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Nonprofit Financial
Management Capability

The preparation of Financial Statements based on the **Cambodian Financial Reporting Standards for NFPEs**



Trainee Development - Platinum

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Nonprofit's Financial Management Consulting Capabilities



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12

Years of Experience

4

Countries in ASEAN

> 100

Clients in NGOs & Associations

Our team is the member of these world class professional bodies:



វិទ្យាស្ថានគណនេយ្យកម្ពុជា
ដំណាញ់ និងសវនករកម្ពុជា
Kampuchea Institute of Certified
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Think Ahead



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Institute of
Management
Accountants®



Association
of International
Certified Professional
Accountants®



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Scope of Consulting Services in Nonprofit's Financial Management

1. Financial Management System Assessment & Analysis
2. Finance Manual Development
3. Accounting System Design & Implementation
4. Financial Strategy & Monitoring Development
5. Funding Partners' Compliance Advisory & Monitoring



2. Accounting Basis

Current Practices in the adoption of accounting basis for the preparation of financial report in Cambodia

SIM CHANKIROTH

FCCA, CPA, CGMA, ACMA

Current Practices in the adoption of accounting basis
for the preparation of financial report in Cambodia

**Cash
Basis**

**Modified
Cash Basis**

**Accrual
Basis**

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)

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.

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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3. Cambodian Financial Reporting Standards for NFPEs

Mok Roat Rangsey

Consulting Director, PCG and Partners Co., Ltd

Objectives

- To provide general purpose information of the entity for those who require the information for accountability, transparency and decision making.
- To facilitate Not-for-Profit Entities in preparing financial report which shall comply with CFRS.
- To improve the quality and consistency of information disclosed in financial report

Scope

Apply to NFPEs which are under Cambodian Laws regarding Association and Not-For-Profit Organisation.



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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

1. Entity information
2. Statement of Receipt and Payment
3. Note to Financial Reports



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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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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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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

1. Donation and fundraising
2. Fee, subscription, and other receipt from member
3. Receipt from providing goods or services
4. Interest, dividends, and other investment incomes
5. Other operating receipts



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Operating Payments

1. Public fundraising
2. Volunteers and employees
3. Payment related to providing goods or services
4. Grant and donations
5. Other operating payments

Capital Receipts

1. Receipt from sale of resources
2. Receipt from borrowings

Capital Payments

1. Purchase of resources
2. Repayment of borrowings



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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.

Notes 1: Accounting Policies

Entity's declarations...

- The entity is permitted by law to apply this standard
- All transactions are reported in the statement of receipts and payments and related noted to the financial report on a cash basis

VAT

- Whether the entity is registered for VAT, and total amount of VAT input and VAT output for the period if any; or
- Not registered for VAT, so the amount is inclusive of VAT

Notes 2 and 3: Details of R&P

- Details of each operating receipt and payment and of capital receipt and payment shall be listed according to its materiality.
- Information is material if its omission or misstatement could reasonably influence the economic decisions of users taken on the basis of the financial statements.



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Note 4: VAT

- If the amount is exclusive of VAT, VAT Output and VAT Input shall be disclosed separately

Note 5: Correction of Errors

- After the financial report has been approved and submitted to ACAR, it cannot be revised even if you find mistakes and errors later on.
- Next year, the correction of error shall be recorded and disclosed in Note 5 of the report.

Note 6: Related Party Transactions

- People that have significant influence over reporting entity such as officeholders, committee members
- Other entities that have significant influence over reporting entity

Note 6: Related Party Transactions

Why to disclose the RPT? Because the related parties:

1. Relationships can influence the way in which an entity operates with other entities;
2. Relationships might expose an entity to risks, or provide opportunities, that would not have existed in the absence of the relationship; and
3. May enter into transactions that unrelated parties would not enter into, or may agree to transactions on terms and conditions that differ from those that would normally be available to unrelated parties.

Note 6: Related Party Transactions

Examples:

- a. The sale of a significant resource (such as a building) to the spouse of a member of the governing body of the entity;
- b. The provision of preferential access to services provided by the entity to the child of the president of the entity;
- c. The provision of finance (including loans, grants and guarantees), for example, a low interest loan to a related party; and
- d. A member of the governing body providing professional services (e.g. accounting or legal services) to the entity at no cost.

Note 7: Events of after reporting period

- Events after the reporting date are those significant events, both favorable and unfavorable, that occur between the reporting date and the date when financial report is finalized for approval.
- An example of an event requiring disclosure is a fire which destroys the premises of a charity a week after reporting date. The notes to the financial report would report the fact that the fire occurred.

Note 8: Service Performance (optional)

- Description of the outcomes
- Description and quantification of the output



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Note 9: Resources and Commitments

- Detail of bank accounts
- Money held on behalf of others
- Money owed to the entity
- Other resources

Note 9: Resources and Commitments

- Money payable by the entity
- Other commitments
- Guarantee
- Grant with conditions
- Resources used as security borrowing

Note 10: Other information

Any information that, based on judgement as a professional accountant, is useful and necessary for the users of the financial reports to understand overall financial performance and position of the entity.

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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4. Practice Example of financial
report preparation based on

Cambodian Financial Reporting Standards for NFPEs

At 31 Dec 2023, Rabbit Organisation has the following Statement of Financial Position:

Asset	
Cash and Bank	10,000
Advance for project impleme	3,000
Total Asset	13,000

Liability and Equity	
Tax Payable (TOS 400, WHT 300)	700
Accrued Expense	4,000
Total Liabilities	4,700
Equity	
Project Balance	1,300
Reserved Fund	7,000
Total Equipty	8,300
Total Liabilities & Equity	13,000

At 31 Dec 2023, Rabbit Organisation has the following Statement of Profit or Loss:

Grant	15,000
Sale of car	9,500
Interest (net)	500
Revenue	25,000
Salary (TOS incl.)	4,700
Rental (WHT incl.)	3,000
Audit (accrued)	2,000
Photocopier	3,500
Project implementation	6,500
Other expenses	4,000
Expense	23,700
Profit/surplus	1,300

Adjustment to the non-cash expenses:

Salary	4,700	
Less: TOS	-400	4,300
Rental	3,000	
Less: WHT	-300	2,700
Audit	2,000	
Less: accrued expense	-2,000	0
Other	4,000	
Less: accrued expense	-2,000	2,000

Adjustment to the cash payment:

Project implementation	6,500	
add: advance	3,000	9,500

Adjusted Statement of Profit or Loss:

Grant	15,000	R&P1
Sale of car	9,500	R&P14
Interest (net)	500	R&P4
Revenue	25,000	
Salary (TOS incl.)	4,300	R&P8
Rental (WHT incl.)	2,700	R&P11
Audit (accrued)	0	
Photocopier	3,500	R&P15
Project implementation	9,500	R&P11
Other expenses	2,000	R&P11
Expense	22,000	
Profit/surplus	3,000	

Apply
COA of
ACAR



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Statement of Receipt and Payment:

Donation and Fundraising	15,000	R&P1
Interest	500	R&P4
Total Receipt	15,500	
Volunteer and employee	4,300	R&P8
Other Operating Expenses	14,200	R&P11
Total Payment	18,500	
Deficit	-3,000	
Sale of Car	9,500	R&P14
Photocopier	3,500	R&P15
Increase in cash	3,000	
Cash at beginning	7000	
Cash at end	10,000	

Statement of Receipt and Payment:

Represented by		
Current account	6,000	
Saving account	3,500	
Cash on hand	500	
Total	10,000	

Now let's
apply
exchange
rate

Let assume that ACAR issued the following exchange rate

Average: 4050

Closing rate: 4000

Statement of Receipt and Payment:

Donation and Fundraising	60,750	R&P1
Interest	2,025	R&P4
Total Receipt	62,775	
Volunteer and employee	17,415	R&P8
Other Operating Expenses	57,510	R&P11
Total Payment	74,925	
Deficit	-12,150	
Sale of Car	38,475	R&P14
Photocopier	14,175	R&P15
Increase in cash	12,150	
Cash at beginning	28,000	
Cash at end	40,000	

This makes
difference in
currency
translation