers that have sequential numbers, the vouchers have to be kept for the accountant.
6. The company has to have a ferric safe or locked drawer to securely store cash and cheques.

7. The accountant has to arrange for depositing excess cash and cheques in banks, and the finance manager shall appropriately keep the depositing receipts.
8. A segregation of funds receiving and recording functions shall be made in order to ensure adequate internal control.

Clause (15)
Accounting for Bank facilities and loans

1. Bank facilities and loans are all long term and short-term amounts borrowed by the company, including, bank loans, notes payable, finance leases, letter of credit, letters of guarantee, and overdrafts. Short-term loans are those, which are repayable within one year whilst long-term loans are repayable in more than one year.
2. All amounts outstanding at the period end or year-end should be included as a liability in the balance sheet.
3. All Bank facilities and loans should be stated at the value of net proceeds plus finance costs accrued less payments made against the loans. Net proceeds are defined as the fair value of the consideration received on the issue of debt after the deduction of issue costs.
4. Bank facilities and loans should be categorized between the following groups:
    - Bank loans
    - Bank overdrafts and other short-term loans
    - Letter of Credits/Letter of Guarantee
    - Notes payable
5. All loans should also be categorized, within the notes to the financial statements, based on the term of the borrowing, the currency in which the borrowing is denominated, the type and nature of the security provided against the borrowing, the cost of finance and the settlement period.

Clause (16)
Cash Forecasts

1. Cash forecasts should be prepared on a periodic basis by the Treasury personnel to facilitate cash flow planning, decision making and ensure proper control over disbursements and receipts.
2. Three types of cash forecasts should be prepared by the finance department:
    - Short Term (covering one to three months)
    - Medium Term (covering three months to one year)
    - Long Term (covering one to three years)

3. The short-term cash forecast should be updated on a monthly basis to facilitate short-term cash flow planning and decision-making.
4. The medium-term cash forecast should be updated on a monthly basis to facilitate medium-term cash flow planning and decision-making.
5. The long-term cash forecast should be updated on a quarterly basis to facilitate long term cash flow planning and decision-making.

Clause (17)
Requests for Petty Cash

1. The Finance Department will be responsible for the establishment and management of petty cash. This includes assessing the location of petty cash funds and the required funds balances based on operations requirements
2. The petty cash should be kept with the administrative assistant away from the petty cash custodian or the accountant.
3. The petty cash shall be held securely in a safe or locked drawer. The key of the drawer shall be kept with the fund administrator and in all cases the fund administrator personal cash should not be confused with petty cash.
4. The fund administrator should keep a record of all petty expenditures and receivables.
5. Payments vouchers shall be approved by the petty cash custodian.
6. Any expenditure from the petty cash shall be supported by a tax invoice. In case of unavailability of a tax invoice it should be replaced by another voucher to support the spending transaction.
7. The fund administrator shall request petty cash replenishment when the actual petty cash falls below the set threshold.
8. All requests for petty cash must be raised using a standard petty cash voucher with approval according to the Delegation of Authority Matrix, incorporating amount requested and purpose.
9. All requests for petty cash must be within petty cash payment limits, and limits will be established as per the nature and need of the petty cash fund.
10. Miscellaneous and other indirect expenses that shall be paid through the petty cash fund, shall be determined by the management:
    - Miscellaneous purchases (supported with valid documents).
    - Emergency expenses
    - Indirect expenses.

Clause (18)
Custody of Petty Cash

1. The replenishment request shall include all invoices, supporting documents and a summary of petty expenses type with the replenishment request to be approved by the custodian or the finance manager.
2. The accountant shall randomly count and compare the petty cash balances against documentation and the accounting system periodically and before replenishment of petty cash. The counting shall be documented and filed by the finance department itself.
3. In case the petty cash custodian retires or is out on vacation the accountant shall count the cash on hand and the finance manager should appoint a new petty cash custodian as a replacement.
4. Any variances between the physical count results and the petty cash balances will be investigated.
5. All petty cash expenses have to have a supporting document by issuing a petty cash payment voucher that has a sequential number and signed by the petty cash custodian and the receiving party.
6. When petty cash is disbursed vouchers and supporting documents shall be stamped as "PAID”.
7. A summary statement of petty cash expenses has to contain the date, payment voucher number, amount, expense type, and the party paid to.
8. Any variances (increase of decrease) in the petty cash should be investigated. In case of an unjustifiable decrease in the cash on hand the petty cash custodian should take responsibility of it and the finance manager should be notified.

Clause (19)
Bank Account Reconciliation

1. Bank reconciliation is the process that explains the difference between the bank balance shown in an organization’s bank statement, as supplied by the bank, and the corresponding amount shown in the organization's own accounting records.
2. Bank Account Reconciliation shall be prepared on monthly basis for all bank accounts.
3. Bank Account Reconciliation shall be prepared within a week of the end of the month.
4. Bank account reconciliation shall be prepared using the initial currency of the bank account.
5. The person who prepares bank reconciliation shall be independent of the cash receipt and disbursement functions.

6. The accountant should prepare entries for all items that are not recorded which were identified in bank reconciliation for example: bank transfer, bank expenses or any error in recording transactions.
7. In case of impending cheques when bank reconciliation for a period that exceeds 6 months, these chueques should be cancelled and their amount should be recorded as payables.
8. The accountant must review and sign the bank reconciliation, as should the general manager of the company periodically review the bank reconciliations and sign them to signify his review.

Section 15: Budgeting

Clause (1)
Definition and Objectives

A budget is a systematic method of allocating financial, physical, and human resources to achieve strategic goals. The budget is a financial representation of the organization business plan, highlighting all revenue to be earned, billed and collected and expenses to be incurred.

1. Budget is used as a comprehensive planning tool of current and future activities of the company and assists in laying the prescribed policies for each activity and department within the company.
2. Budget is used to co-ordinate between the various objectives of the company and gathering of departments' sub-plans into a total plan of the company.
3. Budget is used as a communication tool, which communicates the targets of the company top management to Departments' managers and then reflects the ability of the concerned departments in achieving these targets through periodical reporting.
4. Budget helps in monitoring where the budget amounts are used as the basis to measure and assess performance through comparison of actual disbursement with those approved by the budget. It identifies the deviation which can be used to take suitable action for rectification.

Clause (2)
Role of the General Manager and Department Heads

1. A meeting should be arranged and held no later than August 1st of each year by general manager and department heads to initiate the budget for the following year as follows:
   - Discuss the short and long-term plans of the company, focusing on key factors and targets established for meeting these objectives.
   - Identify operating problems to be addressed in the budgets.
   - Identify factors to be used in developing the budgets, such factors should be extracted from the company's objectives, short and long-term strategies that include but not limited to the following:
     - Profitability and margins;
     - Customer services and relationships;
     - Employment strategies;
     - Advertising and promotional campaigns;
     - Funding methods and sources.
     - Identify information needed for each category of the budget and who will provide such information.

- Set-up a time schedule to be followed by the departments in the budgeting preparation process.

The outcome of the budgeting process includes the following:

- Grants and investment projects returns Budget.
- Capital Expenditure (“CAPEX”) Budget
- Operational expenditure (“OPEX”) Budget
- Budgeted Cash Flow Statement
- Budgeted Balance Sheet Statement
- Budgeted Income Statement

Clause (3)
General Policies

1. The Budgeting function should prepare a budget on an annual basis based on the company’s approved Strategic and Business Plan.
2. Budget Preparation is owned by each department, but the Budget preparation process is owned by the Finance department.
3. Assumptions, factors and parameters to be considered in preparing the budget shall be consistent with the company’s business plans and strategic objectives.
4. Requirements from the departments should be determined and responsibilities should be allocated.
5. It must be ensured that the budgets prepared by the departments are complete and accurate and include the various activities and projects that intend to carry out during the budgeted period. It also should illustrate the objectives and needs for the implementation of this plan.
6. It should be ensured that budgets prepared are based on the company’s approved strategic plan and objectives and the figures contained are placed to commensurate to work requirements.
7. Budget should be prepared for each month separately.
8. All company’s departments should adhere to the timetable for the phases of carrying out the budget.
9. All figures in the budget should be supported by sources of information, which should be evaluated and substantiated.
10. Budget details should be supported by the relevant documents:
    - Management Strategic Plan.

- Departmental Requirement for the year of budget.
- Assumptions used as basis for budgeted figures.
- Monthly variance analysis of actual performance against budgeted amounts.
- Projects to be performed during the budget year
- Headcount requirements.

11. The Budgeting Specialist should ensure that documents are approved by the authorized personnel as follows:
    - The Strategic Plan should be approved by Board of Directors.
    - The Departmental Requirements should be approved by department manager and the budgeting specialist and financial analysis personnel and the general manager.
    - The Assumptions should be reviewed and signed by the budgeting specialist and financial analysis personnel with each respective department manager.
    - Monthly variance analysis should be approved by Finance manager.
    - The Final Budget should be approved by the BOD.
12. Budget variances should be reviewed by the budgeting specialist and financial analysis personnel and the action plan should be approved by the Finance manager.
13. All approvals should be in line with the Delegation of Authority Matrix (DOA).
14. All Budget documents including the original approved budget should be under the custody of the budgeting specialist and financial analysis personnel.
15. All documents should be kept for 10 years in accordance with the local rules and regulations.
16. Each year a meeting must be held before the end of the fiscal year to embark on the next year's budget by discussing the company's short-term and long-term plans and to determine the aspects to be included in the operating budget.

Clause (4)
Initiating / Budget Preparation

1. The input to the budget process shall include the following:
    - Grants and investment projects returns Budget.
    - Operational expenditure ("OPEX") Budget
    - Capital Expenditure ("CAPEX") Budget
2. The outcome of the budgeting process shall include the following:
    - Budgeted Balance Sheet Statement
    - Budgeted Income Statement
    - Budgeted Cash Flow Statement

3. The finance department should develop and communicate instructions and guidelines manual for preparing the budget to the departments taking into consideration the agreed upon timetable.
4. Budget preparation guidelines manual should be approved as per Delegation of Authority Matrix (DOA) before communicating it to the related departments.
5. Budget preparation guidelines manual should consist of the following:
   - Budget preparation instructions including the company's strategy, business objectives to be achieved, detailed guidelines for preparing the budget.
   - Responsibilities for preparing the budget
   - Timetable for preparing the budget
   - Budget templates and forms
6. Departments heads should do the following:
   - Receive the budget guidelines and instructions from the finance department and explain and communicate them to the staff preparing the budget and allocated their tasks.
   - Ensure adherence to timetable for preparing the budget.
   - Review and study the estimates with the knowledge of the relevant departments. The estimated amounts must be based on realistic and available data in order to ease the study of budgets and their effects.
   - Ensure reviewing and discussing the departments' budgets before sending them to the finance department.
7. All Departments should participate in the budget preparation process and meet with the budgeting Officer no later than September 1st to initiate the budget preparation process. Each Department Manager will undertake the responsibility of developing and finalizing his budget
8. Historical budget design, the chart of accounts and future requirements should be used as a framework to prepare the budget models in order to facilitate the consolidation and allow for actual vs. budget reporting and quarterly reviews.
9. All budgets should be developed on a monthly basis to indicate periods of increased or decreased activity, i.e. to account for anticipated fluctuations.
10. The budget must be linked and tied to the company's strategic plan and business plan. This practice will enable the company to:
    - Direct resources to areas of strategic priority since the budget become a tool for company-wide resource allocation.

- o Reduce the amount of confusion and rework that often results when capital and operating budgets are developed in isolation.
- o Allow decision-makers to focus on value creation.

11. The annual budget should be developed, approved as per Delegation of Authority Matrix (DOA), and distributed prior to the beginning of the new fiscal year.
12. Budget has to be prepared by each department, but the Budget preparation process is owned by the Budgeting function.

Clause (5)

Grants and investment projects returns Budget.

1. Finance department and project management department should prepare the company's consolidated investment projects budget based on budget parameters and guidelines set by management, as well as the approved strategic/business plans and operating requirements.
2. All figures in the budget should be supported by their sources, which should be evaluated and substantiated.
3. The draft budget for each department should be reviewed and approved by the budgeting specialist and the financial analysis personnel no later than September 30 or according to the agreed upon timeline.

Clause (6)

Operational expenditure ("OPEX") Budget

1. Each Department will prepare an Expenditure budget based on budget parameters and allocations set by the company's management, as well as the approved strategic / business plans and operating requirements.
2. Each Department will undertake the responsibility of finalizing their respective Expenditure budget on time.
3. The Expenditure budget should identify all expenses related to the following expense categories:
   - o Direct Operating Expenses
   - o General and Administrative Expenses
   - o Other related Expenses
4. All figures in the budget should be supported by sources of information, which should be evaluated and substantiated.

5. The draft Expenditure Budget for each Department should be reviewed and approved by the Budgeting Specialist and the Financial Analysis personnel no later than September 30 or according to the agreed upon time line.

Clause (7)
Capital Expenditure ("CAPEX") Budget

1. Each department will develop CAPEX budget in conjunction with the preparation of the Operating Budget.
2. The CAPEX budget should be developed based on the company's Strategic / Business Plans.
3. The CAPEX budget should identify all expenditure related to the following categories:
    - Capital Asset Purchases
    - Capital Projects (New & Ongoing)
4. All the figures in the budget should be supported by their sources, which should be evaluated and substantiated.
5. All capital leases should be processed as capital expenditure and must be submitted and approved as capital at the time of submission.
6. The CAPEX budget should also identify all disposals of capital assets for the budget year.
7. The CAPEX for each Department should be reviewed and approved by the Budgeting Specialist and the Financial Analysis personnel no later than September 30 or according to the agreed upon time line.

Clause (8)
Budget Presentation

1. Each department is responsible for presenting and justifying its budget to the company's management.
2. The finance manager is responsible for presenting budgets to the general manager.
3. The company's management should review and provide an initial approval to each departmental budget. Any modification or adjustment resulting from the review should be made and a revised budget should be presented for approval.

Clause (9)
Budget Consolidation

1. Once the departments' budgets are examined by the financial analysis personnel and concerned departments' heads, the budgets should be consolidated into the company's overall budget.
2. The budgets mentioned above should all be consolidated into the company's overall budget which details the company's departments cost on a monthly basis for 12 months.
3. It is the responsibility of the Finance department to prepare and produce the following:
   - Budgeted Balance Sheet
   - Budgeted Income Statement
   - Budgeted Cash Flow Statement
4. The budgeting specialist and financial analysis personnel should revise the drafted budget which was developed and discussed with the finance manager.
5. The finance manager should discuss any obstacles with the general manager in case departments did not submit the budget on time.

Clause (10)
Budget Approval

1. All budget approvals should be made in accordance with the DOA.
2. The budgeting specialist and the finance analysis personnel should present the consolidated budgets to the departments' heads for review and approval.
3. Once the budget is presented and approved, the budget should be presented to the Board of Directors for final approval.
4. Any modification identified by the Board of Directors will be communicated to the Departments Heads
5. All changes will be made by the concerned department in accordance with the budget timetable.
6. After reflecting BOD comments on the consolidated budgets, the company's budget is presented and approved by the BOD and it becomes a set target for the company.
7. Upon approval of the budget by the BOD, the budgeting specialist and financial analysis personnel will allocate and distribute the approved budget among the departments in order to ensure that each department is accountable for its own budget.

Clause (11)
Budget Variances & Tracking

1. The budget should be compared against actual results on a monthly basis as part of the monthly performance reporting process.
2. The Finance and Accounting Manager should include within the monthly management report justification, from the Departments Heads, for any positive or negative variances from budget greater than 5% on monthly or year to date figures.
3. The departments should justify their budget variances, with the budgeting specialist and financial analysis personnel, when necessary.
4. All budget variances should be reported to and approved in accordance with the DOA.
5. It is the responsibility of the treasury specialist and financial analysis personnel to determine the necessary corrective actions.
6. It is the responsibility of the treasury specialist and financial analysis personnel to accept or reject the corrections and the budget should then be revised if necessary.
7. All variances in the budget shall be approved as per DOA.

Clause (12)
Budget Revision

1. Revisions to the budget for the current year would only be made in exceptional cases, such as when large variances appear as a result of erroneous assumptions.
2. It is the responsibility of the finance manager to recommend any budget revision when necessary.
3. Revisions to the budget should be recommended and approved in accordance with the DOA.
4. The revisions should only be made for the figures of the remaining months of the year.

Clause (13)
Budget Reserve

1. A budget reserve should be allocated in the company’s annual Expenditure budget as a contingency amount to be used for non-budgeted items.
2. The use of the budget reserve should be recommended by the finance manager.
3. The use of the budget reserve should be approved in accordance with the DOA.

Clause (14)
Budget Transfer

1. Budget transfer is a transfer of appropriation between two or more accounts within the same function or between two similar accounts of different functions. The budgeted fund total should not be changed.
2. A budget transfer between budget items or budget periods should be approved in accordance with (DOA).
3. A Budget transfer between similar accounts or between different functions has to be approved by the finance manager.
4. Budget transfer is allowed between the same categories within the same financial year.
5. Budget transfer is allowed between capital expenditure.
6. Budget transfer is not allowed if it will result in a shortage in the subject account within the financial year.

Section 16: Financial Reporting

Clause (1)

Monthly, Quarterly and Semi Annual Statements

1. The company's policy is to use accrual basis that is to recognize and report the effects of internal and external events on the company's assets and liabilities in the time periods which they relate rather than when the cash is received or paid.
2. The financial statements of the company should be sent on a quarterly, semi-annual and annual basis to the general manager for review and approval.
3. It is the finance department responsibility to monitor and supervise the financial statements.
4. The finance department should prepare the monthly statements before the 10th day of the following month.
5. The finance department should prepare the quarterly statements before the 15th day of the first month of the following quarter.
6. The monthly, quarterly, semiannual statements should at least include the following:
    - Trial balance
    - Balance sheet
    - Income statement
    - Cash flow statement
    - Monthly cash statement
    - Bank reconciliation for all bank accounts as of the report date
    - Cash and receivables and payables detailed statement at the end of each month
    - Financial Reports of donations and others upon the donors' request
7. The Year-end closing process follows the same periodic closing procedure except that it involves closing temporary or nominal account balances and transferring them to the net assets. This is accomplished through the preparation of closing journal entries that transfer the surplus or deficit for the period to Retained surplus/ deficit account. The Year-end closing entries produce a zero balance in each temporary account.
8. The company's financial books should be closed on monthly basis where sub ledgers of AP, AR and FA should be closed latest by the 4th day of the new month and General Ledger should be closed latest by the 6th day of the new month allowing management to react quickly to resolve any impending financial problems.

Clause (2)
Annual Financial Statements

1. The company's annual financial statements should be sent to head of BOD and shall illustrate all variances with respect to previous period/ year.
2. The finance department should submit the annual financial statements through the finance manager within a month of the financial year end.
3. Annual financial statements shall contain the following:
   - Balance Sheet
   - Income Statement

Clause (3)
Financial Statements Preparation

1. It is crucial to prepare and submit the financial reports at the scheduled time for them to be useful for top management, which also reflects on the efficiency of procedures followed at the company.
2. Trial Balance should be received, reviewed and reconciled prior to the commencement of the preparation of the financial reports.
3. To provide insightful financial information to management, as part of the Financial Reporting Process, the Finance department should focus on:
   - Determining the information needs of management and key decision makers
   - Presenting financial information in cost center units
   - Bringing in relevant external financial information
   - Recommending and creating customized, sophisticated financial tools
   - Guiding the implementation of a robust, flexible financial information system
4. It is the responsibility of the accountant to prepare the monthly, quarterly and semiannual reports.
5. The financial statements of the company should be sent on a quarterly, semi-annual and annual basis to the general manager and should include all variances with respect to the previous period/ year.
6. External auditors should be provided with timely and accurate unaudited trial balance and draft financial statements with full disclosure to illustrate any significant information.
7. All the financial statements of the company should be reviewed by the finance manager who will ensure their completeness and accuracy.
8. All financial statements must be reviewed and approved by the general manager.
9. Finance department could consult internal and external auditors on issues concerning financial reporting.
10. Issued reports should be kept with the reporting accountant and filed by him.

Clause (4)
File Management, Documentation & Retention

1. Backup copies of the accounting data should be stored and preserved in a safe place away from the location of the original data.
2. It is the policy of the company that the Finance department will maintain certain financial reports for the purpose of managing the department.
3. The Finance department will maintain all financial reports in a hard copy form evidenced by the preparer and reviewer signatures.
4. All annual reports are to be maintained for three years and all interim and quarterly reports are to be maintained for one year. After the issuance of the final audited financial statements for the fiscal year, all financial reports must be printed and saved in a special file, these reports must contain at least the follwing:
    - Balance Sheet
    - Trial Balance
    - Income Statement
    - Financial Reports of donations and others upon the donors' request
    - General ledger of each account
    - List of all entries during the year
5. The reports should be maintained in a common area to be accessible by Finance department staff.
6. The reports should be kept in a manner that protects them from ease of destruction.
7. The confidentiality of the reports should be considered at all times and safeguarded.
8. Retention Period for Other Documents:

Item	Years
1. Accounting records, vouchers, etc.	10 years
2. Financial Statements/ Auditors' reports	Permanent
3. Correspondence and communication 4. (excluding contractual documents)	3 years
5. Agreements	10 years after expiration
6. Fixed Assets acquisition documents	Permanent
7. Leases (supporting documentation)	4 years after expiration
8. Business Plans	5 years after end of project
9. Strategic Plans	Permanent
10. Budgets	3 years
11. Tax	Permanent
12. Insurance policies	6 years after expiration

Clause (5)
Other Currency Translation

A financial transaction in one other currency resulting in liability, revenue, or expense which is not settled upon occurrence will be registered in the functional currency (US Dollars)

1. The company should keep its records in the functional currency.
2. When financial transaction takes place; transaction should be made in the functional currency (US Dollars) based on the exchange rate at the date of the transaction.
3. On the date of preparing the budget, if there are obligations or cash balances in other currencies they must be converted into the functional currency (US Dollars) based on the exchange rate at the date of the conversion regardless of whether the asset or liability are current and short-term or non-current.
4. Other currency translation's gains and losses shall be reflected in the income statement as a separate item (when material) in the period the transaction occurs.
5. Exchange rates should be taken from banks or online services only.
6. If the projects were in other currencies and are affected positively or negatively to the change in the exchange rates of their currencies against the functional currency, the difference should be re-distributed on all budget items which are part of the funding for the project. When converting currencies selling price of the functional currency should be the one used rather than the purchase price.

Section 17: Financial Statements Disclosures

Clause (1)
Balance Sheet Disclosures

Disclosures are included in the Notes to the Financial Statements and shall include a brief description of the nature of the company's business, a clear and concise description of the significant accounting policies of the company and any change to the accounting policies or estimates disclosed in prior years.

Following is a list that outlines, but does not include all, disclosures that are required in the presentation of complete and reliable Balance Sheet

- Cash
  - Cash on hand
  - Balances with banks
- Receivables- Activity:
  - Donors receivable
  - Revenue generating projects receivables
- Other Receivables:
  - Advances
  - Employee loans (receivables)
  - Other miscellaneous receivables
- Prepayments
  - Prepaid insurance
  - Prepaid maintenance
  - Prepaid Utilities
  - Other prepayments
- Fixed Assets
  - Lands
  - Buildings
  - Motor vehicles,
  - Office furniture,
  - Office equipment's
  - Computers, systems software and servers
  - Phone system
  - Internal buildings equipment's/ Leasehold improvements

- Payables:
  - Payable- Activity
  - Other payables and accrued expenses.
  - Bank Loans and Overdrafts
  - Short and Long-term Bank Loans
  - Overdraft accounts with banks.
- Other Liabilities and Provisions:
  - Provision for end of service indemnity
  - Vacations provisions
- Owners' Equity
  - Contributed Capital
  - Reserves
  - Surpluses

Clause (2)

Income Statement Disclosures

The financial statements shall disclose, but are not limited to, the following items for income statements:

- Activity Revenue
- Projects Expenses
- General and administrative expenses
- Depreciation and amortization
- Interest income or expense
- Other currencies exchange gain or loss
- Other income or expense
- Extraordinary charges and credits
- Tax
- Net profit or loss for the period (after Tax).
- The revaluation of fixed assets.
- The write-down of fixed assets to recoverable amount as well as the reversal of such write-downs.
- Disposals of items of fixed assets.
- Discontinued operations.
- Insurance Claims.
- Litigation settlements.
- Other reversals of provisions.