



የም አማካሪ ተቋም ኃላ.የተ.የግ.ማህ
YEM-Consultant Institute PLC

**PART ONE FINACIAL MANNUAL AND
PART TWO ORGANIZATION & ADMINISTRATIVE
GUIDLINE OF YEM CONSULTANT INSTITUTE P.L.C**

Sept. /2013

Addis Ababa

1. INTRODUCTION

1.1. Background of the Company

Establishment: The idea of establishing YEM Consultant Institute (YEM) was conceived in 1995 when the founder of the Institute felt the national level gap in undertaking research and training consultancy services in diversified areas. YCI was established as a legally entity on October 22/2000 Eth.C (Registration No. 06/1/3/13438/00) with the purpose of engaging in research and consultancy services.

Thereafter, in 2013 YEM Consultant institute developed to PLC with a registration number 14/673/464350/2006 doing similar **research and training activities and services as follows:**

- ☞ Urban Development and Institutional Management;
- ☞ Population, Reproductive Health & HIV/AIDS;
- ☞ Constituency, Networking and Partnership Building;
- ☞ Entrepreneurship, Trade, Tourism;
- ☞ Social Accountability & Governance;
- ☞ Gender and Women Development;
- ☞ Research, Training, and Impact/Capacity Assessment;
- ☞ Visibility study and Preparation of Proposals, Manuals, Proceedings.

Staffing: Currently, YEM Consultant Institute P.L.C has three full time professionals, specialized in multidisciplinary areas with second degree level of education. The professionals have accumulated extensive work experience at governmental and non-governmental organizations as well as freelance consultants before they joined YCI. For short term tasks, the Institute also draws professionals with wealth of experience depending on the nature and type of assignment it takes from clients.

Objectives: The overall objectives of **YEM Consultant Institute** PLC is to provide consultancy service through research and training on development and management related issues for legal institution and individuals in Ethiopia.

Vision: Aspire to establish representatives in all regions of Ethiopia, so as to provide networked credible consultancy service for local and international institutions.

Mission: The mission of YEM Consultant Institute PLC is to create job opportunity, provide credible consultancy service and ultimately to develop specialized training and research centre in Ethiopia.

PART ONE FINACIAL MANUAL OF YEM

1.2. What is Financial Manual?

All organization need to set down a series of financial policies and procedures to guide operations and avoid misunderstandings. The finance manual brings them all together in one document. The manual may also known as the Finance Regulations or Finance and procedures. It is generally used by the accounts staff for day –to day operations but also serves as references in case of quarry by program staff.

What goes in Finance MANUAL? A manual finance manual might include section on:

- ✚ Financial accounting routines,
- ✚ The charts of accounts,
- ✚ Delegated authority rules (who can do what),
- ✚ The budget planning and management process,
- ✚ Ordering and purchasing process,
- ✚ Bank and cash handling procedures,
- ✚ Management and control of fixed assets,
- ✚ Staff benefit and Allowances,
- ✚ Annual audit arrangement,
- ✚ How to with fraud and irregularities,
- ✚ Code of conduct for the staff.

The manual may also include some references materials such as:

- ✚ Standard forms
- ✚ Organization Chart
- ✚ Job description

Be aware of the limitation of Finance Manual however, it is a major undertaking and the following should be considered:

- ✚ The manual cannot cover everything ,to do so would be too bureaucratic,
- ✚ It must be a living manual used and implemented by one and regularly review and updated

Standard Forms: A standard forms are purpose –designed document used to simplify or facilitate financial administration routines .They are one of the best ways to ensure that procedures are followed and understood by those responsible for operating them. Standard forms can be used almost any procedures but especially where:

- ✚ Information needs to be supplied by a third party before a transaction can take place,
- ✚ Transaction requires to be checked and authorized,
- ✚ Financial information is being summarized or reconciled

A note of caution in the use of standard forms, some typical uses of for standard forms:

- ✚ Payment Voucher
- ✚ Purchase Order
- ✚ Travel and Subsistence Expense Claim
- ✚ Asset Register
- ✚ Vehicle Log
- ✚ Bank Reconciliation
- ✚ Journey Voucher
- ✚ Staff Loan application
- ✚ Leave require form

➤ Work planning

Financial Management involves many different tasks and routines. It is therefore important to plan tasks involved the financial year, such as:

- ✚ Cash has to be kept in bank in the name of YEM CONSULTANT INSTITUTE PLC when approved by the shareholders but petty cash payments can be handled by the cashier of the organization.
- ✚ Bankbooks have to be reconciled against statements issued by bank every month and approximate action has to be taken if there is un-reconciled differences observed

Cash collected:

- Cash collected in cash or check should be evidenced by the manger of YEM consultant Institute PLC, pre-numbered, cash- receipt voucher.
- Cash receipt voucher should not be prepared for collection directly transferred to YEM Institute PLC account .Confirmation letter may be issued to the party who transfer the money, if requested.

Depositing to Bank

- ✚ Cash received must be deposited to the bank intact daily, the making of any payment or advance out of cash received being expressly forbidden. Cash collected after the bank closing hours, shall be deposited on the following day.

Disbursement

- ✚ Disbursement are made out of petty cash funds and bank accounts,
- ✚ Payment request must be approved. Payments made in cash and checks shall be evidenced by pre-numbered payment voucher, where the voucher must be approved by YEM consultant Institute PLC manger or by designated official.

Check Payment

- Payment from bank account has to be approved by two signatories one from finance section and the other from the manger of YEM consultant institute PLC manger and payment above birr.50,000 shall require additional signatory from shareholders.
- When the payment is in excess of birr 1000 (one thousand birr.) shall be paid in check.
- Authorized checks not collected in fifteen days should be cancelled.
- Blank checks should not be signed.
- Check payment should not be issued when there is no sufficient balance in the bank account
- Advance payment for purchase should be settled in ten days from the date of preparation.
- Control over cash
- Surprise cash count should be made by finance officer for cash and vouchers held by cashier.
- Cash or property which does not belong to YEM consultant Institute PLC should not be kept in safe box.

Internal control

A system of controls, checks and balance –collectively referred to as internal controls –are put in place to safe guard and manage internal risk of YEM. Their purpose is to deter opportunities theft or fraud and to detect errors and omissions in the accounting records.

1.3. Application of the Manual

- a) The requirements of this manual and its subsequent applications provide general guidelines. YEM Consultant Institute has to be an institutionalized entity with regards to the usage, authority and staffing policy to guarantee segregation of duties.

- b) The manual raises a number of specific policy issues that are discussed and decided by the YEM management.
- c) YEM should orient its accounting staffs on the content of the manual during implementation. One copy of the manual should be given to the finance and accounting head for daily reference use which will be returned to the management while she/he leaves this Company.

1.4. Issues, Revision and Implementation

It is the prerogative of YEM shareholders and the management to get and issue this manual revised. The effective date when this manual will come into force needs to be decided by the above mentioned majority representatives. Before this decision is reached, it is necessary that the YEM will discuss and agree on the accounting policies to be adopted or revised. The manual will be revised by an expert authorized by YEM designated manager and when certain sections are changed the reason and the date of change should be documented.

2. BASIC ASSUMPTIONS OF THE MANUAL

2.1. The Nature of the Company

The organizational structure of YEM has the existence of the Managing Director, Deputy Manager, Various experts in the work of the company requires from time to time. It is the Manager who does have the ultimate responsibility to oversee the overall operation and day to day activity of the company. The management team consists of the General Manager and Departments Managers. The structure of the company may be expanded as necessary through time.

2.2. The Reporting Requirements of YEM Consultant Institute PLC

2.2.1. The Legal Reporting Requirement of YEM

The Ethiopian Law requires every company to provide official report to concerned government department. YEM, as a business company, is expected to submit the following reports:

- Monthly Sales Report along with VAT Report;
- Annual Profit and Loss statement for the tax collecting authority;
- Annual Operation Report to Stakeholders and relevant government offices;

2.3. The Functions of the Accounting and Finance Department

2.3.1. In YEM, there is Administration and Finance Department and Project Officer. Both are responsible to the Managing Director. If any others like accountant, purchaser or cashier they are responsible for the admin and finance head and others experts and short term sub-consultant are responsible for the senior project/program officer of YEM.

2.3.2. The Administration and Finance Department has the objective of developing financial and cost awareness including the preparation of financial reports and maintenance of books of accounts in accordance with generally accepted accounting principles and Government Requirements. The satisfactory collection & disbursements of cash due to and by YEM and the preparation of such periodic cost reports and analyses as will assist other user units of the YEM to control its cost effectively.

2.3.3. Detail Functions of the Administration and Finance Department

- Develop plan & implement sound accounting policies and procedures throughout the Company.
- Provide functional direction to all units of the Company and Clients of YEM in financial manpower and administration matters, and ensure proper procedures are being followed.
- Maintain records of all accounting transactions in accordance with Generally Accepted Accounting Standards and Practices according to the Ethiopian law.
- Establish a system of financial reporting to the Government, Stakeholders and management; prepare balance sheets and financial statements of operations of the Company Establish a system of budgetary control of expenditures coordinate all the budget setting and advise management of the significance of variances revealed by budgetary control.
- Establish a system of cost and tax reporting for authorized delegate of the Company and then for concerned stakeholder.
- Develop payment procedures for salaries of all personnel and ensure correct computation and payment.
- Control the collection activities and maintain adequate system of receivable.
- Review the financial aspect of the Company plans and policies, and generally advise the Company on all financial matter.
- Set satisfactory fixed asset register and depreciation rates for fixed assets in consultation with other authorities and the Ethiopian legal Notice. No.258.1962.
- Ensure that the Company maintains an adequate cash flow to meet its financial obligations.
- Ensure selling prices and service fee rate revision to cover cost of revenue generating schemes as well as to maintain the profitability of the company;
- Deal with credit and all payments due by the Company are settled, ensure that adequate procedures exist and are adhered to for authorization of purchase and for payments.
- Deal with all matters relating to taxation.
- Review and follow up reports from external and internal audits.
- Prepare and maintain procedural manuals for the department to assist subordinates in carrying out the work of the department.
- Control all expenditures within the authorized budgets and determine the reasons for any variances from the budgets.
- Provide training for all personnel within the department on the use of computers and other refresher courses.
- Deal with all administrative matters including personnel affairs.
- Inform immediate supervisor of the performances of all parts of the department by means of established reporting procedures. Recommend changes to these procedures as necessary.
- Perform any other duties assigned by supervising staff.

3. AIDP FINANCIAL AND ACCOUNTING RULES (POLICIES)

3.1. Definition of Accounting and Its Objectives

3.1.1. Definition

Accounting is the maintenance of double entry system of records for substantiated Company transactions which are analyzed, classified and summarized by journal vouchers and accumulated in the ledger accounts for further analysis and usage.

3.1.2. The Accounting Objectives and Usage

The objective of Accounting is to record fairly the financial transactions of the Company and to present the financial reports to concerned users (i.e. Management, Government, & Other Stakeholders) Monthly, Quarterly, Semi-annually and annually as needed.

3.2. Accounting Policy of YEM

3.2.1. The accounting system is based on Accrual basis of accounting and double entry system. Revenue is recognized when service delivered and expenditure when service or goods are received;

3.2.2. Any cash and cheques collection should be deposited at bank.

3.2.3. All expenses can be settled by cheques except for miscellaneous expenses for which a petty cash fund of birr 1,000 Birr be established.

3.2.4. All payment of cash and issuance of cheques should be made after being approved by authorized officials i.e. (Managing Director and Administration and Finance Head) of the Company.

3.2.5. Sales/Turnover tax, profit tax, income tax and withholding tax shall be paid to the concerned authority after the end of every month and as per the rules and regulations of the Ministry of Revenues.

3.2.6. Depreciation policy of YEM, if any, depends on the government regulations.

3.3. The Accounting Cycle

The accounting cycle is the procedural sequence of accounting activities which starts with the recording of transactions and ends with the preparation of financial statements and the post closing trial balance. The complete series of activities involved in double entry accounting during a fiscal period is called the accounting cycle. The following are the sequence of activities involved in the cycle (Journalizing opening trial balance with a journal voucher).

3.3.1. Analysis and summarization of records of source documents such as Receipt Vouchers, Cheques, Cash Payment Vouchers (CPV) Cash Register, Slips, etc. are classified and journalized by account titles.

3.3.2. Posting of the sorted and summarized journal entries into ledger accounts

3.3.3. Closing trial balance taking to test the balancing of the ledger cards

3.3.4. Trial balance adjusting entries and their journalizations

3.3.5. Revenue and expense summary statement

3.3.6. Balance sheet

3.3.7. Post closing trial balance taking

3.3.8. Reversing the adjusting entries

4. THE CHART OF ACCOUNTS

4.1. Definitions

The chart of accounts is a list of the classifications and coding of ledger accounts by the groups they belong to in the revenue and expense summary statement.

4.2. List of accounts in the chart of accounts

The list of accounts in the chart of accounts follows the order of liquidity. It starts with the most liquid item. i.e. cash account and may end up with other expense accounts.

4.3. Structure of the chart of account

The chart of accounts is structured in such a way that the transactions easily be recorded in the ledgers and journals. Taking the reporting requirements of YEM and the computerized accounting system the chart of accounts is developed (it is annexed to this manual).

The following is the general structure of the chart of account: Cash at Bank – 1001-01

Definition: the first digit stand for any asset, the second digit is for current asset, the third digit is cash and forth digit is for the cash at Bank. The last two digits are for the business lines of the company.

4.4. Basis of the chart of accounts

In YEM accounting each business line is considered as a separate set of accounts be maintained for assets, liabilities, fund balance revenues and expenses of particular business line. This is used as step-stone for during the development of the chart of accounts.

4.5. How to apply the chart

Whenever there is different income from one single business line, the business line code should be repeated in income, expense, assets and liabilities This enables to summarize the expenses and incomes by each business line.

5. CASH AND BANK RECEIPT

5.1. Cash and Cheque Receipts

- a) **Definition:** Cash is the medium of exchange for goods and services. It consists of coins, notes, cheques on hand as well as cash on deposit with Bank. It is the most liquid of all assets and it changes hands, places and vanishes into commodities within the quickest time possible. Hence, it requires the most efficient system of recording and controlling.
- b) **Origination:** Cash receipts originate from sales, commission, collection from receivable (from customers), sales of scrap materials, etc. It is collected in the form of cash, cheques and bank transfers.

5.2. Prime documentation

Document code	Format
	Cash Receipt Vouchers. Cash Sales Tickets /Cash Sales Invoices. Deposit Slips of Cheques Deposit Slips Cash Bank credit advice.
Book of Entry	
	Bank statements Bank register book General journal voucher Daily Cash Receipts & Deposit Report

5.2.1. Cash Receipt Vouchers (Annex 5a)

This is the document prepared to acknowledge receipts. It is prepared in a set of three copies different colors. Receipt vouchers are pre- numbered, printed and distributed as follows.

- a) The original (white) is issued to the payer

- b) The second copy to accounts.
- c) The third is undetached remain in the pad.

5.2.2. Cash Sales Invoice (Annex 5.b)

Cash sales invoice are pre-renumber and prepared in two copies for use of any company's activity.

- a) The original copy goes to the customer
- b) The second copy goes to accounts along with cash.

5.2.3. Daily Cash Receipts and Deposit Report (Annex 5c)

The cash receipt register and deposit report is prepared in two copies with a detachable copy. It is a multi-column book, with debit and credit column for cash and credit columns for each common revenue source and one general credit column for miscellaneous receipts. Cash receipt vouchers are entered in their pre-numbered sequential order with carbon copy. The register is maintained by the cashier who delivers the original detachable copy of cash receipt vouchers attached to the designated accountant. The register is totaled and ruled each working day to ensure daily cash deposits to bank accounts. Journal voucher is passed from the daily totals with the attachment of the detached register and copy receipt vouchers.

5.2.4. The Bank Register (Annex 5d)

This register controls the movement of cash and cheques deposited in the bank and withdrawals from the bank by means of cheques. It also controls unilateral actions taken by the bank.

5.2.5. General Ledger Cards (Annex 5e)

Control and General Ledger Cards are opened for cash and other accounts and they are maintained and update regularly.

5.2.6. General Journal Voucher (Annex 5f)

It is medium by which accounting transactions are summarized to be recorded in journals.

5.2.7. Bank Transaction Formats

Deposit slips for deposit and cash bank credit advice, bank statements, and bank correspondences are prime sources of accounting transactions between the bank and account holder. These formats are provided and issued by banks. The very name of the bank formats explains the purpose of their usage.

Accounting Records

- Cash receipts voucher must be sampled in numerical sequences together with the corresponding deposit slip. The cashier is then no more responsible for collection documents once she/he passed to the finance section.
- Daily ,the Finance officer will check the correctness of the cash receipts and deposit slips ,verifying that ;
 - Deposit slips are referenced to the cash receipts to which they relate and numbered consecutively
 - The total of cash receipt is equal with the total value of the deposit slip.

5.3. Recording Cash and Bank Receipts

5.3.1. Account Designations

The following are the account titles designated for handling cash and bank transactions.

Account Code	Account Designation
--------------	---------------------

1000	Cash control Account
1001	Cash in hand
1002	Petty Cash Fund Account
1003	Payroll Fund
1004	Purchase Fund
1005	Main Current Bank Account

5.3.2. Recording Cash and Bank Receipt Transactions

- ✦ Each cash and cheque receipt transaction is recorded in the prime documents of cash receipt vouchers.
- ✦ Cash and cheque receipt voucher are registered and summarized in the Daily Cash Collection Receipts Register and Deposit Report.
- ✦ The journal entries are posted to the control ledger and the general ledger accounts as designated for cash and bank in totals with reference to the page number and date of the Daily cash Receipts Register and Deposit Report.
- ✦ Bank transactions emanating from the bank through bank credit advice, bouncing cheques of collections shall be investigated and verified for correctness and fairness. After analyzing the credit, journal actions shall be taken immediately.
- ✦ Reversal journal actions shall be taken on bounced cheques if not cashed immediately.
- ✦ Bouncing cheques shall be returned for collection after notification and review by senior staff and signing for receipts.
- ✦ Cheques deposited in the bank by outsiders shall be recorded in the general journal after identifying the purpose and source of deposit.
- ✦ Preparations of journal vouchers.
- ✦ For bank credit advice the entries are summarized as follow:
 - Dr. Cash in Bank (1001)
 - Cr. Revenue (Or the right account for the appropriate transaction)
- ✦ Journal entries emanating from the Cash Receipt and deposit Report is as follows.
 - Dr. Cash in Hand (1002)
 - Dr. Cash in Bank for Deposited Portion (1001)
 - Cr. Cash in Hand (1002) Pervious day collection balance
 - Cr. Income Received as appropriate
 - Cr. Revenue from Income Other business line
 - Cr. Miscellaneous Income (Scrap sales)

Cash Receipt voucher

No _____
Date _____

Received from _____
 Amount Received (brr) (in figures) _____
 In words _____
 Purpose _____

Cash

Check no

For Accounts use only		
Account Code	Debit	Credit

Cashers Name and Signature _____

5.4. Reports

5.4.1. Summary of the Bank Register

5.4.2. Reports of Bounced Cheques

5.5. Internal Control

5.5.1. On Cash Receipt Vouchers:

- a) Make sure that receipt vouchers are pre-numbered and printed by order of proper authority
- b) Ensure all cash receipts are recorded in the cash receipt vouchers.
- c) Ensure writings in cash receipt vouchers are completed only in ink.
- d) Ensure only one receipt voucher pad is issued to the cashier against signature and that a new pad is replenished on finishing the old one.
- e) Ensure the right placement of carbons for copy receipt vouchers.
- f) Verify correctness of calculation, additions and extensions of the daily cash receipts register and deposit report.
- g) Ensure cheque receipts have their numbers entered on the respective cash receipt vouchers.
- h) Make surprise cash counts at irregular intervals.
- i) Make cash transfers through bank only.
- j) Ensure the taking of annual leave by the cashier and its replacement by a parson of stronger moral responsibility who can look for irregularities and mischief. The replacement should be independent of cash collection and account recording responsibilities.
- k) Ensure daily cash collections are deposited intact in the bank account of YEM.
- l) Ensure physical controls over cash such as:
 - a) Bondage of the cashier
 - b) Insurance coverage for cash in premises and transit
 - c) Protection of cashier by accompanying guards when carrying cash from and to bank
 - d) Ensure providing fire proof safes and dependable lockers.

5.5.2. On cheques:

Check Payments Internal Control

- New checks received from the bank must be checked for completeness ,kept in safe custody and the serial number recorded in a register of un used checks books to be maintained by the finance officer with columns for :

Date Received From bank	Serial no.		Date issued	Receipt		Date used Stubs returned
	From	TO		Name	signature	

- ✚ Checks are collected from the bank by the Finance officer or any one of the signatories In his /her absence. When signatory, other than the finance officer, collected check, he /she will deliver the check in the day of collection to the person delegated by the finance officer.
- ✚ Only one check book at a time should be issued (to the accountant in charge of preparing the check) for check preparation against return of completed check book stub which should be reviewed by the finance officer for completeness .The cashier who is responsible for the preparation of checks should sign in the register of unused check books for receipt of the new check book and finance officer for the returns of stubs
- ✚ Unused check book stubs should be filed in date order by the finance section.
- ✚ All payments above brr.1000 must be made by check
- ✚ Collected checks should be stamped void, and should be stapled and retained in the check book.
- ✚ Blank checks must never be signed in.
- ✚ Checks must be signed by two signatories, when one of the signatories must be the finance officer together with YEM Consultant Institute manger.
- ✚ Authorized checks not collected in fifteen days should be cancelled.
- ✚ Checks should not be prepared in the name of signatures except those personal payments (salary, prdiem, and the likes)
- ✚ Advance payment for the purchase be settled in fifteen days shall be reported to the finance officer for appropriate action.

Check preparation and Signature

- Checks may only be prepared against request for payment form in one copy with format per annex attached, which is to be approved for payment by the appropriate manger or designated check signatory.
- The request for payment form should be filled by the requesting person and forwarded to the finance officer. The finance officer will then sign for budget confirmation and issue to the cashier who is in charge of preparing the payment voucher.
- If the payment request is not supported by budget the finance officer will return the request form to the requesting person with remark.
- Check payment vouchers and supporting documents should be stamped paid and the CPU number and date inserted by the person who prepares the check.

Bank Transfers (using Letter)

- Bank transfer may be made using letter request to the bank by mentioning the name Of the beneficiary and the name of the bank branch and the bank account.(if required)

- The requesting person or organization which imitates the transfer should fill in the request for payment form and get approval from the manger of YEM Consultant Institute PLC manger.
- The bank notifies the payment action for the request by sending debit advices specifying the amount charged to YEM CONSULTANT INSTITUTE PLC ACCOUNT.

Some important notes:

- 1) Never accept postdated cheques
- 2) Search for forgeries on cheques.
- 3) Ensure receipts of daily cash and bank position report.
- 4) Notify senior management staff on bouncing cheques.
- 5) Segregate the duties of receivable collector, receivable ledger account keeper and the depositor.
- 6) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 7) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 8) Never accept postdated cheques
- 9) Search for forgeries on cheques.
- 10) Ensure receipts of daily cash and bank position report.
- 11) Notify senior management staff on bouncing cheques.
- 12) Segregate the duties of receivable collector, receivable ledger account keeper and the depositor.
- 13) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 14) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 15) Never accept postdated cheques
- 16) Search for forgeries on cheques.
- 17) Ensure receipts of daily cash and bank position report.
- 18) Notify senior management staff on bouncing cheques.
- 19) Segregate the duties of receivable collector, receivable ledger account keeper and the depositor.
- 20) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 21) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 22) Never accept postdated cheques
- 23) Search for forgeries on cheques.
- 24) Ensure receipts of daily cash and bank position report.
- 25) Notify senior management staff on bouncing cheques.
- 26) Segregate the duties of receivable collector, receivable ledger account keeper and the depositor.
- 27) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 28) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 29) Never accept postdated cheques

- 30) Search for forgeries on cheques.
- 31) Ensure receipts of daily cash and bank position report.
- 32) Notify senior management staff on bouncing cheques.
- 33) Segregate the duties of receivable collector, receivable ledger account keeper and the depositor.
- 34) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 35) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of acc Search for forgeries on cheques.
- 36) Ensure receipts of daily cash and bank position report.
- 37) Notify senior management staff on bouncing cheques.
- 38) Segregate Never accept postdated cheques
- 39) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 40) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 41) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 42) Search for forgeries on cheques.
- 43) Ensure receipts of daily cash and bank position report.
- 44) Notify senior management staff on bouncing cheques.
- 45) Segregate Never accept postdated cheques
- 46) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 47) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 48) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 49) Search for forgeries on cheques.
- 50) Ensure receipts of daily cash and bank position report.
- 51) Notify senior management staff on bouncing cheques.
- 52) Segregate Never accept postdated cheques
- 53) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 54) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 55) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 56) Search for forgeries on cheques.
- 57) Ensure receipts of daily cash and bank position report.
- 58) Notify senior management staff on bouncing cheques.
- 59) Segregate Never accept postdated cheques
- 60) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 61) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 62) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.
- 63) Search for forgeries on cheques.
- 64) Ensure receipts of daily cash and bank position report.

- 65) Notify senior management staff on bouncing cheques.
- 66) Segregate Never accept postdated cheques
- 67) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 68) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 69) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.

- 70) Search for forgeries on cheques.
- 71) Ensure receipts of daily cash and bank position report.
- 72) Notify senior management staff on bouncing cheques.
- 73) Segregate Never accept postdated cheques
- 74) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 75) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 76) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.

- 77) Search for forgeries on cheques.
- 78) Ensure receipts of daily cash and bank position report.
- 79) Notify senior management staff on bouncing cheques.
- 80) Segregate Never accept postdated cheques
- 81) the duties of receivable collector, receivable ledger account keeper and the depositor.
- 82) Bank reconciliation should be done by an accountant independent of cash and cheque collectors, cashiers, and the receivable accountant.
- 83) Postdated cheques, disputed items, unidentified receipts of cheques and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.

6. PAYMENTS: CASH AND BANK

Payments are the disbursements made for receipts of goods and services. They are effected through cash or by cheque.

6.1. Petty Cash Payments

6.1.1. Definition

6.1.1.1. Petty Cash Fund

A general petty cash fund is a fund established to meet petty and recurring expenses which would not normally require the writing up of cheques. Petty cash records are kept in a similar way to the Bank Book records. As both sets of figures will eventually have to be combined to produce financial reports, it makes sense to set out the books in a consistent manner.

The petty cash book can either be kept on a loose leaf or bound book format. It does not however, require more than one analysis column on the receipt side because the only money that is paid into the petty cash is the float reimbursement.

The petty cash book will also require fewer analysis columns for payments because petty cash will not (usually) be used to pay for larger items such as salaries, offices rents etc.

There are two ways of keeping petty cash:

- Fixed float system or imp rest system
- Non-imp rest system

- g) Cashier ensures payee signature for receipt is the same as the one on the identification card and then delivers cash.
- h) Paid petty cash Payment orders and receipts are registered in the petty cash report and request after they are stamped "PAID"
- i) The petty cash fund is replenished on 75% depletion.
- j) The petty cash Report and Reimbursement Request, attached with PCPVs and original payment requests delivered to the assigned accountant.
- k) The accountant receives and checks for correctness of all vouchers in all aspects and signs for receipts of the report and its attachment on the undetectable copy of the Petty Cash Payment Report and its attachment on the undetectable copy of the petty cash payment report Reimbursement Request.
- l) Replacement shall be made only to the amount of the undisputed vouchers.
- m) The disputed vouchers shall be returned to the cashier on signing for receipt of the returned voucher.
- n) The undisputed reimbursement request shall be passed for replenishments by cheque.
- o) On the cheque payment voucher for establishment and replenishment of petty cash funds, the journal action are:
 - a) Creation of the Petty Cash Fund
 - Dr. Petty Cash Fund A/C (1002)
 - Cr. Cash in Bank (A/C 1001)
 - b) Replenishment of the Petty Cash Fund
 - Dr. Asset Accounts
 - Dr. Expense Account (stationary, supplies, etc)
 - Cr. Liability Account etc
 - Cr. Cash in Bank (A/C 1001)
 - c) On closing the petty cash fund at end of fiscal year, the entry will be
 - Dr. Cash on hand /Bank
 - Dr. Expense /Assets
 - Cr. Petty Cash fund

6.1.4. Report

Petty Cash Reimbursement Request (annex 6c)

6.1.5. Internal Controls

On the Petty Cash Fund

- + Assign only one responsible person to each petty Cash fund in writing.
- + Each petty cash fund must be operated on imprest system i.e. fund amount is always equal to the sum of the cash of the fund and the sum of the vouchers paid for the fund.
- + Segregate petty cash funds from other cash collections and funds.
- + Ensure surprise cash counts are made by accountants independent of the cash routine work.
- + Ensure petty cash payments are not exceeded from the preset upper amount limit unless exceptions are approved and signed by authorized senior official.
- + Petty cash payment order and receipt should be prepared by someone else other than the cashier.

On Petty Cash Replenishment

- ✎ Ensure PCPV are per-numbered.
- ✎ Ensure entries in the PCPV are completed in ink.
- ✎ Signatures must be senior staff position and other than the custodians of the petty cash fund.

On Petty Cash Replenishment

- + Ensure adequate review of petty cash payment vouchers and the supporting documents attached.

- ✦ Make sure that the petty cash replenishment is made by cheques to the order of the petty cashier.
- ✦ Ensure PCPVs and their attachment are stamped either "paid" or "Replenished" immediately after replenishment cheque is signed.
- ✦ Ensure replenishment cheques are collected by the cashier after signing on the cheque payment voucher.
- ✦ Disallow the cashier of endorsed cheques of employees or others.
- ✦ Ensure all petty cash funds are reported for.

6.2. Cheque Payments

6.2.1. Definition

Cheque payments are orders to a bank to make cash payments to the person or Company named in the cheque from bank current account held by the maker in a particular bank. Bank payments are transactions that reduce bank balance. Bank cheque payment process has the advantage of safe keeping of cash, saving of cash counting time, avoidance of the risk of carrying of large amount of cash as well as payment. Payment document verifications are the same as in petty cash payment recording.

6.2.2. Prime documentation's

6.2.2.1. Formats

Document Code	Formats
	Payment Advice/Request Cheque Payment Voucher Cheque Correspondence Letters Bank Statements Bank debit Advice Own rejected cheques
Code Book of Entry	
	Payment Voucher Register General Journal Voucher General Ledger Cards.

6.2.2.2. Payment Advice/Request (Annex 6a)

The format is a routing paper to disbursement unit originating from all activity centers. It shows the amount requested. The business line or budget reference with brief explanation of the reasons for payment. It could be printed or stenciled. It is prepared in two copies.

6.2.2.3. Cheque Payment Voucher (Annex 6d)

This format is printed and pre-numbered in sets of two copies. The original copy with supporting documents is given to the accounts for processing. The second copy is retained in the pad.

6.2.2.4. Cheque

Cheques are payment orders for cash to be withdrawn from bank current accounts. Cheques can be purchased from a bank in pads of hundred pieces (or in any number as required.)

6.2.2.5. Payment voucher Register (Annex 6e)

This book is used to register in sequential order cheque payment vouchers and cheque with credit to the bank current account and debit to the control accounts of the general ledger account drawn in vertical columns arrangement. The register is totaled every month to produce total payment summary report by control account and monthly or total budgets are entered on the last line to facilitate budget comparison.

6.2.3. Recording and Account Designations

The cheque payment voucher is designed to accommodate for debit and credit transactions which would otherwise require journalization. Cheque payment vouchers are coded for account allocation with the balancing net pay credited to the current bank account with debits and credits shown in the account distribution column.

For cheque payment:

- Dr. Assets or
- Dr. Liabilities or
- Dr. Expenses or as appropriate
- Cr. Cash in Bank. 1001

For bank debit advice:

- Dr. Expenses, Asset or as appropriate
- Cr. Cash in Bank A/C 1001

6.2.4. In Reports

- 1) Total payment summary report by general accounts
- 2) Report of outstanding cheques.
- 3) Outstanding cheques over 180 days long. And
- 4) Report of rejected cheques (own)

6.2.5. Internal Controls

Opening of Bank accounts, change of signatories and closing of Bank accounts should be authorized and communicated immediately by authorized officials. The following precautions should be taken as regards to cheque payments.

6.2.5.1. On cheque payments

- a. Ensure that cheque preparations are made by employees independent of voucher and invoice approvals, purchase and store receipts or cashiers.
- b. Ensure that all payments exceeding the petty cash limit (i.e. Birr 250) are made in cheques.
- c. Ensure that a clearly defined cheque approval process is in place.
- d. Ensure that the duties of cheque payments, receipts, deposits, and recordings of cheques are segregated.
- e. Assign at least two authenticated signers of cheques.

6.2.5.2. On signing of cheques

- a. Ensure that cheque signatories are authorized by the highest Managing Director;
- b. Ensure that authorized signers are independent of cheque payment voucher preparations, and approval of support documentation
- c. Ensure cheque preparation, collection and disbursement duties are free from signatories of cheques.
- d. Ensure that two or more signatories of cheques are assigned and authorized
- e. Avoid the signing of blank cheques.

6.2.5.3. On Cheque payment Vouchers

- a. Prior to the preparation of cheque payment vouchers, ensure the validity and correctness of the attached support documents and are properly compared to purchase orders, vendors invoices, goods received notes etc.
- b. Ensure payments to be made are properly budgeted and identified with a funding source.
- c. Ensure cheque payment vouchers are prepared on the basis of original suppliers invoice only and not from a supplier statement of account.

- d. Ensure the entering of cheque numbers on the relevant cheque payment voucher as well as in the cheque payment voucher register.
- e. Ensure that payment voucher and support document are canceled with a 'paid' stamp to avoid double payment.

6.2.5.4. On the cheques

- ✎ Ensure that cheques are pre-numbered and used in sequential order.
- ✎ Ensure that a custodian for unused stock of cheques is identified for accountability and different from the staff preparing cheques.
- ✎ Cheque and account for missing number of cheques from cheques pad and cheques must be fully accounted for
- ✎ Ensure that the signature part of the spoiled cheques are properly mutilated and retained attached to cheque stub for future review.
- ✎ Ensure cheques are made to specified payees and never to cash or bearer.
- ✎ Ensure cheques are not postdated and that the amount in words and figure agree.

6.3. Bank Reconciliation

6.3.1. Definition

A bank reconciliation statement is a statement prepared to reconcile the differences between the month end balance as shown on the bank statement with the month end balance as shown on the bank book register.

The bank book should be checked with the banks records –the bank statement –at least once a month. This is called a bank reconciliation. This purpose of this exercise is to make sure that the organization own records agree with the banks records and to pick up any errors made by the bank’

The following procedures should be observed when preparing bank reconciliation :

- All bank accounts must be reconciled monthly by accountant
- The bank reconciliation report shall be presented with a format per annex s/c . It has two parts, the first part is summarizing report of cash movement(beginning cash, months collection, months payment ,any adjustment made during the month and the month end balance.) The second part start the reconciliation process from statement balance, where un cleared deposits and un recorded bank and unrepresented checks and un recorded bank receipts are deducted there from in order to agree with the bank record balance.
- Bank reconciliation must be printed and signed by the accountant of YEM Consultant Institute PLC that reconciled The accountants and approved by the manger of the organization and filed together with bank statement.
- The accountant must make immediate follow-up with the bank regarding missing bank advices or deposits not cleared within a reasonable time.
- Interest expenses or interest incomes shown in the bank statement should be re calculated by the accountant to ensure that they are computed based on the agreement entered with the bank.
- The bank does not issue debit advices for cost of checks books, which should be journalized from the bank statements and not carried forward from month to month as reconciling items
- .Un presented checks that have been outstanding for more than six months should be reversed.

Payment Request Voucher

Ref. _____
Date _____

To _____
 From _____
 Please pay to _____
 Amount in figures _____
 Amount in words _____
 Purpose of payment _____

Reference
 Requested by
 Name

Approve
 sign
 date

Sign
 Date

Check payment Voucher

Paid to
 Amount paid
 Purpose of payment
 Source of finance
 (check No.)

(bank account no.)

For Accounts only

Account code	Debit		Credit	

Bank Reconciliation Form

Bank account details:		
Bank statement date:		

Bank statement sheet number :	
-------------------------------	--

A. Balance as on statement (un –presented cheque)	
Bank statement date :31/10/2013	
Bank statement sheet number:37	
B. Total deduction	
Plus receipts in cash ,not on statement (e.g un banked income)	
C.Total addition	
Less receipts on statement,not in cash book (e.g income received directly into bank account)	
D. Total dediction	
Plus payements on statements,not in cashbook (direct debts &bank charges)	
E .Total addition	
F. Balance in Bank Book (A+B+C+D+E)	

- ✚ Bank accounts should be reconciled with the records of YEM as soon as the bank statements are received from the bank and a bank reconciliation statement should be produced in detail which should include the date, reference numbers and descriptions of all outstanding items.

6.3.4. Report

Under this category the report is only the Bank Reconciliation Statement which will be reviewed by the concerned staffs for decision making purpose.

6.3.5. Internal Control

- 1) Ensure Bank Reconciliation statement preparation is done by independent person not involved in the preparations of cheques and deposits.
- 2) Check all cheque payments shown on register against bank statement and note the differences.
- 3) Review if voided cheques are cashed.
- 4) Ensure that accounting action is taken on unrecorded reconciliation items.
- 5) Check all deposits are included in the bank statement.
- 6) Ensure that bank reconciliation statements are prepared, reviewed, initialed and dated by the reviewing official.
- 7) Ensure bank statements are properly filed for future references
- 8) Ensure cash/cheque of YEM are deposited in the name of the account of YEM in a bank designated by the top officials of the YEM.
- 9) Bank accounts for YEM may be opened or closed only by top officials.
- 10) When there is a change in the signatories of bank accounts. the bank should be notified immediately about the changes and effective date of the change
- 11) When collection unused cheque books from the bank the person collection should check if all the cheque are in place and in sequence.
- 12) Cheques books must be kept in the safe custody of the responsible signatories
- 13) All cheques must be fully accounted for any bank error should be notified to the bank within 15 days from the last date of

7. ACCOUNTS RECEIVABLE

7.1. Definition

Accounts receivable is money due from third parties to whom advances in the form of cash, commodities, services, etc are made. Receivable include work advances, purchase advances, deposits and prepayments, sales receivable sundry debtors, etc.

7.1.1. Pledges

Pledges are monies committed by customers or stakeholders but not yet received. This is recognized on receipt of legal and firm commitments. In line with, YEM accounting policy is to recognize pledges when commitment entered with the other parties;

7.1.2. Staff Advances

Staff advances are Monies advanced to staff which includes salary advances and staff loans as per exciting policy of YEM. However in the absence of such policy staff advances and loans should not be permitted without the authorization of the YEM manager.

7.1.3. Travel Advances

Travel and per diem advances are Monies advanced YEM to employees for approved business travels.

7.1.4. Purchase Advances

Purchase advances are mainly advanced given to employees to purchase goods required for the YEM. No additional money should be advanced prior to clearance of previous advance.

7.1.5. Prepayments

Prepayments are monies disbursed that will be reimbursed in the future or expensed in another accounting period. These include unexpensed rent and insurance premium, etc.

7.1.6. Sales Receivable

These are collectables for products sold on credit from the business activities . Every efforts must be done to collect receivable within the agreed due dates. Accounts Receivable that cannot be collected are called uncollectible accounts (also known as Bad Debts). When receivable accounts are uncollectible, the following actions must be taken:

- 1) Provisions for bad debts shall be made for accounts that are outstanding for over one year, however, this is not a normal accounting practice in YEM.
- 2) On the basis of age analysis and/or on court action taken and after the determination of uncollectability, shall be written off.
- 3) Write off shall have to be documented and approved by authorized signatories prior to accounting actions.
- 4) Receivable not collected on their due dates shall be forwarded for court action for collection through process of law.

7.2. Prime documentations

In establishing accounts receivable, the accountant must first determine how the receivable originated. There are two possibilities for YEM

1. Receivable arising from a prior cash payment by YEM
2. Receivable not arising from a prior cash payment by YEM

7.2.1. Receivable Arising from a prior cash payment by YEM

In this case cash is due to YEM as the result of a previous cash payment made to suppliers, employees or project holders and the documentations are the payment vouchers and their supporting documents.

7.2.2. Receivable Not arising from a Prior cash Payment by YEM

In this case, cash is due to YEM but not as a result of prior outlay of cash by YEM cash is owed to YEM for goods sold or services rendered to a third. Such receivable originate from credit invoices and journal entries.

Document code	Format
	Credit Sales Invoice
Book of Entry Code	
	Credit sales report

7.2.3. Document Use

7.2.3.1. Credit Sales Invoice

Credit sales invoices are printed pre-numbered and prepared in five copies .The original signed by the customer, goes to accounts for recording and future receivable collection, the second carbon copy goes to the customer, the third copy for issuing stores, the fourth to stock controls and the fifth copy remains in the pad.

- 2) Travel advances should be limited to reasonable expected expenses such as transport, lodging, meals and reserve for unforeseen expenses.
- 3) Travel advances must be cleared in full within one week (period) upon return from trips.
- 4) Travel advances must not be given before the previous advances are liquidated if the traveler has returned from previous trip.
- 5) Travel advances should be made and cleared at place of arrangement.

7.5.3. Purchase Advances

- Ensure purchase advances are made in cheques in favor of vendors.
- Purchase advances should be cleared within specified period against the invoice of the supplier and goods-received note.
- Purchase advance made in cash, if any, should be liquidated within the specific day or period against the invoice of the supplier and goods-received note.
- Additional purchase advances should not be given before the previous advance is cleared.

7.5.4. Prepayments

- 1) Ensure that the unexpended portion of any prepaid expense is recognized and adjusted to receivable account as the end of the fiscal period.
- 2) Ensure the receipts for utility deposits are kept in safe for future claim.

8. INVENTORY MANAGEMENT

Inventory materials management and accounting is the process of acquiring, storing and distributing of materials for production and distribution of goods and services to achieve its objectives. Proper inventory management and accounting ensures the minimization of costs of acquisition, storage, and distributions with the proper packing. The operation and the accounting of inventory management is divided into two major functions.

Material Acquisition
Inventories

8.1. Material Acquisition

8.1.1. Definition and General Descriptions

YEM acquires material through purchases and donations:

- a) Purchases are the acquisition of goods and services at the least price that the market can offer. To achieve this purchase objective, the following policies are adopted by YEM .
- b) All purchases shall be made through the purchase unit on competitive basis
- c) All purchases shall be made to the satisfaction of the requesting department as regards to specification of quantity, quality, size, packing and due date.
- d) Purchases shall be made in the most appropriate legal terms and business ethics.
- e) The most appropriate method of tendering shall be followed to minimize cost of purchasing within accepted standards from reliable suppliers.
- f) Small and medium size purchases shall be contracted with the most appropriated deliveries.
- g) There shall be exceptions to purchases without the following conditions prevail.
 - 1) Purchase value equal to or less than Birr 2000.
 - 2) The supplier is the sole manufacturer or agent.
 - 3) That prices are legally predetermined and tariffs are presented by official, proclamations and when prices are accepted by the prevailing market and
 - 4) In general in cases of purchases where bidding will not bring changes in terms of price and quality.
- h) Purchases are effected and planned according to the annual budgets provided.

- i) Place or points of delivery shall be agreed upon and recorded on purchase order.
- j) The cost of goods purchased shall include the incidental costs such as transport storage, loading and unloading, insurance, etc.
- k) Purchases are made on cash basis
- l) Donations are free receipts of goods. Their receipts and distributions are executed by materials accounting format.

8.1.2. Prime Documentations

The following prime vouchers are needed to execute procurement and donation materials.

8.1.2.1. Document formats

Document Code	Format
	Purchase Requisition Purchase Inquiry (Request for Quotation) Tender Evaluations Purchase Order.
Code of Book Entry	
	Purchase order register

8.1.2.2. Description and Compilation of Documents

The prime documents for purchases are prepared and distributed as follows.

- a) Purchase Requisition (Annex 8.la)
This format is prepared in two copies by the store unit based on store requisitions from user units. The original goes to the procurements unit. Purchase process shall be effected to budgeted and approved item only.
- b) Purchase inquiry (Annex 8.l.a)
This format is prepared in two copies while the second copy is retained by purchasing unit the original goes to prospective suppliers with quantity and quality specifications as required in the purchase requisitions. Responses from suppliers are acquired either by proforma invoices or by filling out the blank spaces in parallel to the items they could supply in the purchase inquiry itself.
- c) Tender Evaluation (Annex 8.l.c)
The format is a multi-columnar printed or stenciled work sheet with the items to be purchased listed in rows and the prospective suppliers in columns. Towards the end of the tender evaluation sheet, the condition of purchases are listed in rows. They are provisions of discounts, delivery dates, taxes, delivery conditions and other conditions relevant to purchase decisions. Tender evaluation sheet are made only to responses of more than three quotations. Tender evaluation sheets should be prepared in three copies for the use of purchase committees, purchaser and purchase file and the results of the evaluation have to be recorded and signed.
- d) Purchase Order (Annex 8.l.d)
This format, which is printed and pre-numbered, is prepared in four copies of different colors. The first and the third copies are sent to the supplier .The third copy will be returned by the vendor with the related invoices. The second copy is sent to the requesting unit and the receiving store, the fourth copy is retained with the pad for purchase follow-up.

e) Purchase Order Register (Annex 8.1e)

This original book of entry is a multi-columnar register used to record purchase order in their sequential order, purchase requisition, order placement date, date of order, delivery dates, purchase order amount, invoice numbers, invoice amount payment voucher number, cheque number, amount and remarks on disputes or discrepancies. The purpose of the register is to record and follow up liabilities and to serve as source document for supplies trade behavior.

8.1.3. Recording and Account Designation

8.1.3.1. Accounting Designations

The process of materials acquisition takes place only on receipts of goods. There are no special account designations for cash purchases.

8.1.3.2. Recording of Purchases and donations received

Cash/Bank purchase for goods received in stores

Dr. Expenses

Cr. Cash /Bank (as appropriate)

Cr. Donations (as appropriate)

In YEM, materials are not by stock and not keep for financial accounting purpose rather keep for internal controlling system, but adjusting and reversing entry will pass at the end of the year by the unexpended (unused) portion.

8.1.4. Internal Control

- Check that all purchase requisition activities comply with purchasing policies and procedures.
- Check that all requisitions are properly supported and authorized in accordance with the Company authority.
- Ensure that purchase requisitions are properly signed by line personnel and have proper accounting distribution and budget reference.
- Check that purchase related records are kept in a secure place.
- Check that all purchase orders are properly executed as to price, quantity, quality and supplier.
- Ensure purchase receipts of goods and services are in good order and in accordance with the purchase order terms and conditions.
- Check that materials receipt are prepared reflecting the goods and services received at time of receipt and that incorrect goods delivered are reported to the purchaser and that such items are not accepted.
- Check that materials receipt information is inputted to the inventory system on a timely basis.
- Check that all outstanding and unreceived items are cleared with a reasonable period of time
- Ensures all invoices processed for purchase payment represent goods and services received and are accurate as to terms, qualities, quantities nature of charges, prices and extensions, account distributions and agree with established account classifications.
- Occasionally check purchase operation records against prevailing market conditions outside of the YEM
- Ensure that purchase requisitions, purchase operations, purchase receipts and purchase payments are carried out by independent individuals.
- Ensure that the purchaser cannot be the direct user of the items he/she purchases.

8.2. Inventories

8.2.1. Definitions and General Descriptions

- 1) Inventories are stock of tangible goods held in stores.
- 2) The inventory system is integral part of the cost and financial system and closely related to accounting for store and purchase. Year end inventory should be included in the balance sheet.
- 3) The store function involves both keeping of stores materials and stores records.
- 4) Only items required to carryout operations or required to satisfy need should be included in inventory items.
- 5) Inventory usage demand will be predicted at least annually by user units. The predictions should be based on the work programs to be carried out by the work unit as planned and timed for a known requirement.
- 6) Inventory storage facilities and systems will be in place for central stores and branch storage for efficiently and effectively identifying, classifying, grouping and locating stores items.
- 7) A YEM inventory system will achieve the following objectives.
 - a. Immediate location of required materials
 - b. Speedy location of required materials.
 - c. Full identification of all materials at all times
 - d. Protection of materials against deterioration and all hazards.
 - e. Economical usage of storage space.
 - f. Reporting and accounting of all physical movements of materials.
- 8). Surplus materials and obsolete materials shall be identified, declared and disposed after the proper authorizations. YEM does not keep Inventories and all the formats used are not for financial stock accounting but keep only for internal control

8.2.2. Prime Documentations

8.2.2.1. Prime Vouchers

For inventory movements recording the following formats are used.

Document Code	Formats
	Store Requisition (S.R) Goods-Received Note (GRN) Stores Issue Vouchers (SIV) Bin Card Stock Card

8.2.2.2. Description and distribution of the formats

- 1) Stores Requisitions (S.R) (Annex 8.3a): it is prepared in two copies by the requesting unit. Both copies are detached from the pad and delivered to the stores unit. The second copy shall be returned back after getting the signature of the person in charge of stores as evidence of the original requisition. The copy of the requisition is filed in the project program file. Stores Requisitions shall bear budget references and shall be processed only when funding sources and budget line items are cross referenced.
- 2) Goods Received Note (GRN) (Annex 8.3b)
 - a) The GRN is a pre-number and printed voucher which is prepared in three copies to acknowledge receipts of goods.
 - b) The GRN is prepared by the store-keeper after the inspection of the physical conditions of the materials for specifications, quantities, qualities and physical damage. After comparing the delivery note with the purchase order, and the purchase requisitions, the distributions of the GRN copies is as follows.
 - I. Original copy goes to the store-keeper.

- II. The second copy goes to accounts directly for material account records and stock control.
 - III. The third copy is retained in the pad for bin card up-dating
- 3) Stores Issue Voucher (SIV) (Annex 8.3c): The delivery of good to users or requesting units is effected by the use of the stores issue voucher. The SIV is pre-numbered and printed in three copies. The distribution of copies of SIV are:
 - I. Original copy goes to accounts for material expense summary journal action
 - II. Second copy goes directly to material accounting for stock control records.
 - III. Third copy is retained with the pad for bin card up-date
- 4) Stores Return Note (SRN): This format, which is pre-numbered and printed in three copies, serves for the recording of materials returned from user units. All materials issued but not used or distributed should be returned to stores immediately. The returned materials shall be inspected for usefulness and serviceability for re-stocking or scrapping. The distribution of copy of SRN is as follows.
 - a) The original goes to accounts for material accounting for journal action to re-debit the stock. For items returned used /damaged prior approval has to be obtained for subsequent action.
 - b) The second copy to the retuning unit.
 - c) The third copy is retained in the stores pad for bin card updating
- 5) Bin Card (Annex 8.3f): Bin cards are inventory movement control records. The bin cards are kept by the store keeper for each stock item. It is designed to record quantities received, issued and the daily balance.
- 6) Stock Card (Annex 8.3g): This is another stock control record kept for each stock item by the accounting unit segregated from store functions. It shows the receipts and issues of each stock item both in quantities and values.

8.2.3. Recording and Accounting Designation

- (1) To record and account for inventories
 - a) The cost of goods should include value plus related costs of freight, insurance, duty, etc if the item donated has no established value of the goods should be assessed in the current market and recorded accordingly.
 - b) A perpetual inventory system of recording should be adopted.
 - c) Receipts and issues of each stock item shall be recorded on stock control card and store ledger card on daily basis.
 - d) Inventory is valued on FIFO basis.
 - e) Issues should be recognized by accounts when released from stores for end use.

8.2.4. Reports

- 1) Monthly Inventory Movement Report
- 2) Stock Summary Report

8.2.5. Internal Controls

- 1) Ensure receipts of all donated/purchases materials are filled in Goods Received Notes and reported to accounts for materials controls and up-dating of stock cards.
- 2) Ensure obsolete and defective inventory items are segregated and are readily identifiable and sound mechanism to control the inventory and sales of scrapped materials.
- 3) Ensure staff responsible for custody of stock or for maintaining the detailed stock records of the control account shall not perform annual inventory counting unless a check is made by an independent person.

- 4) Ensure reconciliation of difference between physical count, stock control card and investigate the causes of the variance within a short period.
- 5) Ensure annual inventory taking, inventory certifications and perpetual inventory verifications.

9. FIXED ASSETS

9.1. Definition

Fixed assets may represent considerable wealth held in the form of Land, Building, Vehicles, Machinery and office equipment. Often overlooked, require special attention to ensure their value is maintained and that they do not disappear through lack of vigilance.

The measure to safeguard these assets will include Assets Register, vehicle policy and maintenance policies.

The Asset register

An assets register should be established with an entry or record sheet for each item. Each asset should be tagged with a unique reference number for identification purpose. The register will record important information about each asset, such as:

- Where and when the item was purchased and how much it cost
- Where it is held or located
- How much it is insured for
- Repair history
- Serial number
- Details of guarantees or warranties
- Depreciation rate and method, where relevant

The record sheet should also state who is responsible for the maintenance and security. The assets register should be checked by a senior manager or committee member every quarter and any discrepancies reported and appropriate action taken.

Fixed Assets Register

Sn	Name of Asset		
	Date	Details	Cost/Valuation

Fixed Assets are properties having a useful life of more than one year and acquired for the YEM use. YEM holds fixed assets in the form of vehicles furniture, equipment, building, etc. Fixed Assets are restricted for the use of the Company.

9.1.1. Acquisition of fixed assets

Fixed assets could be acquired by direct purchase or donation

9.1.1.1. Purchase

Whenever fixed assets are bought for cash or on account basis, the following procedures should be observed and followed:

- a) Requisition for purchasing assets must be approved by those in charge of the budget center from which the asset is to be purchased subject to the limit of authority.
- b) The purchase requisition should state the funding sources budget heading, and the amount budgeted.

9.1.1.2. Donated Fixed Assets

In most cases, YEM acquire fixed assets by donation. Sometimes donors include the price of the asset and that is considered as the cost of the asset. Where the cost of the asset is not indicated by the donator, the asset received should be recorded by the fair market value.

9.1.2. Disposal of Fixed Assets

The procedures for disposal of fixed assets should be as follows:

- a) Top management of YEM should be responsible for the disposal of any fixed assets.
- b) The person in charge of the asset should prepare a written proposal for the disposal of the asset which is no longer in use stating the condition of the asset and the approximate book value.
- c) The proposal is then approved by the top management of the YEM including the donor in the case of restricted funds and the sponsoring government agency.
- d) Invitation for tender is then request through newspapers or notices stating the surety money for tender deposit
- e) Quotations received are summarized in a comparative statement and select the one who has given the best offer and state the reasons of selection.
- f) The selection is approved by top management and the successful candidate is notified as to the method of delivery of the asset.
- g) Sales contract is prepared in duplicate the original going to the buyer and the other copy to the Accounting Department.
- h) On collection of the proceeds, the item sold is delivered.
- i) The sales of the fixed assets including the proceeds obtained have to be reported to the donor and the supervising government agency. In addition an approval has to be obtained from the donor to use the proceeds.

9.1.3. Valuation and Depreciation of Fixed Assets

- a. The book value of fixed assets is the original cost or valuations less accumulated depreciation. The original cost of fixed asset includes the value of the vendors invoice and all expenditures incurred in bringing the assets to their present working conditions and locations.
- b. Depreciation of a fixed asset is the value of the used during a period in attaining the goals or objectives of the YEM

9.1.4. Depreciation Rate and Depreciation Method

- a. The straight line method of depreciation should be used by YEM
- b. It is suggested that depreciation should be calculated for fixed assets at the rate which shall not be exceeded as per legal practice No5B/1962 as follows:

<u>Type of Fixed Asset</u>	<u>%Per annum</u>
Motor vehicles	20%
Furniture	10%
Equipment	10%
Buildings	5%

Machinery

16% for the first year and 12%
for the subsequent years.

9.2. Prime Documentation

- a) In the case of assets acquired in cash/bank or credit the documentation required are purchase requisition, budget, proforma invoices, Goods Receiving Notes. Payment Vouchers. etc
- b) In the case of donated assets, the documentation required is the agreement, gift certificates and the Goods Receiving Notes.
- c) Documentations required for disposal of fixed assets are mentioned in section 10.1.2 above.

Document Code	Format
Book of Entry Code	Title Deeds of Ownership
	Fixed Assets Register

9.2.1. Fixed Asset Register (Annex 10.a)

- a) A register of all fixed assets should be maintained at the head office with sub registers at each location for assets under control. Fixed assets with value of more than Birr 250 and a life of more than one year should be recorded in the register as a fixed asset.
- b) The register should contain all assets physically existing. All fixed assets should be accounted for whether their value is reflected in the balance sheet or not.
- c) The register should contain the cost, depreciation rate, current depreciation, accumulated depreciation, tag number, location, employee responsible for the assets, date of acquisition, etc.
- d) The cost, depreciation and accumulated depreciation on the register should agree with the respective ledger card

9.2.2. The account designations are as follows

Code	Account designations
1400	Fixed Assets
1401	Buildings (office , Storage, Clinics, Schools , living)
1402	Motor Vehicles
1403	Office Equipment
1404	Furniture and fixture
1405	Machinery
1405	Accumulated Deprecations

9.3. Recording of Fixed Assets

The balance sheet of the YEM should contain the book value of fixed assets to reflect their financial position.

- a) The entry for purchase or donated assets is recorded as expense and for control purpose fixed asset register is maintained.

Dr Fixed asset	XX
Cr. Cash/ Bank /Donation (as appropriate)	XX

- b) Where there is a condition in the donors' or government agreement that an asset must be either returned to the donor or given to the beneficiaries of the project on completion, the value of the assets might not be reflected in the balance sheet. The entry is above.

9.4. Reporting

- a. The summary of fixed assets showing the beginning balance additions and disposals should be reported at the end of accounting period.
- b. At least once in a year physical counts of fixed assets should be made and compared with the register. Any discrepancy should be reported to top management.

9.5. Internal Control

Vehicles Policy

The YEM Consultant Institute PLC must have its own vehicles policy.

This will set down the policy on a range of issues such as :

- Depreciation
- Insurance
- Purchasing, replacement and disposal
- Maintenance and repair
- Private use of vehicles by staff
- What to do when accident happens
- Driver qualification and training
- Carrying of passengers

The cost of repair and replacement must be also adequately reflected in the budget process. For each vehicle there must be log of journeys so that the running cost per km. can be assessed and use closely monitored.

Vehicle Log Sheet

Vehicle registration Number (plate No.)

Date of journey	Destination	DEP.	Km Reading		Fuel purchased	Driver signature
			start	Finish		

TOTAL KM RUN

PETROL PURCHASED

- Fixed assets are recorded as expenditure in the period of purchase.

Disposal of Fixed ASSETS

- Fixed assets are disposed with the decision of YEM Consultant Institute share holders, based on the detail procedures of disposal of fixed assets
- The record of the fixed assets should be adjusted by the value of disposed assets.

Stocks

Stocks are supplies purchased for consumption which are not qualified for definition of fixed assets.

Recording of Stock:

- Supplies are recorded as expenses at the time of purchase.
- Supplies purchased shall be recorded in the a stock card perpetually.

Dealing with Fraud and Irregularities

There will be occasions when internal control fail to prevent losses through theft, fraud, other irregularities. Fraud is defined as a deliberate in proper action which leads to financial loss to the YEM Consultant Institute. This includes theft of goods or property, falsifying expenses claims and falsification (or destruction) of records to conceal an improper action. Fraud does not include accounting errors of YEM consultant Institute, other irregularities include unauthorized activities for private gain eg. borrowing from petty cash, use of vehicles, or abuse of telephone and the equipment.

Inevitably, the impact of fraud has a damaging effect on YEM PLC. Incidents of fraud and irregularities require sensitive handling to minimize the long term impact. It is important to be prepared to deal with any occurrences of fraud or financial irregularities which cover steps that need to be taken.

Deterrence

The procedures of YEM Consultant Institute should state clearly that routine controls, checks and balance are in place to safe guard the assets of YEM and to protect staff from any suspicion of, or temptation to, fraud or other improperly. Staffs of YEM CONSULTANT INSTITUTE are therefore obliged to cooperate fully with internal control procedures and failure to do so will be dealt with as appropriate within YEM CONSULTANT INSTITUTE disciplinary code

TYPE OF IRREGULARITY

The procedures will identify different types of irregularity, how seriously they will be dealt with. For example, all instances of theft and fraud will be viewed as gross misconduct and loss of terminal benefits.

Detection

A procedures for reporting suspicious of irregularities should be made clear to all YEM CONSULTANT Institute staffs. When an irregularity is reported or detected, record the details in writing, report it immediately to the superior. Follow up all reports or suspicions immediately. Do not allow rumors to spread or let the trail go cold.

Investigation

When an investigation comes to light, it must be dealt with quickly and sensitivity; look for corroboratory evidence before instigating a formal investigation. If all the evidence points to an irregularity, the individual(s) involved should be formally interviewed with a third person present to take notes.

Protect documents and records by either removing access to them by those involved in the irregularity or by suspending the people involved during the investigation.. This will depend on the nature of the irregularity, it could be conducted by the general manager of YEM consultant Institute, the external auditor or, in serious case, the police.

In general YEM Consultant Institute will follow the following tips on how to deal with fraud and other irregularities –to keep RISKS LOW :

DO

Report the accident to a superior or share holder
Investigate incidence, gather facts
Secure the assets and records
Keep calm
Swiftly act

Donot

Look the other way
Over look the fallout of a fraud
Withhold information to protect other

Above all, remember that prevention is better than cure

- 1) Only required assets which must be used efficiently and effectively for fulfilling the overall objectives of the YEM should be purchased.
- 2) Fixed assets must be kept in a secure place that ensures their working conditions
- 3) Fixed assets must be insured against fire, burglary, etc
- 4) Physical inventory of fixed assets should be taken at least once in a year to verify the existence and condition of the assets.
- 5) The physical count should be compared with the register
- 6) Motor vehicles should be used only for the YEM official business and not for personal use.
- 7) A log book should be maintained by each driver for the journeys undertaken by his/ her vehicles, showing number of km. Destination and budget centers to which fuel should be charged.
- 8) Disposal of fixed assets shall be authorized by higher authorities and the scrap sales shall be executed by public auctioning.
- 9) Ensure that the register contains all existing assets.

10. LIABILITIES

10.1. Definition and Descriptions

Liabilities are obligations the Company that must be paid in the future time as agreed with the third party. The acceptance of the transfer of money, materials, commodities, services. etc carry with them responsibilities that involve financial obligations. It includes accrued expenses, sales tax, withholding tax, Income tax payable, provident fund payable, severance reserve, retention payable and trust fund payable. In the balance sheet liabilities are classified as current liabilities, long term liabilities and deferred charges.

10.1.1. Current Liabilities

Current liabilities are monies due within one year. They include:

- a) Accrued expense: these expenses incurred but not paid at the end of a reporting period.
- b) Provident fund payable: this is normally the unpaid portion of the YEM contribution towards the provident fund.
- c) Income tax payable: this is tax withheld from the salaries of national employees
- d) Severance reserve: this is a reserve for future severance payment
- e) Trust funds payable: this is money due to a donor of restricted fund
- f) Suppliers payable: this is money due to suppliers of materials.

10.1.2. Long-term Liabilities

These liabilities are loans with repayment schedules of over one year. Such long term loans have a special agreement signed with conditions ensuring repayments over the years.

10.1.3. Deferred Charges

Deferred charges are liabilities where revenues are collected in advance of rendering goods and services. Revenues shall be recognized as the goods and service are delivered and the deferred charges are reduced to zero on settlement. Such type of liability is not common in YEM but they might be occurred rarely.

10.2. Prime Documentations

The condition defining the acceptance of resources and the terms of discharging responsibilities on the accepted resources should be described in legally binding agreements and contact between the parties involved. There are no separate formats for liabilities.

10.3. Recording and Account Designations**10.3.1. Account Designations for liabilities**

Code	Account Designations
2000	Accounts Payable Control A/C
2001	Current Liabilities
2002	Personal Income Taxes
2003	Payroll Deductions Withheld
2004	Unclaimed Salaries and Wages
2005	Accounts Payable to suppliers
2006	Accrued Charges
2007	Audit Fees Payable
2008	Fund Payable
2009	Saving and Credit Payable
2010	Sundry Creditors
2011	Long-term -Liabilities
2012	Provident Funds Payable
2013	Accrued Fringe Benefits
2014	Accrued Termination Compensation
2015	Accrued Severance Reserve
2016	Accrued Compensation Payable
2017	Deferred Charges (Liabilities)

10.3.2. Recording

- a. The entry for the acceptance of resources on account is

Dr. Expenses/Assets (as appropriate)	XX
Cr. Liability Account	XX
- b. When the account is settles, the entry is

Dr. Accounts payable	XX
Cr. Cash/ Asset (as appropriate)	

- 10.4. Reports**
 a. Schedule of Repayments
 b. Age Analysis Report of Outstanding Liabilities

- 10.5. Internal Controls**
- a) Ensure and control repayments to be within safe levels of cash.
 - b) Ensure avoidance of penalties on defaulting payments of liabilities.
 - c) Ensure that repayments of principal and interest are planned.
 - d) Ensure that repayments are made on invoices, and not on the basis of statement of accounts.
 - e) Ensure that the computations of principal interest, defaulting charges etc. due for repayment are correct and in agreement with the loan contracts.
 - f) Ensure that accrued expense such as water, electricity, telephone service fees are estimated at the end of the fiscal period.
 - g) Ensure that the reasonable estimates are made for accrued expenses not actually billed.
 - h) Ensure that the reversal of accrued liabilities is made at the beginning of the next fiscal year.
 - i) Ensure that the updating of provident fund is supported by detailed listing.
 - j) Ensure payment of provident fund is made to the provident holder or the legal heirs.
 - k) Ensure payment of provident funds and severance payment are debited to the liabilities.
 - l) Ensure that income tax is paid to the Revenue Authority within one month according to the time schedule set by the authority.
 - m) Ensure payment of retention money is made as per the agreement.

11. Capital

11.1. Definition

This is the accumulated balance of the differences between the revenues received and expenditures incurred in accounting periods. It is a balance sheet item i.e. total assets is equal to liabilities plus Capital (Asset=Liability + Capital). In the revenue and expenses statement Profit/Loss presents the difference between the yearly revenues and expenditures. As described in the revenue sources chapter of this manual, all revenues received are classified as follow:

- a. In the case of income source from different business lines, the difference between the income received and the expenditure made is closed to a Profit account when the income is greater than the expenditure and in the case where the income is less than the expenditure, it will be closed to a Loss account.

11.2. Prime Documentation;

There are no separate documents for the Capital. However the following books of entry and documents could serve as source documents for triggering any accounting action.

- I. Ledger Cards
- II. Service Agreement
- III. Contract Budget

11.3. Recording and Account designation

3000	Capital
3100	Capital with other sister company
3200	Entrusted Capital
3300	Revolving fund
3400	Retained Earnings

11.3.1. Account Recording

All expenditures should be closed to the respective revenue centers. The balance on each income center shall be closed to the capital account or if restricted to the profit or Loss as appropriate.

11.4. Report

Breakdown report of capital balances by business lines. As the YEM runs various business lines it is necessary to segregate accounts/capital by respective business lines. This enables the Company to understand what capital share of each business line.

12. INCOME

- YEM generates income from various sources through a providing consultancy service to clients, sub contracting from other sister companies, running other business renting of facilities, managing assets and projects; and the like,

12.1. Definitions

12.1.1. Sales of services

- i. The ultimate aim of YEM is to provide consultancy service to any customers in a fair price and high quality service. Thus, YEM usually provide trainings to different companies/Firm, develop project proposal for NGOs, advisory service, etc.

12.1.2. Self-generated Income

These incomes arise from the sale of the products or renting of facilities.

12.1.3. Sales of scrap Items or disposal of plant assets

YEM also generates income through selling of used assets, scraps from any activities, and so on. Such an income comes from proceeds of sales of materials not needed for current operation of company.

12.1.4. Contributions in kind

These donations include contribution in kind such as properties, commodities, materials, facilities, etc by those parties interest to support the activity of the company. The receipt and issue of such items is discussed under inventory management.

12.2. Prime Documentations

Sales Income

In most cases, YEM provide quality consultancy services on training, development of Strategic Plan, Conducting of Need Assessment, Mid-term and final Evaluations and so on. YEM open a file to keep these documents:

- All correspondence and analysis
- Terms of Reference (ToR) and service agreement
- Bid Proposal sent to Clients;

12.3. Recording and Account Designations

12.3.1. Account Designations

Code	Account designation
4000	Revenue Control A/C
4100	Income from sales of service
4200	Income from Renting of Facilities

12.4. Recording and Accounting Designation

- a) Income in cash or in kind is recognized on receipt and pledges of customers' commitment.

The accounting entries are.

Cash/Bank/Receivable	Dr.
Revenue	Cr.

- b) From donations in kind i.e. material, facilities and voluntary services, the journal entries are:

- I. For donated materials

Stock/Asset	Dr.
Revenue	Cr.

(To record value of receipts of materials)

- II. For donated free services

Salary	Dr.
Revenue	CR.

(To record the salary of volunteers' services)

12.5. Reports

- a) Periodic status Report of Revenue received
b) Status of pledges/ Commitments.

12.6. Internal Control

- 1) Ensure that records are maintained for all income generated from the operation of the company;
- 2) Ensure that a designated individual is responsible to follow-up the collection of receivable;
- 3) Ensure that subsidiary ledgers are opened for each business lines.
- 4) Ensure that subsidiary ledgers are opened for other income such as voluntary service;
- 5) Ensure that donated materials are physically inspected.
- 6) Ensure that donated materials and facilities are recorded at fair market value when the value is unknown.
- 7) Ensure that free voluntary services are valued at fair market value and recorded.

EXPENSES**12.7. Definitions**

Expenses are defined as the layout of resources in the form of material, labor, money and services to achieve intended goals. The goals are to generate profit from the operation of the company and provide reliable services to the clients in particular and the society in General. Expenditures are grossly classified as capital and recurrent expenditures. Expenditure where assets are expected as a result of completion of a contract and operation expenses where resources are consumed in the process of production of revenue generation activities. However in YEM all are treated financially as expense and expenses are classified as business lines. Upholding the maintainance of expenditures for each of the business lines, in YEM accounting policy, expenses are also further clafied direct and in direct expense.

a) Direct expenses

The Company pays professionals who are involved directly in the day to day activity of the firm. Most of professional are hire in short term and project based basis. YEM also sub contract some of the project activities to its sister companies. All this kind of the expenditures are classified as direct expense.

b) Indirect Expense

There are expenses incurred in no way related to any particular consultancy work, operation or revenue generation activity. These expenses are accumulated in general indirect expense accounts.

12.8. Prime Documents

The only prime document is the expense accumulation card known as the control/ general ledger expense card. (Annex 14.a). At the end of each expense ledger card, a space is provided for budget entries (monthly or annually) that facilitate comparisons to actual total.

12.9. Recording and Account Designations

The account designations of expense transaction and the precautionary measures are dealt with in the payment sections of this manual. The account distributions and coding are all done in the petty cash and cheque payment vouchers.

12.9.1. The account designations of expenses in the chart of account are as follows.

Code	Account Designation
5000	Direct Expenditure Control A/C
6000	Indirect Expenditures

The account designation of expenses are therefore created by the combination of the following four items starting from the left:

- The first digit shows the expense account
- The second digit type of business line
- The third digit show the work/consultancy work;
- Type of expenditure eg. Professional fee, documentation, transportation, etc.

12.10. Reports

- 1) Monthly Revenue and Expenditure Reports for tax and management purpose;
- 2) Quarterly Statement of Expenditures by Business lines for the management use only;
- 3) Comparative Expenditure Reports on Year Basis for the annual tax payment and the management/stakeholders;

12.11. Internal Controls

- Ensure all expense are properly accumulated, classified and summarized in the expense /ledger accounts.
- Ensure that capital or asset expenditures are not included in the operation expenses.
- Compare expense of previous year with current year expense report and evaluate differences.
- Ensure that expenditures coding are properly revised prior to recording.
- Ensure expenditures are made from the related budgets and business lines
- Ensure all expenditures are included in year-end reports

12.12. Payroll Management

12.12.1. Definition

Payroll is register with lists of employees of an Company who are entitled for pay with the information concerning monthly payment due to them and deduction for a pay period (the period covered by

salary, payment is called a pay period). The amount of money that an Company periodically pays to its employees for their services is known as a wage or salary.

Employees are entitled to receive their salary at the end of each month in this respect a payroll is prepared at the end of the each month showing the earnings as well as the income tax and other deductions. All payroll taxes are based on the earnings of the employee and YEM is required by law to withhold certain payroll taxes from the salaries paid to its employees. Errors in payroll records cause incorrect payments of the payroll taxes. The Company is expected to pay the withhold taxes on time so as to avoid penalty.

12.12.2. Payroll Accounting

- 1) The process of preparation, payment, and recording of payroll is called payroll accounting.
- 2) The payroll register is prepared once every month and one time payroll transactions.
- 3) In order to ensure that gross salaries are charged to appropriate cost centers, accounting entries should be made from the payroll itself.
- 4) Checking and approving of payroll records should be undertaken by YEM Managing Director.

The Payroll is journalized as follows.

For Permanent employees

Where payroll fund is maintained

Gross Salary	Dr.	
Income tax		Cr.
Other deduction		Cr.
Net salary payable		Cr.

(To journalize the payroll)

When cash is withdrawn from bank account for salary

Payroll Fund	Dr.	
Cash at Bank		Cr.

When cash is paid to the employees

Net salary payable	DR.	
Payroll fund		Cr.

Where salary is paid direct in check

Gross salary	Dr.	
Income tax		Cr.
Other deduction		Cr.
Cash at Bank		Cr.

Terminated employees: Terminated employee shall not wait for the payroll. They shall be stricken off the payroll from effective date of termination and their final payments are effected within seven working days from the date of presentation of fully signed clearance paper.

12.12.3. Internal Control

- Pay roll preparation should be based on documents issued by YEM OSULTANT Institute manger. Such documents including letter of employment should be given to the account of YEM
- Payroll should be prepared with a format per annex between in two copies and should be signed by the manger of the organization. And finance officer.
- Payment of salaries should be made by banks .
- Payment of salaries should be made direct to each employee against signature on the payroll for receipt.

- Salaries should be paid to third parties as the written instruction of the employee concerned.

PAYROLL SHEET

- Ensure that the payroll preparation, time keeping and payment function are segregated.
- Ensure the submission by each unit to accounts all relevant payroll data before preparation of the payroll every month.
- Ensure that information like pay rate, allowance and service charge if any are made available to accounting unit at the time of employment.
- Ensure that all deductions from the salaries of an employee are statutory of the employee is consulted in writing before any deduction.

Other Different Payments

Utilities

- Utilities bills should be collected and settled(eg from Ethiopia Tele corporate, electricity)by account
- The accountant should check all bills /invoices received for utilities against readings and relevant records.
- Personals cell, if any and note on the bills so that the accounts could be debt the appropriate staff account. The call value(including VAT)should be deducted from the user staff from the next salary.
- AT the end of the year utility expenses will be accrued and shown in the balance sheet as accrued liability, and as utility expense to the appropriate expenditure account in the income statement.

Per deem and Travel Expenditures

Internal control

- Daily rates perdem and other reimbursable expenses are computed in accordance with the administrative manual of YEM consultant Institute
- The manger of YEM should approve for any travel required.
- When a travel advance is required, the travel request should be prepared in two copies, one cope must be given the traveler
- Earlier travel advance must be cleared before another travel advance is given.
- The traveler must submit a travel report and settlement form.
- The traveler should attach receipts for all expense clamied,except per dem

Perdem FOR Non Staff

- Perdem can be paid for facillators or trainers. The perdem is paid using a perdem payment sheet with the approval of YEM manger.
- Attendance sheet has to be attached with the perdem payment sheet when submitted to YEM Consultant Institute finance section.

Travel Request and Approval form

Name of Travelling Person

Salary

Travelling From

to

Duratio

Type of Transport

Purpose of travel

The undersigned have received Birr

Signature

Date
Approved by

Travel Report and Settlement FORM

NAME

Monthly salary

Place of travel _____ to _____

Travel ADVANCE TAKEN birr.

Important points about Ethiopian government tax policy

1. Employment income tax

Income tax of YEM CONSULTANT INSTITUTE PLC employee is calculated based on the following category of income:

Taxrate:

Upton birr 150	nil
151-650	10%
651-1400	15%
1401-2350	20%
2351-3550	25%
3551-5000	30%
5001 and above	35%

What IS A TAXABLE INCOME, INCOME TAX ON DIFFERENT brackets can be calculated as follows

Bir 151-650	TIX10% -15
Bir 651-1400	TIX15%-47.50
Bir 1401-2350	TIX20%-117.50
Bir2350-3550	TIX25%-235
Bir3551-5000abone	TIX30%-412.50
Bir 50001 and above	TIX35%-662.50

The following category of income is exempted from payment of income tax:

- Income of casual employees (who don't work under the same employer for more than one month in a year)
- Pension ,provident fund and all retired benefit contributed by employers
- Compensation paid for personal injury

A statement containing information such as the name, address and Tin , taxable income, tax withheld ,and tax-exempted income of each employee should accompany the payment of tax.

Withholding agent: A person or organization obliged to withhold tax under the proclamation.

Category of TAX payers

- Tax payers are categorized into three namely, category A, category B ,CATEGORY c .category a includes any company incorporated under the laws of Ethiopian or foreign country and other entites, having annual turn over birr 500,000 and above.
- Those who are categorized under A have to maintain all records and accounts which will enable them to submit a balance sheet and profit and less account disclosing the gross profit, general and administrative expenses ,depreciation ,and provision and reserves(together with supporting vouchers)

- Category of B includes these enterprises having annual income of more than Birr 100,000 and less than birr 500,000
- Category C taxpayers are those who have less than bir 100,000 or less.

Tax period

Even though the period of tax assessment of Ethiopians one year and the fiscal year starts on Hamele and end year is Sene 30. YEM Consultant Institute accounting year is based on the G.C because the organization deal with non government organization. (This arrangement will be dealt with the federal revenue)

Allowable Deductions

- ✓ In order to determine taxable income. The following items of expenditure are allowable :
 - Direct cost of producing the income .Such as direct cost of purchasing
 - General and administration expenses incurred for earning ,security and maintaining the income
 - Depreciation expenses
 - Bad debt: To be adecitable item, the amount must have been included previously in income, to debt must have been written off, in the books, and legal actions have been taken for collection of debt.
 - Premium payable on assurance directly connected with business activity.
 - Expense incurred for the promotion of YEM CONSULTANT INSTITUTE
 - Commission paid for service rendered
 - Salaries, wages or other emoluments paid to the children of proprietors or member of partnership, provided it should be proved that they posses the required qualification.
 - Interest expenses
 - Donations and gifts under the following conditions:
 - If they are given to welfare organizations that have a record of outstanding achievements and have a good accounting system showing the utilization of resources
 - If the payments are made under emergency call issued by government to defend soverginity and integrity and to prevent man made or natural catastrophe, epidemic or any other similarities
 - If the payment is made for non-commercial education or health facilities.
 - (NOTE: Grants and donations will be allowed as deductions only if it does not exceed 10 % of the taxable income)

The Rate of DEPRECIATION PERMIOTTED PER THE Rule

1. Building 5% of the original cost
2. computers, informations system, software products and data storage equipment 25%.
3. All other business assets 20%

- If the assets of YEM Consultant Institute is/are damaged by natural calamity and other involuntary actions conversion to depreciation paid for the damage received will be deducted from the book value.
- If again the asset of YEM while deterring depreciation base becomes negative, it will be added to the taxable income.

Tax Withholding

YEM Consultant Institute PLC will withhold 2% of the gross amount of payments from the payments of :

- From organizations that have legal personality (PLC)
- From private non-profit organization

- From Non-government organization
- And YEM PLC will transfer the amount withhold to the tax authority, within 10 days from the last day of the month
- YEM WILL WITHHOLD FOR SERVICES MORE THAN BIRR 500 IN ONE TRANSCATIONS'
- YEM PLC will fill the name, the payer Tin number to whom the payment's made, and the total amount of money paid, and the tax withhold.
- AS per proclamations no 286/2002, YEM CONSULTANT INSTUTE SHOULD COLLECT 30%WITHHOLDING TAX NSTEAD OF 2% FROM THOSE WITH NO TIN NUMBER.

Tax Rate

In accordance with income tax proclamation, the following tax rates are used for computations of business income tax

<u>Taxable income</u>	<u>Tax rate on ever Additional</u>	
<u>Per annum(in birr)</u>		
Not exceeding1800	nil	
1801-7800	10%	TIX10%-180
7801-16800	15%	TIX15%
16801-28200	20%	TIX20%
28201-42600	25%	TIX25%
42601-60000	30%	TIX30%
600001 AND ABOVE	35%	TIX35%

- If yem consultant institute plc faces a loss in any year,the taxable income becomes negative (business loss),IT CAN BE CARREIED THREE YEARS TO SET OFF THE RAXABLE INCOME OF THOSE FUTURE YEARS.
- Yem plc shall at the end of the year submit to the tax authotity a balance sheet and profit and loss statements and the details of the following
 - Gross profit
 - General and administrative expenses
 - Depreciation and
 - Provisions and reserves
 - Income from dividend : YEM CONSULTANT INSTITUTE PLC share holders shall pay tax rate of 10%
 - YEM PLC will be taxed 5% from interest derived from bank.

Value Added Tax (VAT)

YEM Consultant Institute is VAT registered entity with 15% taxable service

13. FINACIAL REPORTING

13.1. Objectives of financial statement

The financial statements are prepared with multi-dimensional purpose and objectives. The followings are some of the major objectives of the Financial Statement.

- a) Serves as information source to management and other authorities for planning and economic decisions.
- b) Provide management with information for prediction, comparing and evaluating earning and spending power.
- c) Serve as source document for tax payment;
- d) Source of disclosure for underlying assumptions with respect to matters subject to interpretation, evaluation, prediction, or estimations
- e) It should meet qualitative characteristics of relevance, understandability, reliability, verifiability, neutrality, timeliness, comparability, consistence, completeness, conservatism, continuity, entity, historical cost, materiality and quantifiably.

13.1.1. Management Report

Management reports are reports produced monthly for management to enable them to take appropriate decision and action. Such reports are also produced at the end of the fiscal period. Management reports include, bank reconciliation, status of cash and bank positions cash flow statement aging of accounts receivable and payable, status of movement and balance of stock items, physical verifications of stock and fixed assets and any discrepancies between the record balances and physical counts, etc.

13.1.2. Government Report for Tax Purpose;

This report is prepared in a monthly basis to show the Government the total income earned and expenditures incurred during the month. This is the basis of for the tax office to determine the sales tax to be paid during the month.

Moreover, some government departments needs financial and activity of the report of company. In line with the company may submit such report for relevant government office.

13.2. Prime Documentation

For the government report, there are financial report format provided by the tax office and YEM fill out the form and submit to the tax collecting office along with other supporting documents.

For the management report, the company uses its own financial format which shows the income, expenditures and Profit/Loss. In addition, the peachtree software has its own built in format of financial reports. The finance department will produce the required report from the software and submit it to the management.

13.3. Type of Financial Statements

- 1) Balance Sheet:- This shows the financial position of an Company as at a specific date.
- 2) Income statement: - This statement shows the results of operation of a Company.
- 3) Capital Statement: - These are result of increases and decreases of assets and liabilities by comparing balance sheet accounts items of two fiscal year operations.
- 4) Cash Flow Statement: This statement is prepared for showing the balance of cash available for the operation of the company.

13.4. Schedule of Reports

13.4.1. Fiscal Year Closing Date

The Financial Year of YEM is from January 1- December 31 and closing date is December 31.

13.4.2. Date of Producing Report

The financial statements referred above, should be produced in draft form within three months after the closing date.

14. ANNEXES OF FINACIAL MANUAL

PART TWO ORGANIZATIONAL STRUCTURE & ADMINISTRATIVE GUIDLINE OF YEM

15. ORGANIZATIONAL STRUCTURE

16. ADMINISTRATIVE GUIDLINE

16.1. Employment

A) Purpose

The purpose of this section of the manual is to ensure that YCI's strategic goals are met through recruitment and selection of employees who will contribute for the success of the Firm. Moreover, considering the mobility of workers in the market for various reasons, issues related to employee's separation from the Firm should be considered before hand. Therefore, policy and procedures for the recruitment and selection of different categories of employees and separation from the Firm will be dealt in this section.

B) Policy

- 1) The principles underpinning the recruitment and selection process shall be fairness, credibility, equal employment opportunity, merit, transparency and the optimization of career prospects for currently employed staff, irrespective of any discriminatory variables such as religion, ethnicity, color, gender, etc.
- 2) YCI shall be committed to recruiting and selecting employees of the highest caliber through fair and open processes.
- 3) Decisions to recruit and select shall be made in the context of an overall staffing plan, which shall take into account immediate and planned operational needs and expected promotions, retirements, and resignations/terminations.
- 4) Recruitment shall only be initiated when existence of vacant position is clearly ascertained and a decision for recruitment is made by General Manager.
- 5) There shall be a Recruitment & Selection Committee which is in charge of the overall recruitment and selection process.
- 6) YCI shall formally announce/advertise vacant positions on its notice board to invite internal applicants and on prominent newspapers to attract potential applicants from labour market.
- 7) YCI shall hire people at the age not less than 18 years on the date of employment and the mandatory retirement age shall be 60 for the Firm. All exceptions shall be considered and approved by the General Manager.
- 8) YCI may decide to employ qualified individuals who are related to each other or to an existing employee provided a supervisory-subordinate relationship would not exist as a result of that employment or they are not responsible for related tasks which undermine the internal control or expose YCI to financial risks.

- 9) There shall be orientation of new employees or existing employees assigned to new positions.
- 10) There shall be a 45-day probation period for new employees in which they are evaluated whether they fit to their assigned positions or not.
- 11) Employees shall generally work 44 hours per week and weekly office hours shall be set by the General Manager.
- 12) Employees may decide to separate from the Firm for various reasons. Each employee shall be required to give at least 30 days of written notice to the Firm, except those under probation status.
- 13) YCI shall terminate employment contract when it has legitimate ground.
- 14) The General Manager and the Administration and Finance Department Head shall be accountable for ensuring compliance with the recruitment and selection policy.

16.1.1. Employment Categories

The following employment categories may exist in YEM:

- 1) Regular full-time staff: these are employees who have been selected through the regular recruitment and selection process to fill the approved vacant positions, work full weekly hours for an indefinite period of time and are eligible for all benefits, paid holidays, vacation, and overtime, depending on the level of the position.
- 2) Term employees are those employees who are appointed for a specified period of full or part-time employment equal to or less than six months and are eligible for overtime and paid holidays. Term employees can be hired in case of the following:
 - The replacement of an employee who is temporarily absent due to leave or sickness or other causes;
 - The performance of work in the event of abnormal pressure of work;
 - An irregular work which relates to permanent part of the work of the Firm but performed on an irregular basis;
 - Seasonal works which relate to the permanent part of the works of the Firm but performed only for a specified period of the year but which are regularly repeated in the course of the years;
 - An occasional work which does not form part of the permanent activity of the Firm but which is done intermittently;

16.1.2. Recruitment & Selection Procedures

The Administration and Finance Department shall identify vacant positions for which proper hiring should be made and get endorsement from the General Manager before starting the recruitment process.

YEM shall consider capable applicants from within the Firm who express interest in the announced vacant position.

In the recruitment and selection process, proper assessment shall be conducted taking into account the applicant's skills and knowledge relevant to the requirements of the job.

The Recruitment and Selection Committee shall be composed of the following and reflect gender balance wherever possible.

- Administrative & Finance Department Head, Chairperson
- Program Coordinator, member
- Head or supervisor of a functional unit for which the hiring is to be made
- A representative of employees, secretary.

The chairperson plus two additional members of the Committee shall constitute a quorum.

Every person involved in screening, interviewing, and selecting candidates must exercise judgment at each step in the process to ensure that no candidate is discriminated against on the basis of race, religion, ethnic background, gender identity and age.

The Recruitment & Selection Committee shall:

- Check the application of candidates and use interview, tests and other methods of recruitment and selection, whenever applicable, to select the right candidates.
- Select candidates qualified for the vacant post.
- Submit report of selection (minutes) and recommendations for employment with the necessary applicants' documents to the General Manager for final approval.

A committee member shall declare conflict of interest and withdraw from the Committee before the case of a candidate who is a close relative or personal friend is seen.

Vacancy announcement shall contain at least the following information:

- Vacant position title
- Place of work
- Educational qualification needed for the position
- Relevant experience
- Number of persons needed for the position
- Place, date, and time of application
- Closing date for application

The vacancy announcement shall be placed on the notice board of the Firm for a minimum of ten days and communicated to the public using prominent newspaper on two consecutive issues.

A term employment for a period less than or equal to six months may be filled without advertisement, considering the urgency of the position to be filled temporarily. Such an act must first be approved by the General Manager.

The employee in charge of receiving application for vacant position shall verify copies of all credentials presented by applicants against originals to ensure that all credentials do not bear any deletions, crossings, erasures, etc. Any credential bearing deletions, crossings, erasures, etc. not authenticated by convincing initials or seals shall not be accepted as valid credentials.

The Recruitment & Selection Committee shall check whether or not the employment application received satisfies all the criteria specified in the vacancy announcement. Those applications that do not satisfy the criteria shall be disqualified.

The Chairperson of the Committee must ensure that evaluation of the candidate by each member and the overall evaluation of the Committee are placed on the recruitment and selection file.

Committee members must refrain from discussing any aspect of the recruitment and selection issues and decisions with non-members.

The selection methods-skill test, interview, reference-to assess candidates for vacant positions shall be decided and the necessary preparations shall be made. Interview and skill test questions shall:

- Focus on real life job-related issues and situations.
- Be open-ended which require behavioral descriptions rather than simply "yes" or "no" answers.
- Stay away from situations that have more to do with personal lifestyle than job experience.

The Recruitment & Selection Committee shall use the following criteria for a scoring system to select the best candidate from the applicants. In all cases, the candidate with the highest score shall be selected.

	<u>Weight¹</u>
• Educational qualification	10%
• Relevant Experience	15%
• Interview/written exam/practical exam	<u>75%²</u>
Total	<u>100%</u>

If a member of Recruitment & Selection Committee does not agree with the selection decision, he/she may get his/her views noted.

Though the results of the Committee's recommendation may be made public, the proceedings of the Committee, including all documents and correspondence considered by the Committee, are sources of information for members only and must always be regarded as confidential.

All selection processes and subsequent recommendations must be documented in a selection report for the approval of the General Manager.

Job candidates who do not pass the evaluation process may apply for review or feedback to the General Manager.

YEM shall require pre-employment physical examinations and results of fingerprint as a condition of employment. However, the medical examination shall not include HIV/AIDs testing.

When a new employee is hired, he/she shall fill in "Employee Personal Data Form"

YEM shall employ workers for daily work on a daily wage basis.

YEM is required to provide every new employee with an instrument of appointment which stipulates the type of employment and informs the employee of the terms of engagement at the time of the appointment.

For all employees, information on the classification level, salary and benefit, commencement of work, working hours and the length and terms of probation shall be provided, whenever applicable.

¹ Those job candidates who meet the minimum qualification and experience requirements shall be given maximum of 20 points for qualification and 30 points for experience. Those who do not meet the minimum qualification and experience criteria should not be included.

² The maximum point to be assigned for interview, written exam and practical exam is 75. The Recruitment & Selection Committee has to assign the relevant points among the three factors before embarking on screening job candidates. In some cases, it is possible that written and practical exams can be combined depending on the nature of the job. Moreover, the interview point for each job candidate is determined by taking the average of the points assigned by the interviewers. If, for example, three interviewers conducted the interview and gave points of 12, 15 and 17 out of 20 points for a particular job candidate, the average point would be 14.67.

16.1.3. Contract of Employment

Contracts of employment shall be prepared for all new staff and current employees who are offered a different position or different terms and conditions in relation to their current position.

To be valid, each contract of employment must be signed by the General Manager and the employee.

The contract of employment shall include:

- i. The date of commencement of employment;
- ii. The employment period (full-time for an indefinite period or for term employment for a definite period)
- iii. The classification level and salary of the employee on the commencement of the employment;
- iv. The number of weekly hours to be worked;
- v. The performance standards required;
- vi. The duties and responsibilities of the position (and job descriptions, if any) ;
- vii. Any severance which may be payable on termination of the contract;
- viii. For any staff member subject to probationary employment, the length and terms of the probation; and
- ix. Other relevant terms and conditions of employment.

16.1.4. Employment Orientation & Probation

The purpose of orientation is to:

- Welcome new employees by providing personal and professional support and demonstrating a commitment to them;
- Integrate new employees into the work place and the Firm;
- Ensure the new employees understand their roles and the culture and expectations of the Firm; and
- Provide important information and resources that will assist them in fulfilling their duties.

Orientation Procedures

- i. All new employees shall be given proper orientation.
- ii. It is the responsibility of the immediate supervisor to provide orientation on duties and responsibilities of the position.
- iii. The following checklist is suggested for orientation of an employee on the initial days of employment:
 - The vision and mission of the Firm
 - The structure of the Firm and the functions of the various units
 - Terms and conditions of employment, services and welfare facilities available
 - Standing orders (including grievances and disciplinary procedures)
 - Accident prevention
 - Introducing to other employees
 - Touring work area (work place, restrooms, office supplies, fire exits and procedures, etc.)
 - Firm policies and procedures (working hours, property use, work breaks, work schedules, leave usage, absence notification, approval procedures, etc.)
 - Importance of attendance and punctuality

- Position description (provide a copy to the employee) and key indicators of successful job performance
- Standards of performance and performance review procedures and timeframe, and
- Probationary period.

16.1.5. Probation

- i. All newly hired employees shall have a probationary period, during which immediate supervisors determine whether an employee will effectively perform the duties of the position.
- ii. Length of probation period new employees shall be 45 working days as stipulated in Proclamation Number 377/96 and Amendment 494/98.
- iii. Transfers or promotions within YCI shall not initiate a new probationary period unless there is a change in the status of the position.
- iv. Work plan specific to the probation period shall be developed for employees under probation to facilitate performance evaluation and effectively assess their suitability for the job.
- v. Evaluation of the new employee job performance under probation shall be conducted by the immediate supervisor by using the formats and methods developed for such purpose.
- vi. The new employee performance evaluation report shall be submitted to Administration & Finance Department at least one week before the end of the probation period so that proper decisions are made whether to make the employee full-time or terminate his/her contract.
- vii. A new employee who has proved to be successful during the probationary period shall receive permanent employment letter signed by the General Manager at least two days before the end of the probation period.
- viii. If the results of the performance evaluation of the new employee indicated that he/she is not appropriate for the position, the employee shall be terminated without cause prior to the end of the probationary period.
- ix. If the performance rating of promoted internal staff is below the minimum requirement, the employee may be reinstated to the position held prior to the assignment of the new position or to other comparable positions subject to the availability of vacancy.

16.1.6. The New Employees File

The following information will be kept in the file of a new employee.

- Application for employment of the vacant post
- Employee Personal Data form and curriculum vitae
- Contract of employment
- Position and job description
- Documents submitted by the employee
- Copies of the Recruitment and Selection Committee's decision, documents and minutes
- Letter of employment

- Two passport size photographs (one for file and the other one for issuing YCI's identification card)
- Employee's health certificate
- Clearance certificate from Criminal Investigation Department of the Police when deemed necessary
- Performance evaluation during the probation period
- Confirmation letter of permanent employment

16.1.7. Termination or Separation

- When an employee decides to separate from the Firm, he/she shall be required to give at least 30 days of written notice. This notice period is important for both the employee and the employer as the former will use it to complete urgent tasks and handover outstanding issues while the latter search for replacement.
- The written notice shall be addressed to the supervisor and copied to Administration & Finance and indicate the reasons for resignation and its effective date.
- Employees under probation may resign at any time without giving reason or notice.
- YCI shall terminate employment contract when it has legitimate grounds such as the following:
 - a. Poor performance or loss of capacity to perform the work to which the employee has been assigned
 - b. Medical problems of the employee which makes him/her unable to permanently carry out the obligations under the contract of employment
 - c. Unwillingness of the employee to move to a locality to which the Firm moves
 - d. Elimination of the position of the employee for a good cause and he/she cannot be transferred to another position
 - e. Cessation or reduction in activities
 - f. Retrenchment
 - g. Disciplinary measures
 - h. Attainment of retirement age (60 years)
 - i. Expiration of the contract
 - j. Death of an employee
 - k. Probation status of the employee
- Employees who are separated from the Firm for reasons other than disciplinary measures or probation shall be entitled to their accrued benefits.
- At the time of retirement, an employee who has served the Firm for at least for 10 years shall be entitled for one month salary as a bonus.
- Upon the death of an employee, the legal heirs, as confirmed by the court, shall be entitled to all accrued benefits due to the employee.
- The General Manager and/or Administration & Finance Manager may conduct exit interview, depending on the position held by the exiting employee, and document the information obtained on standard format to be used as input for the necessary decision.

16.1.8. Obligation of the Employee

- ✦ Perform in person the work specified in the contract of employment and devote his/her time, energy and ablates to the performance of the duties for which he/she employed.
- ✦ Abide by the labor law, work rules and directives issued by an appropriate body.
- ✦ Promote his/her organizations interest and safe guard it within the limits of his ability and knowledge
- ✦ Follow instruction, verbal or written that are issued by YCI or its delegated officials.
- ✦ Abide by the labor law in observing this policy or the polices that may Issued by YEM from time to time.
- ✦ Handle with care all YCI properties and the properties of others entrusted to him.
- ✦ Refrain from reporting to work under the influence of alcohol or drugs
- ✦ Refrain from actions or performing anything that endangers his co-workers or and his own life, body, or the property ,or the good will of YEM.
- ✦ Give proper assistance when an accident occurs or imminent danger threatens life or property without endangering his safety and health.
- ✦ Refrain from removing YCI premises or use for himself any equipment, tools, instruments, vehicles and other such properties and supplies without prior written consent of YEM manger.
- ✦ Conduct himself/herself in a manner that should give respect and enhance the image and prestige of YCI and maintain the highest degrees of integrity.

16.1.9. Hours of work

1.Hours of work shall mean the time during which a worker or an employee actually performs work in accordance with the law or work rules specified in this policy.

2 .Hours of work shall be 8 hours per day, except Fri day which has 7 hours, a day or 39 hours a week. Unless there is different a agreements is stipulated between /among the employer and the employee.

3. All employees except those for which provision is otherwise expressly made shall work eight consecutive hours in any 24 hours period with one hour lunch break.

The regular hours of work shall be as follows:

During mild condition of YCI:

From Monday to Thursday :8:30-12:30

1;30pm-5;30 pm

On Friday

8;30-11:30pm

1:30 -5:30

On Saturday

8:30-12:30

Salary

The salary of all employees will be paid at the end of each month . Payment will be made based on officially known to both parties –employer and employee.

- All legal deductions will be made before paying the employee. The legal deductions include but not limited to the following;

4 .Employees income tax will be deducted consistent with the law of the land and be remitted to the appropriate government organ on time.

5) Pension deductions shall be made according to the current agreement/government law reached between the employer and the employee ie 6-7 % of the basic salary of each

employee. Accordingly ,when salary payment is over, the deduction will be deposited in the account opened in the government/ bank for this purpose

- 6) Deductions shall be made from employees salaries to reimburse the organization for any outstanding advances made to the employee by the terms and schedule of the particular advance.
- 7) Any account order deduction will also be made and remitted to the concerned body promptly.

16.1.10. Leaves

Any leave taker should have a prior written approval of the immediate Supervisor. All types of leave must be requested on a form and approved by the immediate supervisor. Records of leave shall be kept by the personal unit.

Annual leave

1.YCI acknowledges the need for annual leave as way of relieving the employee of monotony of his work. Since rest and relaxation will help the employee to replenish lost energy ,annual leaves should be taken. No accumulation of leaves is encouraged.

2.All employees of YCI who have completed one year of service shall be entitled to annual leave of 14 days. Every two additional one year will have one additional day of leave.

3 .Incase the length of service of an employee ,does not qualify him /her for annual leave, he/she shall be eligible for leave proportionate to the length of services completed in YCI.

4.Any employee of YCI shall be required to take annual leave only during calendar year.. unutilized leaves can not be carried forward.unutilized leaves of only 8 working days shall be carried forward to the next year under special circumstances by the HRM or the manger.

5.It is required that employees take their annual leaves according to the leaves schedule arranged by the personnel manger at the beginning of the calendar year. But YCI has the right to postpone or bring forward the leave of an employee in order to maintain the interest of the organization.

6. payment for earned annual leave shall be made only when the employee terminates his contract with YCI

16.1.11. Disciplinary measures and grievances handling

In order to maintain organizational peace and stability, management and employees should facilitate open communication between themselves. They have to come to the understanding that disciplinary penalty aims at rehabilitating the delinquent employee where he can learn from his mistake and reform himself to restore a behavior of trustworthiness.

Disciplinary Rules

1.When the employee commits faults stated in the disciplinary rules the measures indicated there in shall be taken against him.

2.If the employee refrains from repeating the faults for which he/she has been warned for a period of one year, the warning letter may be withdrawn from his or her file.

3. The employee, in the incident of committing successive faults, shall be dismissed and paid compensation according to the provision of YCI.

4. An employee aggravated with disciplinary measures taken against shall present his complaints in writing in accordance with the grievance procedures.

Light Offenses

DISPLINARY MEASURES

No		1 st	2 nd	3 rd	4 th	5 th	6 th
1	Being late to work 30 minutes Without permission or good cases	Oral warning	Written warning	2 nd written warning	One day wage	5 days wages last letter of warning	Dismissal
2	Absence from work to one day with out good case or permission	Written warning	one day wage	Two days wage	Four days wage	Five days wage	Dismissal
3	Absence formwork without good cases or permission 1 to 4 days	Written warning	Two days wage	Three days wage	Four days wage	dismissal	•
4		•	•	•	•	Dismissal	
5	Wrong use of vehicles	Oral warning	Written warning	One day wage	Two days wage	Five days wage	Dismissal
6	Failures to obey circulars ,notices and orders	Oral warning	Written warning	Two days warning	Five days wages last letter of warning	Dismissal	
7	Failure to finish work on time deliberately	Oral warning	Written warning	Two days wagwe	Five days wage &last letter of warning	Dismissal	
No		Displinary measures					
		first	second	third	fourth	fifth	sixth
8	Failure to report immediately accident on work	Written warning	Three days wage	Five days wage and last warning	Dismissal		
9	Doing personal work on duty without permission	Oral warning	Written warning	Five days wage last warning	Dismissal		
10	Spreading rumor, that may spoil the organization relation	Oral warning	Written warning	One day wage	Five days wage and last latter warning	Dismissal	

11	Showing bad manners and causing problem with workers	Oral warning	Written warning	One day wage	Five days wage & last letter warning	dismissal	
12	Refusal to do over time	Oral warning	Written warning	One day wage	Two days wage	Five days wages last letter of warning	Dismissal

Serious Offenses

The employees shall be dismissed immediately whenever they are justifiably found committing the following grave faults:

- Bing absent from work without permission of the manger or without good cases for consecutive five days.
- Damage the property of the organization intentionally or gross negligence
- Being physically violent to colleagues and clients except self defense
- Intentionally misrepresentation or defacing documents for the purpose of monitory gain or any other advantage .
- Theft and misappropriation of the property of the organization.
- Reporting to work in a state of intoxication form drinks or drugs.
- Absence from because of imprisonment for a period of more than three months upon conviction by a court of law. If not convicted, the maximum period is six month.
- Absence from work for more than 12 months due to illness not connected with work of the organization.
- Accepting bribes from clients that may harm the organization work.
- Driving vehicles with the permission of the organization interest or driving without license.
- Assuming false identity or submitting false certificates.