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សហប្រតិបត្តិការដើម្បីកម្ពុជា
Cooperation Committee
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Comité de Coopération
Pour le Cambodge

ទស្សនវិស័យ: ការអភិវឌ្ឍប្រកបដោយនិរន្តរភាពនិងប្រជាធិបតេយ្យសម្រាប់ប្រទេសកម្ពុជា
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Minute Note

The 31st Finance Learning Forum **“Practical Cambodian Financial Reporting Standard to Comply with Law on Accounting and Auditing”**

7th September 2023, 8:30 AM – 16:30 PM

Venue: Tonle Bassac2

Physical platform



I. Introduction

Cooperation Committee for Cambodia (CCC) is the largest and longest membership-based organization in Cambodia. By June of 2023, CCC has 186 NGOs, foreign and domestic NGOs as its members and provincial NGO networks in 16 provincial NGO networks. Currently, CCC is

implementing its fourth phase Governance Hub Program (GHP 2021-2023) which consists of two goals: 1) Improved enabling environment for CSOs; and 2) Sustained functionality of CSO Resource Hub at national and sub national levels. CSOs empowered with enhance capacity, resiliency and representation is one out of the four Outcomes from CCC which mainly focus on capacity enhancement to its members.

In response to the need of the CSOs in Cambodia for increasing their capacity in preparing the financial report standard and comply with the requirement from Law on Accounting and Auditing and donors, is really a specific need from most CSOs. Today, CCC will organize its 31st Finance learning forum on the topic of *“Practical Financial Report Standard to comply with Law on Accounting and Auditing”* which will be organized on 7th September 2023 with support from PCG to host this learning forum.

II. Objectives of the Learning Forum

For the whole day, the participant will:

- To strengthen capacity for implementers to clearly understand on accrual and cash standard
- To support the implementer to select on cash or accrual standard to response to their organization’s needs
- To compliance with donors and Law on Accounting and Auditing requirement

2.1 Welcome Remarks

Mr. Ou Saorn, Head of Operations from CCC would be pleased to share warm welcome as below:

I would like to say thanks to all management team of our members who always allow their team to attend in CCC’s learning forum platform. Through active participation from finance working group members, CCC has prepared many learning forums. This forum take lead to share many important topics such as E-filling for CSOs, Cambodian Financial Reporting Standard, Legal Compliance for Accounting and Auditing for Non-for-profit organization, Internal control and compliance. On 24 February 2023, CCC cooperated with General Department of Taxation (GDT) to host a forum on the Tax obligations on Associations and Non-Governmental Organization.

For today, CCC had organized the 31st Finance learning forum on the topic of *“Practical Cambodian Financial Reporting Standard to comply with law on Accounting and Auditing”* with resource person from PCG & Partners Co; ltd. As you know that the submission report to ACAR and other relevant ministries is the obligation of each NGOs to comply with the law. Based on the need of compliance with law of accounting and auditing to most CSOs to avoid punishment, so CCC would greatly organize this finance learning forum to fulfill its members.

I would like to say thank to PCG & Partners Co; Ltd who always share their expertise for facilitate and sharing best practice during CCC’s learning forum. In addition, I would great thank to Finance working group members who always actively support in meeting and other events to identify specific



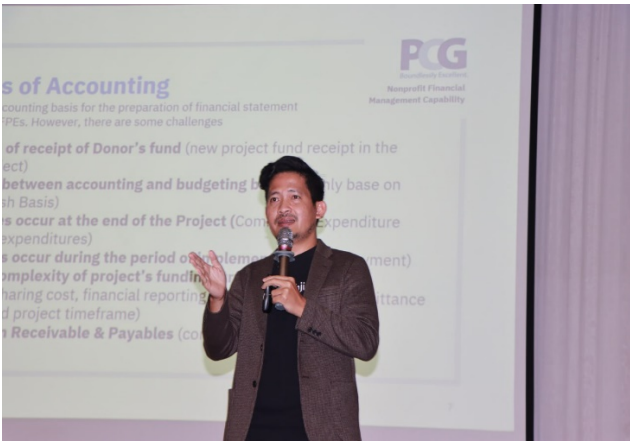
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topic in strengthening capacity to CCC's members.

I would thanks to all participants, guest speaker and all CCC's member for participating in our learning forum today and I wish you all the best. Thank you.

Sharing by Mr. Sim Chankiroth from PCG & Partners Co; Ltd as below:



Cash Basis of Accounting

This is the current accounting basis for the preparation of financial statement based on CFRS for NFPEs. However, there are some challenges

1. **Timeframe of receipt of Donor's fund** (new project fund receipt in the current project)
2. **Conflicting between accounting and budgeting basis** (mainly base on Modified Cash Basis)
3. **Expenditures occur at the end of the Project** (Committed Expenditure and Accrual expenditures)
4. **Expenditures occur during the period of implementation** (Prepayment)
5. **Increasing complexity of project's funding structure** (Timing and approach in sharing cost, financial reporting requirements, fund remittance schedules, and project timeframe)
6. **Inter-program Receivable & Payables** (common practices)



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Accrual Basis of Accounting

Business oriented accounting principal, which is mainly based on Cambodian International Financial Reporting Standards for SMEs.

- 1. Compliance with Donor's Funding Requirement:** Most of the funding agencies for Cambodian NGO does not allow the adoption of this accounting basis.
- 2. Current Accounting System Design:** Adopting full accrual basis of accounting would complicate the design of a unified accounting system for the whole organization and place more burdens on financial reporting compliance to accommodate different accounting basis.
- 3. Cost to implement:** To adopt full accrual basis of accounting, most of the organization accounting manual need to be revised to reflect changes in the accounting treatments, terminologies, and recording and reporting procedures.
- 4. Availability of Qualified Accountants:** Most of the qualified accountants who has knowledge and experiences in dealing with accrual basis are working for private sectors with higher benefits and salaries than those who are working for NGOs.
- 5. Readiness of management and board:** Financial statements prepared based on accrual basis would be very challenging for management and board to fully understand and use them for their decision making.

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Modified Cash Basis of Accounting

Due to current nature of funding requirements and operating environment, it is misguided, in our view, to insist on the cash versus accrual dichotomy and to present alternative bases of accounting in black and white terms. There are valid reasons why there are, and should be, a co-existence of cash and accrual basis in the form of modifications to cash basis to address its limitations in addressing practical challenges in demonstrating transparency and accountability.

Key Areas of Modification

- Grant incomes
- Incomes from other sources, such as membership fee, management oversight, and service or sale revenue
- Committed Expenditures
- Accrual expenditures
- Advance payments to staff
- Prepayment
- Inter-program/ project Receivable & Payables

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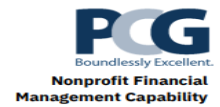
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The second topic was share on **Cambodian Financial Reporting Standards for NFPEs** by **Mr. Mok RoatRangsey, Consulting Director, PCG and Partner Co.,Ltd**



Standard Requirement



NFPEs shall prepare a Financial Report in accordance with requirement set out in Appendix A and the transitional provisions in Appendix B of CFRS for NFPS

This standard applies cash-basic accounting

Financial report components:

- Entity information
- Statement of receipt and payment
- Notes for financial reports

Entity Information



1. General information: legal name, type, address and contact, registration number, VATIN
2. Entity's objectives
3. Organisational chart
4. Main source of cash and resource
5. Main method to raise fund
6. Reliance on volunteers and donated goods/services



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**Nonprofit Financial
Management Capability**

Statement of Receipt and Payment

Lines	Amount (KHR)
Operating Receipt	XXX
Operating Payment	(XXX)
Operating surplus / (deficit)	XXX
Capital Receipt	XXX
Capital Payment	(XXX)
Increase / (decrease) in cash	XXX
Difference in currency translation	XXX
Cash balance at beginning of the year	XXX
Cash balance at end of year	XXX

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**Nonprofit Financial
Management Capability**

Statement of Receipt and Payment

Represented by	Amount (KHR)
Current accounts	XXX
Saving accounts	XXX
Fixed term deposit	XXX
Cash on hand	XXX
Petty cash	XXX
Total cash balance	XXX

Operating Receipts:

- Donation and fundraising
- Fee, subscription, and other receipt from member
- Receipt from providing goods or services
- Interest, dividends and other investment incomes
- Other operating receipts



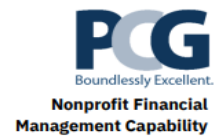
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Operating Payments:

- Public fundraising
- Volunteers and employees
- Payment related to providing goods or services
- Grant and donations
- Other operating payments

Notes to Financial Reports

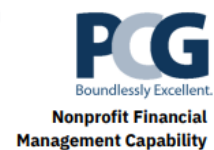


They contains information that expands on the information included in other parts of the financial report as well as providing additional relevant information.

This is designed to provide users with a greater understanding of the information reported in the statements of, receipts and payments and information related to service performance and resources and commitments.

Note 1: Accounting policies, Note 2 &3: Detail of R&P, Note 4: VAT, Note 5: Correction of errors, Note 6: Related party transactions, Note 7: Events of after reporting period, Note 8: Service performance (optional), Note 9: Resources and commitments and Note 10: Other information.

Law and Regulation References



- Law on Accounting and Auditing នស/រកម/០៤១៦/០០៦ dated 16 Apr 2016
- Prakas 335 dated 27 Mar 2018



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Closing remarks by Mr. Khuon Bunsang Finance Working Group member and Finance and Award Manager from Helen Keller INTL (Cambodia).

He would like to say thank to all participants who actively join in this finance learning forum and also to the organizers-CCC and special thanks for the guest speakers from PCG partners. He asked questions to alert all participants on what they have just learnt from this learning forum. At the end of this event, he would like to wish all participants all the best.

Annex:  PCG Financial Reporting Standards

Agenda:

Time	Key Contents	Resource persons
08:00AM-08:30AM	Register	CCC Team
08:30AM-08:40AM	Introduction objectives and ground rules	CCC Team
08:40AM-08:50AM	Welcome and Opening Remarks	Mr. Ou Saorn Head of Operation from CCC
8:50AM-10:00AM	Sharing on: <ul style="list-style-type: none"> Cash Accrual Pro &Con of cash and accrual 	Mr. Sim Chankiroth PCG & Partners Co., Ltd
10:00AM-10:15AM	Break	All
10:15AM-11:30AM	Sharing on: <ul style="list-style-type: none"> Accounting basis to comply ACAR Practical Financial Standard Cash and Accrual Cycle 	Mr. Sim Chankiroth PCG & Partners Co., Ltd
11:30AM-12:00PM	Questions and answers	
12:00PM-1:30PM	Lunch together	
1:30PM-3:00PM	Practice on: <ul style="list-style-type: none"> Practical on sample of financial report to ACAR 	Mr. Mok RoatRangsey, Consulting Director, PCG and Partner Co.,Ltd
3:00PM-3:15PM	Break	
3:15PM-4:20PM	Continue Practice on the sample of financial report by participants	Mr. Mok RoatRangsey, Consulting Director, PCG and Partner Co.,Ltd



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4:20PM-4:30PM	Closing Remarks	Mr. Khuon Bunsang Finance Working Group member and Finance and Award Manager from HKI
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Note: CCC will use the event photos from the learning forum for posting in CCC's website and other official use. CCC reserves the right to change the agenda based on the availability of the speakers and time constraints.